



BRIAN CUMBO

ATTORNEY AT LAW

86 W. Main St., Suite 100
P.O. Box 1844
Inez, KY 41224
(606) 298-0428
FAX: (606) 298-0316
cumbolaw@cumbolaw.com

ADMITTED IN KY AND WV

March 22, 2022

Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RE: Martin County Water District
PSC Case No. 2020-00154

To Whom It May Concern:

Enclosed please find Martin County Water District's Notice of Filing the information packet for the March 22, 2022 Board meeting.

Thank you for your attention to this matter.

Very truly yours,

BRIAN CUMBO

BC/ld

Enclosure

cc: Martin County Water District
Hon. Mary Varson Cromer

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION


In the Matter of:

ELECTRONIC MARTIN COUNTY WATER)
DISTRICT MANAGEMENT AND OPERATION)
MONITORING PURSUANT TO KRS 278.250)

CASE NO. 2020-00154

NOTICE OF FILING

Comes the Martin County Water District, by counsel, and hereby gives Notice of Filing of the attached information packet for the Martin District monthly Board meeting scheduled for March 22, 2022.


BRIAN CUMBO
COUNSEL FOR MARTIN COUNTY
WATER DISTRICT
P.O. BOX 1844
INEZ, KY 41224
TELEPHONE: (606) 298-0428
TELECOPIER: (606) 298-0316
EMAIL: cumbolaw@cumbolaw.com

CERTIFICATE OF SERVICE

This will certify that a true and correct copy of the foregoing was served via electronic filing on this the 22nd day of March, 2022, to the following:

Public Service Commission
ATTN: Nancy Vinsel
P.O. Box 615
Frankfort, KY 40602

Hon. Mary Varson Cromer
Appalachian Citizens' Law Center, Inc.
317 Main Street
Whitesburg, KY 41858


BRIAN CUMBO

Martin County Water District
387 E. Main St.

Phone (606) 298-3885 Inez, Kentucky 41224

Regular Meeting, Tuesday, March 22, 2022 – 6:00 p.m.
Martin County Government Center (2nd Floor)

- 1) Call the meeting to order
- 2) Review and Consideration to Approve Minutes
- 3) Introduction of Guests
- 4) Review and Consideration of Financial Reports
 - A. Review and Consideration to Approve Treasurer's Report
 - B. Review and Consideration to Approve Other Financials
 - C. Review and Consideration to Approve 2021 Audit Draft
- 5) Review and Consideration to Approve Bills
- 6) Legal
 - A. Any Issues for Discussion with Board Attorney
- 7) Operations
 - A. Alliance Operations Report
 - B. Water Loss Report
- 8) Capital Projects Report
 - A. Project Updates
- 9) Other Old Business
- 10) Other New Business
 - A. Collection Agency Service Agreement
 - B. Inoperable Vehicles
- 11) Consider Motion to Convene into Closed Executive Session
- 12) Consider Motion to Close Executive Session
- 13) Other and Informational
- 14) Adjourn

Notice is hereby given that, subject to a motion duly made and adopted, the Board of Directors may hold an Executive Session subject to the laws of Kentucky.

**Martin County Water District
Regular Meeting of the Board of Directors
February 22, 2022, Meeting Minutes**

Presiding: James Kerr, Chairman
Present: Directors: Greg Crum, BJ Slone
Staff: Brian Cumbo (Attorney), Craig Miller (GM), Jon Ridings, (LM),
Cassandra Moore
Guests: Ed Daniels, Diane Ousley, Steve Ousley, Nina McCoy

The Regular Meeting of the Martin County Water District was held on February 22, 2022, at the Martin County Government Center, at 42 East Main St (2nd Floor), Inez, Kentucky 41224. Mr. Kerr called the meeting to order at 6:01 p.m.

Mr. Kerr called for review of the January 25, 2022, Regular Board Meeting minutes. Having no questions or further discussions, Mr. Slone motioned to accept the January 25, 2022, Regular Board Meeting minutes. Mr. Crum seconded. All ayes. Motion carried.

Mr. Kerr inquired if there were any guest requesting to speak. Ed Daniels questioned how many more rate increased the Board would be seeking. Mr. Kerr advised that the Board would not be seeking any more increases as of right now. Mrs. Ousley inquired if the Board had applied to any of the funds and grants being offered. Mr. Kerr advised that the District had applied to every funding and grant options that they were qualified to apply for. Mrs. McCoy questioned if the Board knew about the PSC increase granted to the District on February 08, 2022. Mr. Kerr responded that the District had no idea of the increase amount. The District requested for the minimum amount required to operate MCWD.

Mr. Kerr requested discussion on the review and consideration of the Financial Reports. Mr. Miller detailed each report as submitted. After further discussion, Mr. Slone motioned to approve the Treasurer's report submitted. Mr. Crum seconded. All ayes. Motion carried. Other Financials were presented by Mr. Miller. After further discussion, Mr. Crum motioned to approve, Mr. Slone seconded. All ayes. Motion carried.

Mr. Kerr called for review and consideration to Approve Bills. After review and no further discussion, Mr. Slone motioned to approve the list of bills as presented. Mr. Crum seconded. All ayes. Motion carried.

Mr. Kerr asked if there were any legal issues to discuss.

Mr. Kerr called for review of the Operations Report. Mr. Miller provided the Operations report. Construction on the river intake and water plant projects are moving along at a fast and steady rate. Temporary electric to supply sufficient power for our large pump has been established at the intake. This is important as it assures power would not be an issue if we were to experience a draught before the intake project is complete. The water

salesman building at Spicy Mountain was vandalized. The kiosk was stolen with tokens inside it. Wires and breakers were also taken. Damage was done to the electric meter, a backflow preventing valve and more. All stolen and damaged parts have been ordered. The manufacturer informed us they currently have parts on backorder until the end of March and it will be after that before they can send us all the parts needing replaced. We are investigating alternative scenarios, but for now, that is the timeframe.

Mr. Miller presented an update of the water loss report.

Mr. Miller presented an update on the capital projects report. Clarifier #1 is on task for completion. Once finished this will be the first time since 2009 that, that clarifier has been up and running. Once it's up and operating, the plant will drop Clarifier #2 and clean it out. The following will happen with Clarifier #3, until all three are operating to maintain the plant.

Mr. Kerr inquired if there was any Other Old Business to discuss.

Mr. Kerr inquired if there was any Other New Business to discuss. Mr. Miller advised the Board of the required rate increase established by the PSC on February 08, 2022. He advised that this was in no way AWR or the Boards decision. Each had no control over the actions taken. The previous staff recommendation and board decision to use Fishbeck for water projects has stalled due to the firm's understandable requests for payment of services up front. With consideration of the current state of the District's financial situation, staff recommended the continuation of Bell Engineering and Prime or a collaboration of the two on all current and potential projects and plannings. Mr. Slone motioned to approve the continuation of using Bell Engineering for any upcoming projects. Mr. Crum seconded. All ayes. Motion carried.

Executive session not required.

Mr. Kerr inquired if there were any other questions before motioning to adjourn. Staff advised the Board and customers of the new payment call center number. Staff also advised customers to call the billing office for assistance in setting up a payment plan should the situation arise for them.

Having no further items for discussion, Mr. Kerr requested a motion to adjourn. Mr. Slone motioned to adjourn the meeting. Mr. Crum seconded. All ayes. Motion carried. Meeting adjourned at 7:01 p.m.

Minutes approved this _____ day of _____, 2022.

James Kerr, Chairman

Cassandra Moore, District Clerk

**Martin County Water District
Special Meeting of the Board of Directors
March 15, 2022, Meeting Minutes**

Presiding: James Kerr, Chairman

Present: Directors: Greg Crum, BJ Slone, John Hensley, Lee Mueller
Staff: Brian Cumbo (Attorney), Craig Miller (GM), Jon Ridings, (LM),
Cassandra Moore

Guests:

The Special Meeting of the Martin County Water District was held on March 15, 2022, at the Alliance Water Resources Corporate office, located at 155 East Main Street Suite 100 Inez, Kentucky 41224. Mr. Kerr called the meeting to order at 6:00 p.m.

Mr. Kerr called for review of the FEMA resolution documents authorizing Craig Miller as the approval agent for MCWD. After further review, Mr. Hensley motioned to approve Mr. Miller as the approval agent. Mr. Slone seconded. All ayes. Motion carried.

Mr. Kerr called for review the motion to approve the KRWA loan and bond resolution. After further discussion, Mr. Hensley motioned to approve the Loan/Bond resolution. Mr. Slone seconded. All ayes. Motion carried.

Having no further items for discussion, Mr. Kerr requested a motion to adjourn. Mr. Slone motioned to adjourn the meeting. Mr. Mueller seconded. All ayes. Motion carried. Meeting adjourned at 6:13 p.m.

Minutes approved this _____ day of _____, 2022.

James Kerr, Chairman

Cassandra Moore, District Clerk

Martin County Water District
Balance Sheet
February 28, 2022

2/28/22

ASSETS

CURRENT ASSETS

Checking Account - Operations	\$	95,314.49
Revenue Fund - EFT		22,823.60
Cash on Hand		900.00
Total Cash		119,038.09
Accounts Receivable		384,391.10
Allowance for Doubtful Accounts		(37,712.34)
Unbilled Accounts Receivable		92,562.00
Inventory		5,557.34
Prepaid Expenses		9,826.25
Total Current Assets		573,662.44

PROPERTY, PLANT, & EQUIPMENT

Land		214,713.83
Water Supply & Distribution System		28,206,273.69
Buildings		500,263.89
Equipment & Furniture		6,369,882.38
Vehicles		138,773.45
Construction Work in Progress		129,599.97
Less: Accumulated Depreciation		(17,851,009.61)
Net Property, Plant, & Equipment		17,708,497.60

RESTRICTED CASH

Security Deposits		189,422.37
Grant Fund		63.07
Sinking Fund - RD		9,097.43
Regions Sinking Fund		27,803.88
KIA Sinking Fund		12,323.00
KACO Sinking Fund		11,620.18
Debt Service Surcharge Fund		6,050.31
Management Infrastructure Surcharge Fund		8,422.49
Depreciation Fund		1,022.04
Accrued Interest Receivable		2.00
Total Restricted Cash		265,826.77

OTHER ASSETS

Deferred Outflows of Resources Related to Pensions		134,959.00
Total Other Assets		134,959.00

Total Assets	\$	18,682,945.81
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Martin County Water District

Balance Sheet

February 28, 2022

2/28/22

LIABILITIES AND DISTRICT'S EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 1,469,382.61
Sales Tax Payable	1,746.48
School Tax Payable	6,886.44
Long Term Debt-Current	72,992.86
Accrued Interest Payable	6,376.17
Customer Deposits	83,755.53
Total Current Liabilities	1,641,140.09

LONG-TERM DEBT

Note Payable - KIA	332,031.94
Lease Payable - KACO	56,221.96
Bonds Payable - 2015 E Current Refunding	1,645,000.00
Bonds Premium - 2015 E, Net of A/Amort	17,236.15
Less Current Portion of L-Term Debt	(72,992.86)
Net Pension Liability	1,080,845.00
Other Inflow Resources - Pension	480,553.00
Total Long-Term Debt	3,538,895.19

Total Liabilities

5,180,035.28

DISTRICT'S EQUITY

Retained Earnings (Deficit)	13,485,066.22
YTD Net Income	17,844.31
Total District's Equity	13,502,910.53

Total Liabilities and District's Equity

\$ 18,682,945.81

Martin County Water District
Statements of Revenues and Expenses
Fiscal Year Jan 01 to Dec 31
For the Month(s) Ending
Actual vs Budget

February, 2022			YTD		
Actual	Budget		Actual	Budget	Annual Budget
		Operating Revenues			
\$ 161,083	\$ 168,104	Water Sales - Residential	\$ 331,303	\$ 336,208	\$ 2,017,245
28,645	26,330	Water Sales - Commercial	56,761	52,660	315,955
4,591	9,104	Water Sales - Public Authorities	9,824	18,208	109,247
-	4	Bulk Water Sales	-	8	50
1,000	2,202	Connection Fees - Tap	2,000	4,404	26,418
5,624	4,740	Late Charge Fees	11,181	9,480	56,874
4,530	3,054	Reconnect/Meter Sets/Other Fees	8,275	6,108	36,644
8,817	8,918	Debt Service Surcharge	17,642	17,836	107,015
15,815	16,078	Management Infrastructure Surcharge	31,648	32,156	192,936
230,105	238,534	Total Operating Revenues	468,635	477,068	2,862,384
		Operating Expenses			
-	21	Materials & Supplies	-	42	249
13,503	833	Water Purchased	28,342	1,666	10,000
168,507	168,507	Management & Operations Contract	337,014	337,014	2,022,084
18,639	26,667	Utilities	39,697	53,334	320,000
2,904	2,423	Insurance	5,807	4,846	29,070
-	833	Repairs & Maintenance	-	1,666	10,000
56	270	Outside Services	113	540	3,243
1,100	1,349	Legal Expenses	1,663	2,698	16,182
-	-	Accounting/Audit	-	-	7,500
4,583	4,583	Bad Debts	9,167	9,166	54,999
450	675	Bond Trustee Fees	450	675	675
227	278	Dues	453	556	3,330
85	279	Office Expense	164	558	3,344
796	-	Rent Expense	1,592	-	-
-	-	Taxes	-	-	7,553
-	808	Regulatory Assess Fees	-	1,616	9,692
-	2	Permits	-	4	23
99	-	KY 811 Services	189	-	-
48	226	Miscellaneous Expenses	153	452	2,708
5	-	Customer Deposit Interest Expense	5	-	-
211,002	207,754	Total Operating Expenses	424,809	414,833	2,500,652
19,103	30,780	Net Income B/4 Other Income (Expenses)	43,826	62,235	361,732
		Other Income (Expenses)			
-	-	Capital Contributions	117,063	-	-
10	-	Interest Income	21	-	-
(6,577)	(6,705)	Interest Expense	(13,191)	(13,410)	(80,458)
126	63	Amortization	126	126	753
(65,000)	(65,000)	Depreciation	(130,000)	(130,000)	(780,000)
(71,442)	(71,642)	Total Other Income (Expenses)	(25,982)	(143,284)	(859,705)
\$ (52,339)	\$ (40,862)	Net Income (Loss)	\$ 17,844	\$ (81,049)	\$ (497,973)

**Martin County Water District
Inez, KY**

Treasury Report

Billing Charges For the Month of:	Feb-22	
Water Revenue		\$ 160,633.08
Water Revenue-Commercial		28,644.71
Water Revenue-Commercial Exempt		4,590.92
Late Charges		5,623.60
Sales Taxes		1,718.66
Debt Service Surcharge		8,817.25
School Tax		5,816.45
Management Infrastructure Surcharge		15,814.71
Returned Check		543.72
Interest on Customer Deposits		(4.58)
Connection Fees		1,000.00
Other Miscellaneous Fees		4,530.03
Deposits Applied		(1,260.00)
Refund Checks Paid		192.82
Total Billing Charges		\$ 236,661.37
Gallons Billed		12,436,820
Customers Billed		3,429

Accounts Receivable	Feb-22	
Beginning Balance		329,645.05
Billing Charges		236,661.37
Bad Debt (Write Offs) Recoveries		-
Accounts Receivable Collections		(229,471.68)
End of Month Accounts Receivable		336,834.74

Operations Account		
Beginning Balance		\$ 33,851.63
Deposits		
Accounts Receivable Collections		229,471.68
Accounts Receivable Collections - Pmts in EFT Revenue Account		(86,492.07)
Sewer Billing Collections in Water Bank Acct - Due to MCS		68,690.11
Customer Deposits Received		1,620.00
Void Checks transferred to Unclaimed Property		136.90
Transfers from Other District Accts		80,500.00
Total Deposits		293,926.62
Disbursements:		
Checks Written		(104,524.68)
Pmts made to Sanitation for A/R Collections		(59,219.81)
Transfers to Other District Accts		(41,496.62)
Auto Drafted Utilities		(20,405.27)
Sales and School Tax Payments		(6,687.28)
Returned Checks		(115.10)
Bank Fees		(15.00)
End of Month Balance		\$ 95,314.49
Cash Receipts Collected To Date in:	Mar-22	178,558.49
Bills Submitted for Payment in:	Mar-22	(246,165.23)
Available Balance	4A-4	27,707.75

Martin County Water District
Inez, KY
Treasury Report
Summary of Cash & Investments
February 28, 2022

Bank Account	CD Maturity Date	CD Term	Beginning Balance	Deposits	Interest Earned, Net of Fees	Payments	Ending Balance
Operations Account			\$ 33,851.63	293,926.62	-	(232,463.76)	\$ 95,314.49
Revenue EFT Account			17,003.91	86,622.07	-	(80,802.38)	22,823.60
Cash on Hand			900.00	-	-	-	900.00
Total Unrestricted Cash			<u>51,755.54</u>	<u>380,548.69</u>	<u>-</u>	<u>(313,266.14)</u>	<u>119,038.09</u>
Restricted Cash							
Security Deposits			187,357.91	2,250.00	7.28	(192.82)	189,422.37
ARC Grant			63.07	-	-	-	63.07
Rockhouse Project			9,019.08	10,800.00	-	(10,721.65)	9,097.43
Regions Bank-KY 2015E Martin County			17,563.01	10,688.65	2.22	(450.00)	27,803.88
KIA Bond & Interest			12,199.59	5,800.00	0.12	(5,676.71)	12,323.00
KY Assoc of Counties Leasing Trust			10,711.81	1,200.00	0.17	(291.80)	11,620.18
Debt Service Surcharge			1,916.78	7,673.60	0.07	(3,540.14)	6,050.31
Management Infrastructure Surcharge			6,587.11	13,773.02	0.16	(11,937.80)	8,422.49
Depreciation Reserve			1,022.02	-	0.02	-	1,022.04
Total Restricted Cash			<u>246,440.38</u>	<u>52,185.27</u>	<u>10.04</u>	<u>(32,810.92)</u>	<u>265,824.77</u>
Total Cash & Investments			<u>\$ 298,195.92</u>	<u>432,733.96</u>	<u>10.04</u>	<u>(346,077.06)</u>	<u>\$ 384,862.86</u>

**Martin County Water District
Billing Summary**

Date	Billed		Gallons (000'S)	Billed # of Customers	Payments Received
	Revenue	YTD Total			
Feb-22	199,134	405,267	12,437	3,429	229,472
Jan-22	206,132	206,132	13,531	3,495	214,062
Dec-21	182,101	2,047,534	10,570	3,506	243,688
Nov-21	209,735	2,075,167	14,015	3,530	226,606
Oct-21	163,832	1,865,433	8,488	3,543	255,238
Sep-21	239,376	1,701,601	17,268	3,562	232,135
Aug-21	205,478	1,462,225	13,141	3,561	218,646
Jul-21	187,538	1,256,747	13,937	3,571	231,387
Jun-21	198,188	1,069,209	15,411	3,577	220,666
May-21	166,612	871,021	11,619	3,579	210,056
Apr-21	177,176	704,409	13,070	3,607	208,321
Mar-21	168,943	527,233	11,672	3,589	221,475
Feb-21	174,700	358,289	12,558	3,623	178,814

Martin County Water District

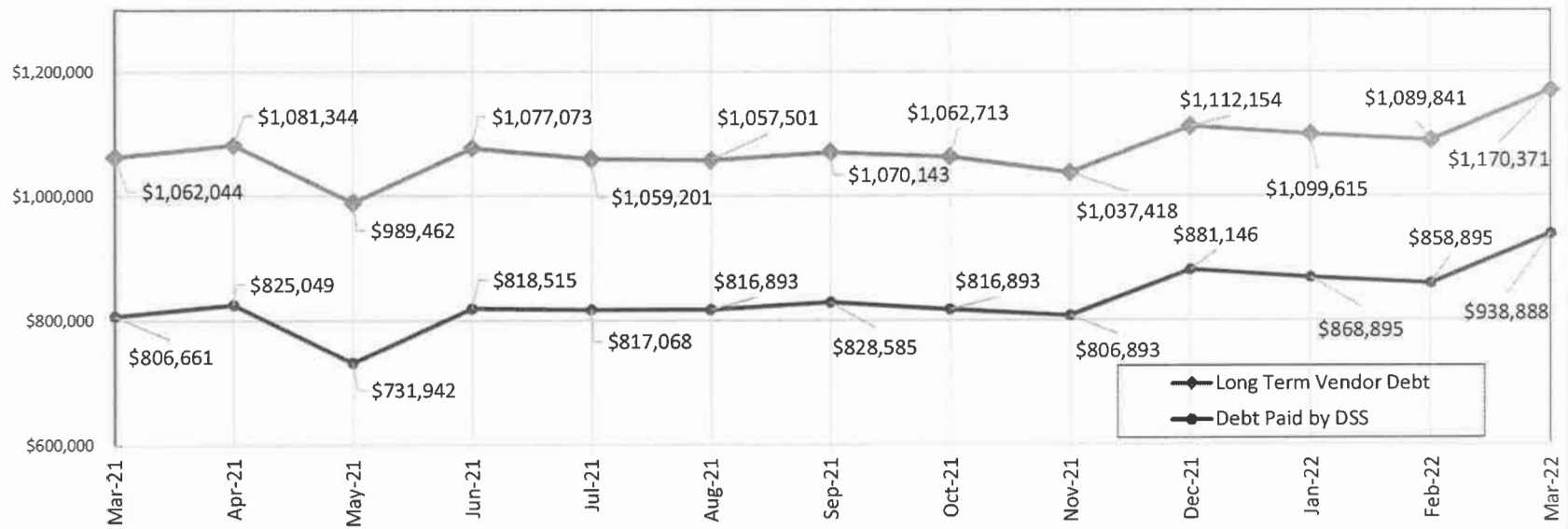
Net Income on a Cash Basis (Snapshot) EXCLUDES DEPRECIATION (format Revised 28 July 20)

	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
REVENUE													
Customer Count	3,623	3,589	3,607	3,579	3,577	3,571	3,561	3,562	3,543	3,530	3,506	3,495	3,429
Payments Received	\$178,814	\$221,475	\$208,321	\$210,056	\$220,666	\$231,387	\$218,646	\$232,135	\$255,238	\$226,606	\$243,733	\$214,062	\$229,472
EXPENSES													
Operations Account	\$220,106	\$216,707	\$230,318	\$222,369	\$239,191	\$239,068	\$231,079	\$256,851	\$244,621	\$254,388	\$259,322	\$237,297	\$228,365
Transfers for debt serv funding	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800
Payment Plans	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DSS EXP/ (FUNDING)	\$0	\$0	\$0	\$0	\$15,000	\$0	\$0	\$0	\$10,000	\$0	\$0	\$0	\$0
MIS EXP / (FUNDING)													
Sub total	\$237,906	\$234,507	\$248,118	\$240,169	\$271,991	\$256,868	\$248,879	\$274,651	\$272,421	\$272,188	\$277,122	\$255,097	\$246,165
NET INCOME													
Cash Basis	-\$59,092	-\$13,032	-\$39,797	-\$30,113	-\$51,325	-\$25,481	-\$30,233	-\$42,516	-\$17,183	-\$45,582	-\$33,389	-\$41,035	-\$16,693

Notes:

- 1: **Payments Received** are those received for the full month
- 2: **Expenses** are those planned and presented in the Board Packet for the referenced month
- 3: **Payment Plans** are payments towards outstanding debt not funded by DSS
- 4: **Operations Account Includes** the estimated DSS and MIS transfers
- 5: **MIS EXP** estimated funds applied to AWR Invoice (An Operations Account Expense) estimated DSS and MIS transfers
- 6: MIS fund beginning balance January 2020-of \$12,244 applied to AWR fee in June
- 7: Balance of debt -payments to be funded with unused DSS= **\$938,888**
- 8: **Based on the requirements there will be deposits and subsequent withdrawals in DSS/MIS accounts with a likely sum of zero monthly**
- 9: \$15,000 payment made to Xylem from the DSS account not reported in the June 2021 column until the September 2021 financials.
- 10: \$10,000 payment made to Xylem from the Operations account not reported in the October 2021 column until the December 2021 financials.

Martin County Water District Outstanding Vendor Debt



Vendor Balance

Period: 02/28/22

Martin County Water District

Amounts in \$

Only includes vendors with entries in the period

Group Totals: Vendor Posting Group

No.	Name	Ending Balance 02/28/22
DOMESTIC		
V00006	BRIAN CUMBO	-32,134.10
V00010	ALLIANCE WATER RESOURCES, INC.	-463,510.67
V00012	XYLEM	-68,739.10
V00013	ALL PUMPS SALES & SERVICES	-8,411.90
V00014	CI THORNBURG	-36,345.26
V00015	CI THORNBURG-VFD#2	-12,071.32
V00016	EVANS HARDWARE	-30,362.72
V00017	EVANS HARDWARE #2	-18,820.64
V00018	LINDA SUMPTER, CPA	-151,942.35
V00020	SERVICE PUMPS & SUPPLY	-21,282.99
V00021	SOLES ELECTRIC COMPANY	-13,300.00
V00022	UNITED RENTALS	-56,722.94
V00023	ZIP ZONE EXPRESS	-256,726.95
Total in \$		-1,170,370.94

Martin County Water District

Inez, Kentucky

Annual Financial Report

Years Ended December 31, 2021 and 2020

Martin County Water District

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December 31, 2021 and 2020

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Financial Section

DRAFT



100 North Sixth Street • P.O. Box 796 • Hannibal, Missouri 63401-0796 • Phone (573) 221-5998 • Fax (573) 221-2044

Independent Auditor's Report

The Board of Directors
Martin County Water District
Inez, Kentucky

Opinion

We have audited the accompanying financial statements of the business-type activities of Martin County Water District, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Martin County Water District, as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Martin County Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Martin County Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Concluded)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Martin County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Martin County Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of the District's proportionate share of the net pension liability, and schedule of contributions information on pages 4 through 8 and 22 through 23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Independent Auditor's Report (Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2022, on our consideration of Martin County 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Martin County Water District's 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 Martin County Water District's internal control over financial reporting and compliance.

Wade Stables P.C.

Wade Stables P.C.
Certified Public Accountants

March 14, 2022
Hannibal, Missouri

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As management of the Martin County Water District of Inez, Kentucky (the District), we offer readers of the District's audited financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2021.

OVERVIEW OF THE AUDITED FINANCIAL STATEMENTS

The financial statements presented in this report consist of the *statements of net position*, the *statements of revenues, expenses, and changes in net position*, and the *statements of cash flows*. The statements of net position provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the District. The current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position. This statement reports the revenues and expenses during the period indicated and can be used to determine whether the District has successfully recovered all its costs through user fees and other charges. The primary purpose of the statements of cash flows is to provide information about the District's cash receipts and cash payments. This statement reports cash receipts, cash payments, and net changes in cash resulting from activities related to operations, capital and related financing, noncapital financing, and investing activities.

STATEMENT OF NET POSITION

The District's total net position in 2021 decreased by \$264,130 and ended the year at \$13,485,066.

Net position is comprised of Assets, Deferred outflows of resources, Liabilities, and Deferred inflows of resources.

Total assets decreased \$235,000 or 1.3% primarily due to decreases in capital assets of \$211,000 and current assets of \$56,000, offset by an increase in restricted assets of \$32,000. The decrease in capital assets is mainly due to depreciation expense of \$773,000 exceeding net asset additions of \$368,000. The District inventoried capital assets and removed assets no longer in service. Additional information regarding capital assets is discussed in the capital assets section. The decrease in current assets is primarily due to decreases in accounts receivable of \$32,000 and cash of \$51,000, offset by an increase in unbilled revenue of \$31,000. The District collects and deposits sewer payments for Martin County Sanitation District. The decrease in cash mainly represents a reduction in the District's payable to Martin County Sanitation. The increase in restricted assets is mainly due to increases in debt service reserves for the principal payments and customer deposits. Restricted cash is discussed in detail in the restricted assets section.

Deferred outflows consist of the net difference between projected and actual earnings on pension plan investments. The Kentucky Retirement report was not available at the time this audit is issued so the 2020 numbers remain unchanged. Footnote 12 (page 18) of the audited financial statements provides additional information.

Total liabilities increased by \$29,000 or 0.06% primarily due to an increase in current liabilities of \$163,000 and decreases in long-term debt of \$134,000 related to principal payments made. Current

Martin County Water District
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED December 31, 2021

liabilities increased mainly due to the increase in repairs and chemicals incurred by the District in 2021, an increase in customer deposits payable, and an increase in the current portion of long-term debt offset by decreases in tax liabilities and accrued interest.

Net pension liability remains unchanged because the Kentucky retirement report was unavailable. See Footnote 12 (page18) of the audited financial statements for more information.

A summary of financial position follows:

	For The Years Ended December 31			2021	
	2021	2020	2019	Change	Percent Change
Assets:					
Current assets	\$ 520,456	\$ 576,181	\$ 508,754	(55,725)	-9.7%
Restricted assets	326,983	295,343	278,256	31,640	10.7
Capital assets	17,715,134	17,926,113	18,387,049	(210,979)	-1.2
Total assets	18,562,573	18,797,637	19,174,059	(235,064)	-1.3
Deferred Outflows:					
Deferred outflows of resources related to pensions	\$ 134,959	\$ 134,959	\$ 286,346	-	N/A
Total deferred outflows of resources	134,959	134,959	286,346	-	N/A
Liabilities:					
Current liabilities	1,663,900	1,501,086	1,206,149	162,814	10.8
Long term debt, net	1,987,168	2,120,916	2,252,962	(133,748)	-6.3
Net pension liability	1,080,845	1,080,845	1,739,483	-	N/A
Total liabilities	4,731,913	4,702,847	5,198,594	29,066	0.6
Deferred Inflows:					
Deferred inflows of resources related to pensions	\$ 480,553	\$ 480,553	\$ 93,003	-	N/A
Total deferred inflows of resources	480,553	480,553	93,003	-	N/A
Net Position:					
Net investment in capital assets	15,594,973	15,673,916	16,009,467	(78,943)	-0.5
Restricted for customer deposits	187,047	166,222	157,928	20,825	12.5
Restricted for debt service	139,873	129,028	120,239	10,845	8.4
Restricted for capital projects	63	93	89	(30)	-32.3
Unrestricted	(2,436,890)	(2,220,063)	(2,118,915)	(216,827)	9.8
Total net position	\$ 13,485,066	\$ 13,749,196	\$ 14,168,808	(264,130)	-1.9%

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Total operating revenues increased by \$305,000 or 12.1% and totaled \$2,822,000 for the year. Water revenue and late charge fees increased \$143,000 from the prior year mainly due to a temporary rate increase in August 2021 as approved by the Public Service Commission (PSC) and the resumption of late charges billed which was suspended during the height of the Pandemic. Additionally, there was an increase of \$169,000 in miscellaneous income and other fees for adjustments of previous accruals and penalty and interest waived by vendors on outstanding balances. This was offset by a reduction of \$5,000 from the prior year in connection fees, debt and water surcharges.

Total operating expenses increased by \$358,000 or 11.2% and totaled \$3,566,000 for the year mainly due to an increase in the repairs, chemical & maintenance costs, utilities, and water purchased. The Water District experienced an ice storm and flood causing a state of emergency in the county. This disaster was very costly to the District and we are still awaiting reimbursement for a majority of these expenses from FEMA. Other costs included making hydraulic corrections to the system to help combat water loss, and an increase in pricing and availability of repair parts and chemicals. Water purchased increased due to a failure at the Otto Brown booster station. This station provides water to the Airport and Davella region where there is a tie in with Prestonsburg Utilities. Prestonsburg has been pumping to the Airport and Davella region a large portion of the year costing the District between \$10,000 to \$15,000 a month. The expenses were offset mainly by reductions in bad debts, insurance, and audit costs.

Change in net position (net operating loss) in 2021 was \$264,000, an improvement of \$181,000 or 40.7% from prior year.

Non-operating expense in 2021 increased by \$1,200 mainly due to customer deposit interest expense offset by reductions in interest expense, loss on disposal of assets, and interest income.

Capital contributions increased \$567,000 due to grants received from the Appalachian Regional Commission (ARC) for The Lovely Water Line Replacement Project. This project installed new water line from railroad bridge to Evans Hill as well as new service lines for customers and eighty-one radio read meters. This project was due to an extensive amount of water loss in the area from failing infrastructure.

A summary statement of revenues, expenses and changes in net position follows:

Martin County Water District
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED December 31, 2021

	For The Years Ended December 31			2021	
	2021	2020	2019	Change	Percent Change
Operating Revenues:					
Water sales	\$ 2,243,478	\$ 2,146,384	\$ 2,220,203	97,094	4.5%
Connection fees	17,612	22,872	-	(5,260)	-23.0%
Late charge fees	58,575	13,416	76,437	45,159	336.6%
Debt service surcharge	107,177	107,436	152,709	(259)	-0.2%
Water surcharge (MIS)	192,369	193,180	12,244	(811)	-0.4%
Other fees	39,575	20,144	67,495	19,431	96.5%
Misc income	163,551	14,311	-	149,240	1042.8%
Total operating revenues	<u>2,822,337</u>	<u>2,517,743</u>	<u>2,529,088</u>	<u>304,594</u>	<u>12.1%</u>
Operating Expenses:					
Operating expenses	2,793,533	2,421,722	2,424,794	371,811	15.4
Depreciation	773,206	786,741	790,294	(13,535)	(1.7)
Total operating expenses	<u>3,566,739</u>	<u>3,208,463</u>	<u>3,215,088</u>	<u>358,276</u>	<u>11.2</u>
Net Operating Income	<u>(744,402)</u>	<u>(690,720)</u>	<u>(686,000)</u>	<u>(53,682)</u>	<u>7.8</u>
Non-operating Income (Expense)					
Interest expense	(78,302)	(80,217)	(93,472)	(1,915)	2.4
Customer deposit interest expense	(3,319)	-	-	3,319	N/A
Bond trustee fees	(450)	(450)	-	-	N/A
Gain (loss) on disposal of assets	(4,752)	(5,237)	-	485	(9.3)
Interest income	112	386	83	(274)	(71.0)
Total Non-operating income (expenses)	<u>(86,711)</u>	<u>(85,518)</u>	<u>(93,389)</u>	<u>1,193</u>	<u>(1.4)</u>
Change in net position before contributions	<u>(831,113)</u>	<u>(776,238)</u>	<u>(779,389)</u>	<u>(54,875)</u>	<u>7.1</u>
Capital grants and contributions	566,983	331,046	17,000	235,937	71.3
Change in net position	<u>(264,130)</u>	<u>(445,192)</u>	<u>(762,389)</u>	<u>181,062</u>	<u>(40.7)</u>
Net Position - Beginning	13,749,196	14,168,808	14,931,197	(419,612)	(3.0)
Prior Period Adjustment	-	25,580	-	(25,580)	(100.0)
Net Position - Ending	<u>\$ 13,485,066</u>	<u>\$ 13,749,196</u>	<u>\$ 14,168,808</u>	<u>(264,130)</u>	<u>-1.90%</u>

STATEMENT OF CASH FLOWS

The District's rate structure is designed to collect sufficient revenues to pay debt service and recover operating and maintenance expenses. The District successfully accomplished that objective during 2021 with the help of the debt service surcharge and the management infrastructure surcharge. The net cash provided by operating activities by itself would not have been sufficient to pay debt service.

The District applied for a rate increase in December 2020. The PSC then approved an emergency rate increase effective in August 2021 and a permanent rate increase effective March 2022 to help the District meet its operational expenses.

RESTRICTED ASSETS

Restricted assets were \$326,983 in 2021 compared to \$295,343 in 2020. The District's debt covenants specify the manner in which monies on deposit in the various restricted funds must be used. Restricted assets consist of various accounts for customer meter deposits, debt service and capital projects.

CAPITAL ASSETS

Capital assets, net of accumulated depreciation was \$17,715,134 on December 31, 2021, compared to \$17,926,113 on December 31, 2020, which represents a decrease of \$210,979 or 1.2%. Capital asset additions in 2021 were \$891,785 which consisted of the ARC Lovely line replacement. Additions were offset by the retirement of numerous items (including meters, hydraulics, hydrants, pumps, equipment, computer hardware and software, and vehicles which remained in the district records) and depreciation expense of \$773,206.

LONG-TERM DEBT

The District paid principal payments of \$131,281 during the fiscal year. As of December 31, 2021, the District had total long-term debt outstanding of \$2,102,799 of which \$132,993 is due in the next year.

OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's overall financial position in 2021 improved as shown by the net position increase of \$181,062. The District continually strives to improve its financial position as reflected in the District's passage of the rate increase effective in March 2022.

REQUEST FOR INFORMATION

This report is designed to provide our customers, debt holders, and other interested parties with a general overview of the financial position of the District and to indicate accountability for the revenues received. Questions about this report or requests for additional information should be directed to the District Clerk (606-298-3885) at the District's office, 387 East Main Street, Inez, KY 41224.

Basic Financial Statements

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Martin County Water DistrictStatements of Net Position
Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 102,126	\$ 153,191
Accounts receivable (net)	315,305	347,314
Unbilled revenue	92,562	62,058
Prepaid expenses	4,904	9,050
Accrued interest receivable	2	2
Inventory	5,557	4,566
Total Current Assets	<u>520,456</u>	<u>576,181</u>
Restricted Assets		
Cash - Customer deposits	187,047	166,222
Cash - Debt retirement	139,873	129,028
Cash - Grants	63	93
Total Restricted Assets	<u>326,983</u>	<u>295,343</u>
Capital Assets		
Water supply & distribution system	28,206,274	27,316,475
Buildings	500,264	500,264
Equipment & Furniture	6,369,882	6,398,523
Vehicles & Trailers	138,773	307,474
Construction in progress	6,237	331,042
Land	214,714	214,714
Less: Accumulated depreciation	(17,721,010)	(17,142,379)
Total Capital Assets	<u>17,715,134</u>	<u>17,926,113</u>
TOTAL ASSETS	<u>18,562,573</u>	<u>18,797,637</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	134,959	134,959
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>134,959</u>	<u>134,959</u>

The accompanying notes to financial statements are an integral part of this statement.

Martin County Water District
Statement of Net Position (Concluded)
Year Ended December 31, 2021

	2021	2020
LIABILITIES		
Current Liabilities		
Accounts payable	1,413,696	1,257,086
Accrued interest	28,151	29,378
Sales tax payable	6,951	8,896
Customer deposits	82,109	74,445
Current portion of long-term debt	132,993	131,281
Total Current Liabilities	1,663,900	1,501,086
Long-Term Liabilities		
Long-term portion of debt (net)	1,987,168	2,120,916
Net pension liability	1,080,845	1,080,845
TOTAL LIABILITIES	4,731,913	4,702,847
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	480,553	480,553
TOTAL DEFERRED INFLOWS OF RESOURCES	480,553	480,553
NET POSITION		
Net investment in capital assets	15,594,973	15,673,916
Restricted for customer deposits	187,047	166,222
Restricted for debt retirement	139,873	129,028
Restricted for capital projects	63	93
Unrestricted	(2,436,890)	(2,220,063)
TOTAL NET POSITION	\$ 13,485,066	\$ 13,749,196

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Martin County Water District
 Statements of Revenues and Expenses and Changes in Net Position
 Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Water sales	\$ 2,243,478	\$ 2,146,384
Connection fees	17,612	22,872
Late charge fees	58,575	13,416
Debt service surcharge	107,177	107,436
MIS Water surcharge	192,369	193,180
Other fees	39,575	20,144
Miscellaneous income	163,551	14,311
Total Operating Revenues	<u>2,822,337</u>	<u>2,517,743</u>
Operating Expenses		
Management & operations contract	2,220,673	1,985,039
Water purchased	65,763	-
Employee benefits	-	(119,701)
Utilities	362,424	320,969
Insurance	35,717	48,400
Repairs and maintenance	37,337	6,511
Outside services	755	6,831
Legal	19,612	6,975
Accounting	7,725	25,000
Bad debt	16,733	118,530
Dues & subscriptions	4,884	3,700
Office Expense	2,804	3,339
Rental	8,849	9,053
Regulatory assessment fees	-	5,983
KY 811 Services	2,451	-
Taxes	5,035	-
Depreciation	773,206	786,741
Miscellaneous	2,771	1,093
Total Operating Expenses	<u>3,566,739</u>	<u>3,208,463</u>
Operating Income (Expense)	<u>(744,402)</u>	<u>(690,720)</u>
Non-operating Income (Expenses)		
Interest expense	(78,302)	(80,217)
Customer deposit interest expense	(3,319)	-
Bond trustee fees	(450)	(450)
Gain (loss) on disposal of assets	(4,752)	(5,237)
Interest income	112	386
Total Non-operating Income (Expenses)	<u>(86,711)</u>	<u>(85,518)</u>
Change in Net Position Before Contributions	(831,113)	(776,238)
Capital grants and contributions	<u>566,983</u>	<u>331,046</u>
Change in Net Position	(264,130)	(445,192)
Net Position - Beginning	13,749,196	14,168,808
Prior Period Adjustment	-	25,580
Net Position - Ending	<u>\$ 13,485,066</u>	<u>\$ 13,749,196</u>

The accompanying notes to financial statements are an integral part of this statement.

Martin County Water DistrictStatements of Cash Flows
Year Ended December 31, 2021

	2021	2020
Cash Flows From Operating Activities		
Cash received from customers	\$ 2,831,506	\$ 2,561,255
Cash payments for goods and services	(2,635,713)	(2,129,876)
Cash payments for employees and benefits	-	(97,689)
Net Cash Provided by Operating Activities	<u>195,793</u>	<u>333,690</u>
Cash Flows From Capital and Related Financing Activities		
Payments for capital assets	(566,980)	(331,042)
Principal repayments	(131,281)	(124,620)
Interest and other charges paid	(84,052)	(86,523)
Capital grants	566,983	331,046
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(215,330)</u>	<u>(211,139)</u>
Cash Flows From Investing Activities		
Interest received	112	386
Net Cash Provided By Investing Activities	<u>112</u>	<u>386</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(19,425)	122,937
Cash and Cash Equivalents - Beginning of Year	<u>448,534</u>	<u>325,597</u>
Cash and Cash Equivalents - End of Year	<u>\$ 429,109</u>	<u>\$ 448,534</u>
Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 102,126	\$ 153,191
Restricted cash and cash equivalents		
Cash - Customer deposits	187,047	166,222
Cash - Debt retirement	139,873	129,028
Cash - Grants	63	93
Total Cash and Cash Equivalents	<u>\$ 429,109</u>	<u>\$ 448,534</u>
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Operating income	\$ (744,402)	\$ (690,720)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	773,206	786,741
Change in assets and liabilities:		
Accounts receivable	32,009	(225,607)
Unbilled receivables	(30,504)	255,491
Inventory	(991)	3,811
Prepaid expenses	4,146	4,730
Accounts payable	156,610	406,905
Customer deposits	7,664	13,628
Payroll liabilities	-	(97,689)
Sales tax payable	(1,945)	1,101
Other accrued liabilities	-	(5,000)
Net pension obligation	-	(119,701)
Net Cash Provided By Operating Activities	<u>\$ 195,793</u>	<u>\$ 333,690</u>

The accompanying notes to financial statements are an integral part of this statement.

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**Notes to the
Financial Statements**

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1) Summary of Significant Accounting Policies

The Martin County Water District (the District) was authorized by action of the Martin County Fiscal Court. The Martin County Water District Side A was formed December 1, 1962. On August 31, 1996, the Fiscal Court, with approval of the Kentucky Public Service Commission, merged Section A and B. The District is a Special Purpose Government Entity (SPGE) recognized by the Kentucky department of Local Government. The District is governed by the Martin County Utility Board, which is comprised of Commissioners appointed by the Martin County Fiscal Court. The District provides potable water directly to residential and commercial customers in the Martin County area.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The District's annual financial report includes all accounts of the Martin County Water District. The accounting policies of the District conform to generally accepted accounting principles. The following is a summary of such significant policies:

A) Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of the District constitute the equivalent of an enterprise fund, and therefore, only this fund is presented. This fund consists of a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses.

B) Capital Assets and Long-Term Liabilities

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position. Their reported fund equity (total net position) is segregated into net investment in capital assets, restricted for customer deposits, restricted for debt retirement, restricted for capital projects, and unrestricted components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

1) Significant Accounting Policies (Continued)

As of the year ended December 31, 2021, the District uses the midpoint of the depreciable life ranges recommended by the National Association of Regulatory Utility Commissioners. The estimated useful lives are as follows:

Cost of water/sewer system	5 - 50 years
Building	5 - 50 years
Office furniture and equipment	5 - 10 years
Vehicles	5 years

C) Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

D) Budgets and Budgetary Accounting

The District's Board of Commissioners receives and approves an annual budget from management each calendar year fulfilling the requirement to prepare an annual budget as required by all SPGE's for the Kentucky Department of Local Government.

E) Restricted Assets

Restricted cash and cash equivalents represent amounts held in trust at the bank and are set aside for customer security deposits, bond sinking, reserves and depreciation funds as required by the bond ordinance and for grant purposes. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F) Inventory

Inventory is priced at the lower of cost or market on a first-in, first-out (FIFO) basis or market value.

G) Cash and Cash Equivalents

The District considers all cash and cash equivalents to include all demand deposits as well as short-term investments with a maturity of less than three months from the date acquired by the District.

H) Operating and Non-Operating Income

Operating revenues and expenses result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. All income and expenses not meeting this definition are reported as non-operating income and expenses.

1) Significant Accounting Policies (Concluded)

l) 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 Employees' Retirement System (CERS) and additions to/deductions from CERS 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, if any, are reported at fair value.

2) Use of Estimates in the Preparation of Financial Statements

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

3) Cash and Investments

As of December 31, 2021, the carrying amount of the District's deposits was \$428,208 and the bank balances totaled \$441,947. As of December 31, 2021, \$250,000 was covered by federal depository insurance, \$91,963 was collateralized with securities held by the financial institution in the District's name and \$99,984 was deposited in institutional liquidity funds.

The institutional liquidity funds are invested in U.S. Government Agency money market funds. Due to the nature and liquidity of the government agency money market funds, they are considered cash on the Statement of Net Position and Statement of Cash Flows.

4) Accounts Receivable

The receivables are reported on the accompanying Statements of Net Position, net of an allowance for doubtful accounts, which amounted to \$28,000 and \$84,000 as of December 31, 2021 and 2020. Estimated unbilled revenues are recognized at the end of each year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

5) Long-Term Debt

KIA

The District obtained a loan in the amount of \$1,329,826 from the Kentucky Infrastructure Authority (KIA) to provide water to customers in the Martin County area. Payments accrue monthly, with a maturity date of June 2027 and interest rate of 3.00%. The collateral for the loan is service revenue.

KACO

The District purchased vehicles and equipment by obtaining \$200,000 of funding from the Kentucky Association of Counties (KACO). Payments accrue monthly, with a maturity date of 2025 and variable rate. The base rental interest rate is 4.25%.

KRW Bond Refunding

The District initiated improvements of its water system by obtaining funding from the United States Department of Agriculture (USDA) Division of Rural Development (RD). The RD loans were refunded on May 12, 2015 from the Kentucky Rural Water Finance Corporation Public Projects.

5) Long-Term Debt (Continued)

Series 2015E Current Refunding

RD loans of \$2,008,100 were refunded on May 12, 2015 by \$2,010,000 par amount public project fund bond from the Kentucky Rural Water Finance Corporation. The new debt bears interest ranging from 2.10% – 4.10% maturing on February 1, 2045. The premium on the refunding, totaling \$22,363 is presented as an increase in the face amount of the long-term debt payable and is being amortized using the straight-line method over the term of the debt. Amortization for the years ended December 31, 2021 and 2020 amounted to \$755 and \$765, respectively.

The District is obligated to make payments in amounts sufficient to satisfy the new debt service. The collateral for the loan is service revenue.

The following is a summary of outstanding debt as of December 31:

	<u>2021</u>	<u>2020</u>
Series 2015 E Revenue Bonds		
\$2,010,000 Revenue Bonds due in yearly installments of \$30,000 to \$55,000 from January 2016 through June 2045, interest rates at 2.10% to 4.10%.	\$ 1,705,000	\$ 1,765,000
Kentucky Infrastructure Authority Loan		
\$1,329,826.43 loan due in monthly installments of \$5,620.58 from 1991 through June 2027, interest rate is 3.00%.	341,577	397,858
Kentucky Association of Counties Equipment Lease		
\$200,000 variable rate lease due in annual installments of \$5,000 to \$15,000 from March 20, 2006 through 2025, base rental interest of 4.25%.	<u>56,222</u>	<u>71,222</u>
Total Debt Payable	2,102,799	2,234,080
Add: Unamortized Premium	17,362	18,117
Less: Current Portion	<u>(132,993)</u>	<u>(131,281)</u>
Long-Term Portion of Debt Payable	<u>\$ 1,987,168</u>	<u>\$ 2,120,916</u>

The following is a summary of long-term debt requirements as of December 31:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 132,993	\$ 76,244	\$ 209,237
2023	134,757	71,190	205,947
2024	141,574	65,990	207,564
2025	139,669	60,939	200,608
2026	135,377	56,709	192,086
2027-2031	413,429	236,549	649,978
2032-2036	445,000	159,612	604,612
2037-2041	345,000	78,207	423,207
2042-2046	215,000	17,935	232,935
Totals	<u>\$ 2,102,799</u>	<u>\$ 823,375</u>	<u>\$ 2,926,174</u>

Martin County Water DistrictNotes to the Financial Statements
December 31, 2021 and 2020**5) Long-Term Debt (Concluded)**

The changes in long-term debt for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Balance, Beginning	\$ 2,234,080	\$ 2,358,700
Additions	-	-
Retirements	<u>(131,281)</u>	<u>(124,620)</u>
Balance, Ending	<u>\$ 2,102,799</u>	<u>\$ 2,234,080</u>

6) Deposits and Investments

As of December 31, 2021, the carrying amount of the District's deposits was \$429,109 and the bank balances totaled \$441,947. As of December 31, 2021, \$250,000 was covered by federal depository insurance, \$91,963 was collateralized with securities held by the financial institution in the District's name and \$99,984 was deposited in institutional liquidity funds.

The institutional liquidity funds are invested in U.S. Government Agency money market funds. Due to the nature and liquidity of the government agency money market funds, they are considered cash on the Statement of Net Position and Statement of Cash Flows.

7) Litigation

At December 31, 2021, there were no claims or lawsuits pending against the District.

8) Concentration of Credit Risk

The District provides virtually all of its services to the residents of Martin County Water District and derives the majority of its revenues from water service to those residents. Further, the District is subject to regulation by state statutes and the Environmental Protection Agency.

9) Restricted Net Position

The amount restricted in net position is the amount that has been set aside for payments of long-term debt. The restricted amounts equal the restricted cash and cash equivalents as reported in the statement of net position.

10) Capital Assets

Capital assets during the year ended December 31, 2021 consisted of the following:

	<u>Balance at January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at December 31</u>
Water Supply & Distribution System	\$ 27,316,475	\$ 891,785	\$ (1,986)	\$ 28,206,274
Buildings	500,264	-	-	500,264
Equipment & Furniture	6,398,523	-	(28,641)	6,369,882
Vehicles & Trailers	307,474	-	(168,701)	138,773
	<u>34,522,736</u>	<u>891,785</u>	<u>(199,328)</u>	<u>35,215,193</u>
Accumulated Depreciation	(17,142,379)	(773,206)	194,575	(17,721,010)
Construction in Progress	331,042	566,980	(891,785)	6,237
Land	214,714	-	-	214,714
Total Capital Assets	<u>\$ 17,926,113</u>	<u>\$ 685,559</u>	<u>\$ (896,538)</u>	<u>\$ 17,715,134</u>

Martin County Water DistrictNotes to the Financial Statements
December 31, 2021 and 2020**10) Capital Assets (Concluded)**

Capital assets during the year ended December 31, 2020 consisted of the following:

	<u>Balance at January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at December 31</u>
Water Supply & Distribution System	\$ 27,328,169	\$ -	\$ (11,694)	\$ 27,316,475
Buildings	500,264	-	-	500,264
Equipment & Furniture	6,563,220	-	(164,697)	6,398,523
Vehicles & Trailers	346,665	-	(39,191)	307,474
	<u>34,738,318</u>	<u>-</u>	<u>(215,582)</u>	<u>34,522,736</u>
Accumulated Depreciation	(16,565,983)	(786,741)	210,345	(17,142,379)
Construction in Progress	-	331,042	-	331,042
Land	214,714	-	-	214,714
Total Capital Assets	<u>\$ 18,387,049</u>	<u>\$ (455,699)</u>	<u>\$ (5,237)</u>	<u>\$ 17,926,113</u>

Depreciation expense for the years ended December 31, 2021 and 2020 amounted to \$773,206 and \$786,741, respectively.

11) Related Party Transactions

There were no related party transactions during the year ended December 31, 2021.

12) Pension Plan:**Plan Description:**

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members. CERS issues a publicly available financial report included in Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits Provided:

Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions:

Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending December 31, 2020 employers were required to contribute 19.30% of the member's salary. During the year ended December 31, 2020, the District contributed \$69,664 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

12) Pension Plan (Continued)

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

At December 31, 2021, the District reported a \$1,080,845 liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended December 31, 2020. At December 31, 2020 the District's proportion was .014092%.

For the year ended December 31, 2020, the District recognized pension expense of \$(50,037) related to CERS. At December 31, 2020, 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
Differences between expected and actual experience	\$ 26,953	\$ -
Changes in assumptions	42,205	-
Net difference between projected and actual earnings on pension plan investments	46,851	19,804
Changes in proportion and differences between District contributions and proportionate share of contributions	18,950	460,749
Total	\$ 134,959	\$ 480,553

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

Year Ended	
2021	\$ (161,805)
2022	(178,039)
2023	(16,613)
2024	10,863
2025	-
	\$ (345,594)

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2019.

12) Pension Plan (Continued)

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2020:

Valuation Date	June 30, 2018
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%
Investment Rate of Return	6.25%

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 Disables 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
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Expected Real Return	100.00%	3.96%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.26%

12) Pension Plan (Concluded)

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 contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	5.25%	6.25%	7.25%
CERS District's proportionate share of net pension liability	\$ 1,332,917	\$ 1,080,845	\$ 872,120

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

Payables to the Pension Plan:

There are no payables to CERS at December 31, 2020.

13) Grants

In August 2018, the District received a grant from the Appalachian Regional Commissioner (ARC) in the amount of \$1,200,000. The District intends to use the proceeds from this grant to improve the Martin County Water System. As of December 31, 2021, the District has used \$991,379 of these funds.

14) Commitments

The District has a full service operating agreement with Alliance Water Resources, Inc. through December 31, 2024, which provides for the operation of the water system. The amount to be paid under the basic agreement for operating the water system is \$2,022,084 for the year ending December 31, 2022 with the compensation for the balance of the contract to be negotiated on an annual basis.

The District has a letter of credit authorizing it to draw up to \$700,000 on the account of First State Bank, Winchester, OH. This letter of credit is unused as of December 31, 2021.

15) Subsequent Events

Subsequent events have been considered through March 14, 2022, the date the financial statements were available to be issued.

Required Supplementary Information

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Martin County Water District

Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 December 31, 2021

	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
County Employee's Retirement System:							
District's proportion of the net pension liability		0.01%	0.02%	0.02%	0.03%	0.02%	0.02%
District's proportionate share of the net pension liability		\$ 1,080,845	\$ 1,739,483	\$ 1,459,298	\$ 1,255,723	\$ 1,065,280	\$ 750,000
State's proportionate share of the net pension liability associated with the District		-	-	-	-	-	-
Total	\$ -	\$ 1,080,845	\$ 1,739,483	\$ 1,459,298	\$ 1,255,723	\$ 1,065,280	\$ 750,000
District's covered-employee payroll		\$ -	\$ 599,725	\$ 588,225	\$ 693,688	\$ 593,711	\$ 559,494
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		311.44%	290.05%	248.08%	181.02%	179.26%	134.05%
Plan fiduciary net position as a percentage of the total pension liability		47.81%	50.45%	53.54%	59.00%	59.97%	66.80%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

Martin County Water District
 Required Supplementary Information
 Schedule of Contributions
 December 31, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
County Employee's Retirement System:								
Contractually required contribution		\$ 69,664	\$ 101,193	\$ 85,993	\$ 82,452	\$ 84,846	\$ 104,892	\$ 97,385
Contributions in relation to the contractually required contribution		69,664	101,193	85,993	82,452	84,846	104,892	97,385
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll		\$ -	\$ 599,725	\$ 588,225	\$ 574,250	\$ 693,688	\$ 593,711	\$ 559,494
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		N/A	16.23%	14.58%	14.36%	12.23%	17.67%	17.41%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

Compliance Section

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**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***

To the Board of Directors
Martin County Water District
Inez, 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 Martin County Water District (District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Martin County Water District's internal control over financial reporting (internal control) as a basis for designing 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 Martin County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Martin County Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-001, 2021-002, and 2021-003.

**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* (Concluded)**

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Martin County Water District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Martin County Water District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

Wade Stables P.C.

Wade Stables P.C.
Certified Public Accountants

March 14, 2022
Hannibal, Missouri

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Compliance Findings

2021-001 - Payments Remitted in Accordance with State Statutes

Criteria:

Per KRS Statute 65.140, purchases must be paid within 30 days of receipt of an invoice for cities, counties and special purpose government entities.

Condition:

The District was not paying bills according to KRS 65.140.

Cause:

The District did not have the funds available to meet their financial obligations.

Effect:

The District's ability to do business with vendors including those who provide parts and services for maintenance and repairs on the water system has been affected and could greatly impact the public who depend on the District's ability to provide a clean and safe water supply.

Recommendation:

Procedures should be implemented to ensure financial obligations are fulfilled timely.

Views of Responsible Officials:

Management will work with vendors to make payment plans where necessary and work toward making payments within 30 days as required.

2021-002 – Debt Service Requirements

Criteria:

Per loan agreement, the District has covenanted to maintain a depreciation and replacement reserve special account and to fund it until such account is equal to five percent (5%) of the original principal amount of the loan, \$66,491, in order to ensure loan obligations can be paid.

Condition:

The District is not in compliance with loan covenants.

Cause:

The District did not deposit the required amounts into a depreciation and replacement reserve special account during 2021.

Effect:

The District could be deemed in default due to failure of compliance.

Recommendation:

Procedures should be put in place to immediately fund the full reserve requirement of \$66,491.

Views of Responsible Officials:

Management will make a plan to fully fund depreciation and replacement reserve account per loan covenant.

Compliance Findings (Concluded)

2021-003 – Debt Service Requirements

Criteria:

Per loan agreement, the District has covenanted to deposit in the Revenue Fund, promptly as received from time to time, all revenues of the system.

Condition:

The District is not in compliance with loan covenants.

Cause:

Although all revenues of the system were deposited into District bank accounts, the District did not deposit all revenues into the specified Revenue Fund.

Effect:

The District could be deemed in default due to failure of compliance.

Recommendation:

Procedures should be put in place immediately to ensure all revenues of the system are first deposited into the Revenue Fund. The District should then transfer monthly from the Revenue Fund and deposit into the Operation and Maintenance Fund sums sufficient to meet the current expenses of operating and maintaining the system.

Views of Responsible Officials:

Management will make a plan to deposit all revenues of the system into the specified Revenue Fund per loan covenant.

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Martin County Water District, Inez KY
List of Bills for Consideration
22-Mar-22

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Operations Account		
1 AEP	Electric (26 bills) Estimated	\$ 17,700.04
2 Big Sandy RECC	Electric (9 bills) Estimated	\$ 2,432.84
3 Paintsville Utilities	Electric for token (12/6/21 to 1/5/22) Estimated	\$ 296.72
4 Martin County Public Library	Rent (April)	\$ 796.12
5 Martin County Water District	Sanitation (Feb)	\$ 141.67
6 Sales tax	2/2022 (estimated)	\$ 1,659.16
7 School tax	2/2022 (estimated)	\$ 5,028.12
8 Alliance Water Resources	3/1/22-3/15/22 O&M services	\$ 82,222.75
9 Alliance Water Resources	3/15/22-3/31/22 O&M services	\$ 82,222.75
10 Alliance Water Resources	3/22 Suddenlink Reimbursement (estimated)	\$ 95.32
11 Alliance Water Resources	3/22 Suddenlink Reimbursement (estimated)	\$ 36.04
12 Management Inf. Surcharge	Estimated (actual collected will be paid)	\$ 14,461.63
13 Debt Service Surcharge	Estimated (actual collected will be paid)	\$ 8,060.67
14 Walker Communications	Phone maintenance (Mar)	\$ 89.00
15 Brian Cumbo	Legal Fees	\$ 1,100.00
16 Prestonsburg City's Utilities	Purchased Water	\$ 11,923.40
17 KY Underground Protection	811 Services (Feb)	\$ 99.00
TOTAL		\$ 228,365.23

Operations Account - Debt Service Funding

		<u>Transfer Amounts</u>
1 KIA	Monthly funding for KIA Bond/Loan	\$ 5,800.00
2 KACo	Monthly funding for lease payment	\$ 1,200.00
3 KRW/Regions Bank	Monthly funding for loan	\$ 10,800.00
TOTAL		\$ 17,800.00

TOTAL OPERATIONS

\$ 246,165.23

PAST DUE ACCOUNTS

(Based on cash availability)

2/28/2022

1 CI Thornburg VFD # 2	VFD	\$ 12,071.32
2 Xylem	Pump rental	\$ 68,739.10
3 Soles Electric	Pump service	\$ 13,300.00

Martin County Water District, Inez KY
List of Bills for Consideration
22-Mar-22

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
4 Service Pump & Supply	Pump service	\$ 21,282.99
5 All Pumps Sales & Services	Pump service	\$ 8,411.90
6 Cumbo Law Office	Legal service	\$ 32,134.10
7 Evans Hardware #2	Parts & supplies	\$ 18,820.64
8 United Rentals	Pump Rental	\$ 56,722.94
TOTAL		\$ 231,482.99
DSS Account	<u>(Based on cash availabilty)</u>	
1 Evans Hardware	Parts & supplies	\$ 30,362.72
2 CI Thornburg	Parts & supplies	\$ 36,345.26
3 Linda Sumpter CPA	Accounting fees	\$ 151,942.35
4 Zip Zone	Fuel	\$ 256,726.95
5 Alliance Water Resources	Management	\$ 463,510.67
TOTAL		\$ 938,887.95
Total Past Due Accounts		<u>\$ 1,170,370.94</u>

**Martin County Water District, Inez KY
List of Bills for Consideration
22-Mar-22**

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Security Deposit Account		
Customer		
1 Monica Knowlton	Deposit refund due to customer	\$ 6.79
2 Carolyn Puckett	Deposit refund due to customer	\$ 22.43
TOTAL		\$ 29.22



Professional Water and Wastewater Operations

Martin County Water District

OUR MISSION

We partner with communities to deliver the finest water and wastewater services available at a competitive price. We are committed to keeping water safe and clean while serving people and taking care of communities with improved technical operations, careful management, and financial oversight, and ensured regulatory compliance.

Alliance Water Resources, Inc.

206 S. Keene
St. Columbia,
MO 65201

(573)874-8080

FEBRUARY 2022

Administrative

Staff has been reminding customers about the new automated phone payment center. With the overwhelming amount of pay by phone payments at the office and limited lines, this will allow other customers the opportunity to reach staff with other issues or emergencies.

Water Treatment

Construction on the river intake and water plant projects are moving along at a fast and steady rate. The monthly project progress meeting will be on March 16th.

The new vault at the water plant has been built. The hatch will be installed once two valves are delivered. The expected delivery for these two valves is April. A drain valve for clarifier one is on backorder.

Initial design for the ramp has been built and engineering plans have been submitted for an extension. This extension is needed to compensate for the height of the trailer to be built by Xylem. Without the extension, the distance from the water surface to the suction side of the pump would cause issues including priming, cavitation, and vibration.

AWR and Bell Engineering are in communication with 23 Welding about building the trailer for our intake pump.

Concrete for columns have been set and construction of the decking around the control building is expected to start next week.

Temporary electric able to supply sufficient power for our large pump has been established at the intake. This is important as it assures power would not be an issue if we were to experience a draught before the intake project is complete.

Both of our intake pumps are at Xylem waiting to be repaired.

A contractor has been selected and we are in the process of scheduling the replacement glass at the Martin County WTP.



Distribution:

The Spicy Mountain water salesman has been operating manually for 2 hours on Friday's. Parts are still on order to have the kiosk functioning properly. Manual operation has been a temporary solution.

The distribution team continues to be fully staffed.

Sonnie Gilkey completed his Sacramento water course and is now eligible to test for certification.

Safety:

February's monthly safety meeting was a CPR refresher and was held on February 8th.

Training:

Ongoing in-house training



 WATER RESOURCES®

Alliance

 Professional Water and Wastewater Operations

Martin County Water District

SUMMARY

Customer Service:

Staff had a customer call the billing office and apologize for getting upset the month before and realized it wasn't our fault that their bill was higher than normal, because they had a higher usage. Customer stated that they knew we already put up with a lot more than we should have too.

Project Updates

SOURCE	AMOUNT	PROJECTS
AML Pilot Nexus Grant-2017	\$3,450,000	A, B, C, D
COE 531 (25% Match)	\$1,869,718	B, C
ARC Grant	\$1,200,000	F
AML Pilot Nexus Grant-2018	\$2,000,000	I
Total Grant	\$8,519,718	

Regulatory

The Martin County Water Treatment Plant performs operational water quality monitoring to ensure compliance with all state, federal safe drinking water act requirements, including chlorine, fluoride, iron, pH, manganese, solids, turbidity, and bacteriological analysis.

Water Plant Operation

Water Pumped – FEBRUARY	
Total Water Production (gallons)	47,331,000
Total Water Metered/Billed (gallons)	10,295,000
Other Water Used (gallons)	879,000
Total Water Loss (gallons)	37,532,000
Portion of TWL due to Main Breaks (gallons)	
Average Daily Flow (Million Gallons per Day)	1.690 MGD
Maximum Daily Flow	1.801 MGD
Fluoride Used (lbs.)	435.3 LBS
Chlorine Used (lbs.)	1,122 LBS
Lab Tests	3,452 TESTS

Water Quality Analysis

Test	Routine	Special	Repeat
Bacteriological	10 (Pass)	3 (Pass)	
		Reported	Minimum Limit
Fluoride Plant Sample	28	0.72 mg/l Average	0.6 mg/l
Chlorine Distribution Sample	32 32	Low Readings Total - 0.52 mg/L Free – 0.45mg/L	0.2 mg/l

Customer Service Request and Work Orders

Meter Reads	3367
Meter Sets	19
Turn offs-Close account	32
Taps	1
Meter Changes	15
Disconnects for Non-payment	30
Boil Notices	0
Line Locates	68
Water Leaks/Breaks	35
Other/Investigates	163

Water Main Breaks & Service Lines

Date	Location	Pipe Size/Type	Estimated Water Loss (gallons)
2/2/22	338 Carter Br	¾ Inch	302,000
2/2/22	64 Sallee Dr	¾ Inch	262,000
2/3/22	301 Pigeon Roost Rd	¾ Inch	393,000
2/3/22	42 Howard Spence Rd	1 Inch	285,000
2/7/22	9838 Meathouse Rd	¾ Inch	1,189,000
2/8/22	8223 Beauty Rd	¾ Inch	680,000
2/9/22	56 Hale Dr	6 Inch	1,529,000
2/13/22	191 James Ln	¾ Inch	151,000
2/15/22	449 Saltwell Rd	¾ Inch	170,000
2/17/22	5253 Buffalo Horn	¾ Inch	934,000
2/18/22	40 Mary Perry Dr	¾ Inch	255,000



Martin County Water District

2/18/22	5057 Blacklog Rd	¾ Inch	1,552,000
2/20/22	397 Bone Hollow	4 Inch	151,000
2/23/22	3523 Davella Rd	¾ Inch	1,954,000
2/23/22	792 Petercave Br	¾ Inch	1,954,000
2/23/22	58 Hewitt Ave	¾ Inch	85,000

Repair Expenses Ending January 2022

Expended	Actual YTD	Annual Budget	% Budget / Line Item
Bldg. & Grounds Maintenance	\$	\$7,000	0%
Vehicle Maintenance	\$1478	\$25,000	6%
Water Plant Maintenance	\$	\$15,000	0%
Distribution System Maintenance	\$15,437	\$90,000	17%
Water Meter Maintenance	\$	\$10,000	0%
Street Maintenance	\$	\$8,000	0%
Totals	\$16,915	\$125,000	14%

Chemical Expenses Ending January 2022

Expended	Actual YTD	Annual Budget	% Budget / Line Item
Sodium Hydroxide	\$0	\$11,000	0%
Lime/Caustic Soda	\$0	\$30,000	0%
Alum (Brennfloc)	\$4,488	\$15,000	30%
Chlorine	\$0	\$20,000	0%
Permanganate	\$550	\$19,000	3%
Fluoride	\$758	\$7,000	11%
Chemicals Other - Water	\$0	\$8,000	0%
Totals	\$5,797	\$110,000	5%

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Martin County Water District

Notes:

- 1) Building & Grounds Maintenance
 - a. \$0.00

- 2) Vehicle Maintenance
 - a. Advanced Auto Parts \$174.87
 - b. Fast Change Lube & Oil \$157.02
 - c. Advanced Auto Parts \$119.46
 - d. Advanced Auto Parts \$14.39
 - e. Advanced Auto Parts \$11.96
 - f. Advanced Auto Parts \$5.29
 - g. Fast Change Oil & Lube \$76.47
 - h. Capital Tire \$918.18

- 3) Water Plant Maintenance
 - a. \$0.00

- 4) Well Maintenance
 - a. \$0.00

- 5) Distribution System Maintenance
 - a. Layne \$1,498.52
 - b. Consolidated Pipe \$374.11
 - c. Roy Kirk II \$500.00
 - d. Roy Kirk II \$300.00
 - e. Odell's Trucking \$500.00
 - f. Consolidated Pipe \$150.73
 - g. Consolidated Pipe \$164.30
 - h. Roy Kirk II \$145.00
 - i. Citco \$1,833.69
 - j. Consolidated Pipe \$1,043.73
 - k. Roy Kirk II \$195.00
 - l. Consolidated Pipe \$203.73
 - m. Consolidated Pipe \$2,323.20
 - n. Consolidated Pipe \$2,346.71
 - o. Consolidated Pipe \$1,336.35
 - p. Roy Kirk II \$425.00
 - q. Consolidated Pipe \$259.12
 - r. Consolidated Pipe \$1,378.00
 - s. Consolidated Pipe \$221.36
 - t. Consolidated Pipe \$238.50

- 6) Meter Maintenance
 - a. \$0.00



Martin County Water District

- 7) Sodium Bisulfite
 - a. \$0.00

- 8) Sodium Hydroxide
 - a. \$0.00

- 9) Lime/Caustic Soda
 - a. \$0.00

- 10) Polymer
 - a. \$0.00

- 11) Alum
 - a. \$4,488.00

- 12) Chlorine
 - a. \$0.00

- 13) Permanganate
 - a. \$550.14

- 14) Fluoride
 - a. \$758.40

- 15) Chemicals Other – Water
 - a. \$0.00

PUBLIC SERVICE COMMISSION

Monthly Water Loss Report

Water Utility: Martin County Water District

For the Month of: February Year: 2022

LINE #	ITEM	GALLONS (Omit 000's)
1	WATER PRODUCED AND PURCHASED	
2	Water Produced	47,331
3	Water Purchased	2,970
4	TOTAL PRODUCED AND PURCHASED	50,301
5		
6	WATER SALES	
7	Residential	10,106
8	Commercial	2,331
9	Industrial	
10	Bulk Loading Stations	
11	Wholesale	
12	Public Authorities	
13	Other Sales (explain)	
14	TOTAL WATER SALES	12,437
15		
16	OTHER WATER USED	
17	Utility and/or Water Treatment Plant	954
18	Wastewater Plant	
19	System Flushing	
20	Fire Department	
21	Other Usage (explain)	
22	TOTAL OTHER WATER USED	954
23		
24	WATER LOSS	
25	Tank Overflows	
26	Line Breaks	
27	Line Leaks	36,910
28	Excavation Damages	
29	Theft	
30	Other Loss	
31	TOTAL WATER LOSS	36,910
32		
33	Note: Line 14 + Line 22 + Line 31 MUST Equal Line 4	
34		
35	WATER LOSS PERCENTAGE	
36	(Line 31 divided by Line 4)	73.38%

SERVICE AGREEMENT

THIS SERVICE AGREEMENT made and entered into this ____ day of _____, 20____ (the "Effective Date"), by and between Consumer Adjustment Company, Inc. (d/b/a Regional Credit Services), a Missouri Incorporated Company ("CACI") and the undersigned ("CLIENT").

WHEREAS, CLIENT provides products or services to consumers; and

WHEREAS, CLIENT desires assistance in collecting the unpaid balance of its accounts; and

WHEREAS, CACI is qualified to provide assistance to collect unpaid account balances; and

WHEREAS, both parties agree that it is mutually beneficial for CACI to provide assistance to CLIENT to collect unpaid account balances; and

WHEREAS, CLIENT and CACI desire to provide a complete statement of their respective rights, obligations and duties.

NOW, THEREFORE, in consideration of the foregoing covenants, promises and agreements, the adequacy and sufficiency of which is hereby acknowledged, the parties mutually agree to the following terms and conditions:

I. CACI Obligations

A. CACI shall perform third party collection services within the limits of the Fair Debt Collection Practices Act, 15 U.S.C. § 1692 et seq., and other applicable state, federal and local laws, on referred accounts receivable, upon the terms, conditions, and provisions set forth in this Agreement, such unpaid account balances as CLIENT refers to CACI for collections, or has referred to it prior to the Effective Date ("Referred Accounts").

B. Customary and standard third party collection services performed under this Agreement shall include payment activities that relate to the individual to whom products or services are provided or the responsible party on the account receivable. CACI shall perform third party collection services on Referred Accounts on behalf of CLIENT on debts that are in default. Payment activities may include:

- 1) Performance of location information services (also referred to as "Skip tracing");
- 2) Mailing of collection notices;
- 3) Telephone requests for payment;
- 4) Establishment of repayment plans;
- 5) Furnish data regarding the Referred Accounts to the three nationally recognized consumer reporting agencies in accordance with the Fair Credit Reporting Act.

CACI shall not use any unfair collection practices in the handling of Referred Accounts or violate any guidelines established by the Fair Debt Collection Practices Act, and shall comply with all applicable federal, state, and local laws and regulations with regard to its collection practices and procedures. Collection activities shall be handled in a courteous, business-like manner consistent with the image and reputation of CLIENT.

C. Except as otherwise set forth in **Section III. Compensation** of this agreement, CACI shall remit to CLIENT net collections, if any, collected by CACI on Referred

Accounts on a monthly basis by the 20th day of the month following such collection by CACI.

D. CACI shall have no authority to file legal suit on any Referred Account except pursuant to an express written request from CLIENT.

E. Upon receiving written notification from CLIENT that CACI's collection efforts regarding a Referred Account should cease, CACI shall suspend future collection actions on such Referred Account, either temporarily or permanently (as directed by CLIENT). Written notification shall include, but not be limited to, electronic mail notification.

F. CACI's employees and agents shall not make "Paid In Full" settlements with any account debtor for any amount less than the total remaining unpaid balance of a Referred Account without the express written authorization from CLIENT or a blanket authorization either permanently or temporarily issued by CLIENT.

G. CACI shall provide to CLIENT monthly reports summarizing collection activities for Referred Accounts performed by CACI during the prior month. Such reports shall be in a format reasonably agreed to by the parties, and shall include current balance, payment transactions, and such other relevant information as agreed to be provided between the parties. CACI shall also provide such information to CLIENT regarding a particular Referred Account upon CLIENT's reasonable request.

II. CLIENT Rights and Obligations

A. CLIENT represents and agrees that the Referred Accounts are in default.

B. CLIENT has and shall obtain throughout the term of this Agreement, all necessary consents to permit CACI to perform services incidental to this Agreement.

C. CLIENT represents and agrees that the uses and disclosures of information under this Agreement are consistent and in accordance with CLIENT's privacy.

D. If CLIENT knows or has reason to know that the consumer for whom it has or does provide products or services to disputes the account, is represented by an attorney or has filed bankruptcy, CLIENT shall immediately notify CACI in writing of this knowledge.

E. CLIENT shall promptly advise CACI in writing of any direct payments of any Referred Accounts made directly to CLIENT (e.g., made by an account debtor, third party payor or otherwise).

F. CLIENT shall periodically, at a frequency and in a format agreed to by the parties, and at CACI's reasonable request, provide updated information on each Referred Account.

G. CLIENT has determined that the uses and disclosures of the information specified in this Agreement, whether by CLIENT, CACI or their authorized agents and subcontractors are made and authorized as part of the standard operations relating to CLIENT.

H. CLIENT shall provide CACI with such reasonable information requested by CACI regarding a Referred Account necessary for CACI to perform its obligations under this Agreement. Such information shall be in a format agreed to by the parties and shall include, to the extent available, the following:

- Consumer's name and address
- Other responsible party's name and address
- Consumer's date of birth
- Other responsible party's date of birth
- Consumer's Social Security number
- Other responsible party's Social Security Number
- Payment history
- Driver's license information
- Other responsible party's driver's license information
- Availability of verification information
- Employment information
- Any other information relative to the financial obligation of the consumer

I. CLIENT shall have the right to direct CACI to cease collection efforts on any Referred Account at any time for any reason. If the reason is for payment or expectation or anticipation of payment, CACI will be entitled to due compensation in accordance with III. Compensation of this agreement.

J. CACI shall permit, at CLIENT's reasonable request, CLIENT's review of materials used by CACI in its collection efforts for Referred Accounts, such as stationery, collection letter verbiage and appearance of statements and letters and any scripts for telephone contacts. CACI shall cooperate in implementing CLIENT's reasonably requested revisions of such information; to the extent such revisions comply with applicable law.

III. Compensation

A. Referred Accounts - General (Not Requiring Engagement of Legal Services)

In consideration for the services provided by CACI under this Agreement, CLIENT shall pay CACI the Service Fee(s) of total collections of a Referred Account not requiring the engagement of legal services collected by CACI or by CLIENT in accordance with this Agreement. as follows:

Primary Placements (accounts not previously placed with a collection agency or similar service provider) equal to Twenty Eight percent (28%).

Secondary Placements (accounts previously placed with one collection agency or similar service provider) equal to Thirty Eight percent (38%).

Tertiary Placements (accounts previously placed with two collection agencies or similar service provider) equal to Forty Eight percent (48%).

CACI shall remit all net monies due to CLIENT in accordance with this agreement, and if in the occurrence that the amount due CACI is greater than the gross amount recovered during any collection period (monthly) then, CLIENT shall remit payment of the Service Fee within thirty (30) calendar days of the date of CACI's remittance statement.

CACI will add all allowable interest and allowable collection fees to the monies due from the consumer account.

B. Referred Accounts - Involving Engagement of Legal Services

In consideration for the services provided by CACI under this Agreement, CLIENT shall pay CACI the Service Fee(s) of total collections of a Referred Account requiring the engagement of legal services collected by CACI or by CLIENT in accordance with this Agreement. as follows:

Primary Placements (accounts not previously placed with a collection agency or similar service provider) equal to Fifty percent (50%).

Secondary Placements (accounts previously placed with one collection agency or similar service provider) equal to Sixty (60%).

Tertiary Placements (accounts previously placed with two collection agencies or similar service provider) equal to Seventy percent (70%).

Such Service Fee shall include, and shall not be in addition to, costs associated with the legal services obtained by CACI with regard to collecting the Referred Account including, but not limited to, attorneys' fees, filing fees and special process or sheriff's fees.

CLIENT acknowledges and agrees that CACI will advance costs associated with referring a Referred Account for legal representation to collect on a Referred Account to CLIENT. This money will be reimbursed to CACI in full prior to any Service Fee being awarded to CACI or money remitted to CLIENT.

IV. Term & Termination

A. This Agreement shall commence on the Effective Date and shall continue for one (1) year, and shall automatically renew for additional successive one (1) year terms unless a party provides the other party with at least thirty (30) calendar days prior written notice of its intent not to renew the Agreement.

B. Either party may, by written notice, terminate this Agreement in whole or in part if the other party breaches any material terms or conditions of this Agreement. CLIENT shall notify CACI of such breach and CACI shall be given fifteen (15) calendar days to correct the breach. CACI shall be deemed to have defaulted if it fails to correct the breach within such fifteen (15) day period. CACI may terminate this Agreement immediately by providing notice to CLIENT, in the event that CLIENT fails to remit Service Fee(s) in accordance with Section III more than twice within any twelve-month period.

C. Either party may terminate this Agreement, with or without cause, upon thirty (30) calendar days' written notice to the other party.

D. Termination of this Agreement for any reason shall not relieve either party from its obligation to perform up to the effective date of such termination or to perform such obligations as may by their terms survive termination. Upon termination of this Agreement, CLIENT's obligation to pay the Service Fee(s) under Section III shall cease; however, CACI shall be entitled to any Service Fee(s) due for periods or partial periods that accrued prior to the effective date of termination. CACI shall be entitled to any Service Fee(s) on post-dated payments and payment arrangements or payment plans in place on CLIENT accounts as of the date of termination even if the dates of the scheduled payments extend beyond the termination of the Agreement. CLIENT remains obligated to pay CACI for the reasonable value of all

services rendered from the effective date of this Agreement to the date of termination to the extent CACI's services have contributed to the result obtained.

E. Upon termination, CACI shall return to CLIENT all Referred Accounts that remain uncollected and supporting documentation with regard to such Referred Accounts.

V. Indemnification

A. CACI shall indemnify, protect, defend and hold harmless CLIENT and CLIENT'S directors, officers and employees from any and all claims, cause or causes of action, liabilities, suits, or other responsibilities (including reasonable attorneys' fees) arising from (1) any breach by CACI of any provision hereof, or the inaccuracy of any warranty or representation made by CACI herein or (2) any act or omission to act by CACI directly or indirectly related to its performance of this Agreement constituting gross negligence or willful misconduct.

B. CLIENT shall indemnify, protect, defend and hold harmless CACI and CACI's affiliated entities, and their respective directors, officers and employees from any and all claims, cause or causes of action, liabilities, suits, or other responsibilities (including reasonable attorneys' fees) arising from (1) any breach by CLIENT of any provision hereof, or the inaccuracy of any warranty or representation made by CLIENT herein or (2) any act or omission to act by CLIENT directly or indirectly related to its performance of this Agreement constituting gross negligence or willful misconduct.

VI. Insurance

CACI shall keep in effect for term of this Agreement, general commercial liability insurance in amounts as are customary in the industry.

VII. Assignment

Neither party may assign this Agreement nor did its obligations hereunder, without the written consent of the other party; provide however, that CACI may assign this Agreement, or delegate any of its obligations hereunder, to any affiliate or wholly owned subsidiary of CACI without consent. Such consent shall not be unreasonably withheld.

VIII. Availability of Records

CACI's communications with any recipient of CLIENT's service shall be limited to communications incidental to its performance of accounts receivable collection services to effectuate payment. Unless otherwise agreed by the parties in writing, CACI shall not be permitted to provide recipients of CLIENT's services with any information pertaining to services rendered on their behalf or account information. Any such requests for information shall be the sole responsibility of CLIENT.

IX. Confidentiality

A. The parties recognize and acknowledge that, by virtue of entering into this Agreement and by the services provided hereunder, the parties may have access to certain information of the other party that is confidential and constitutes valuable, special and unique property of that party. Neither party will at any time, (either during or subsequent to the term), disclose to others, use, copy or permit to be copied, without the other party's express prior written consent, except in connection with the performance of the parties' duties hereunder, any confidential or proprietary information of the other Party, including,

without limitation, information, concerning the other party's business affairs, operations, patient bases, and financial data (unless such information is already legally in the public domain). Except for disclosure to their legal counsel, accountant or financial advisors, neither party shall disclose the terms of this Agreement to any person, unless disclosure thereof is required by law or otherwise authorized by this Agreement or consented to in writing by the other party.

B. CACI represents that neither CACI, nor any agents or subcontractors of CACI, will disclose any information other than as permitted or required by this Agreement or law. CACI will take reasonable precautions to prevent the use or disclosure of information other than as provided in this Agreement or required by law and will report any use or disclosure of information not allowed under this Agreement or required by law to CLIENT. CACI represents and agrees that any agents or subcontractors of CACI shall be contractually required to agree to the same restrictions and conditions pertaining to the use and disclosure of information as required by CACI pursuant to this Agreement. Nothing in this Section or this Agreement shall prohibit CACI from sending the patient or the responsible party a copy of the bill issued by CLIENT. Furthermore, nothing in this Section or this Agreement shall prohibit CACI from using a copy of the bill issued by CLIENT as evidence in a court proceeding.

X. Notice

Any notices, requests and other communications hereunder shall be in writing and shall be deemed duly given if hand-delivered or mailed first class, postage prepaid, certified mail, return receipt requested, addressed as set forth below the signatures of the parties hereto, or to such other address as any person or entity may designate in writing, and delivered as herein provided.

XI. Relationship of the Parties

CACI is retained by CLIENT under this Agreement as an independent contractor. Nothing in this Agreement is intended, nor shall be construed to create an employer-employee relationship, a joint venture relationship, partnership or any corporate ownership between the parties hereto. Nothing in this Agreement is intended, nor shall be construed to allow CLIENT to exercise direction or control over the manner or method by which CACI performs the Services which are the subject matter of this Agreement.

XII. Attorneys' Fees

If either party commences legal action to interpret or enforce the terms of this Agreement, the prevailing party in such action shall be entitled to recover from the other party its reasonable attorneys' fees and costs.

XIII. Construction of Agreement

A. This Agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, letters of intent, understandings, negotiations and discussions of the parties, whether oral or written.

B. This Agreement may be signed in one or more counterparts (whether facsimile or original), each of which shall be deemed to be an original as against any party whose signature appears thereon and all of which shall constitute one and the same Agreement.

C. This Agreement may not be amended except by written agreement between the parties.

D. Any waiver of any provision of this Agreement and any consent to any departure from the terms of any provision of this Agreement is to be effective only in the specific instance and for the specific purpose for which given.

E. This Agreement shall be deemed to have been made and accepted in Martin County, Kentucky and the laws of Kentucky shall govern any interpretations or constructions of this Agreement. Venue for any action arising under this Agreement between the parties hereto shall be in Martin County, Kentucky.

F. All provisions of this Agreement, which, by their nature, are to be performed or complied with after the termination of this Agreement, including, but not limited to, Sections IV(D) (regarding obligations upon termination), V (Indemnification), VIII (Availability of Records), IX (Confidentiality), XII (Attorneys' Fees) and this Section XIII(F) (governing survival) shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date and year first above written.

CLIENT: Martin County Water and Sanitation Districts **CACI, a Missouri Incorporated Company**

By: Cassandra Moore, Office Manager/ Dist. Clerk

By: Roger Weiss, President

Client Notice Address:

Alliance Water Resources
Martin County Water and Sanitation Districts
387 E Main Street Suite 140
Inez, KY 41224
P : 606.298.3885
cmoore@alliancewater.com
Contact : Cassandra Moore

CACI Notice Address:

Consumer Adjustment Company, Inc.
Po Box 791
Bridgeton, MO 63044
P: 314.729.1133
Clientservices@cacionline.net

March 18th, 2022

TO: Martin County Water District
Board of Directors

INFORMATION & DECISION

FROM: Staff

RE: Inoperable Vehicles

The Water and Sanitation District have in their possession 10 vehicles that are either disabled or completely inoperable. The cost to repair these vehicles is much more than any of their value. It is the opinion of the staff that these vehicles should be removed from the inventory of the Districts and either sold for what little value they may hold or sent to a junk yard.

Staff requests permission from the District Board of Directors to get rid of these vehicles. Additionally, staff requests what if any instructions the Board may have in how they are gotten rid of and what to do with the money received for them.

Vehicles that are out of operations

2/24/22

2005 Chevrolet Silverado 4x4 regular cab (white).

Vin# 1GCEK14T45Z128402



2008 Ford F-350 Super Duty XL 4x4 crew cab (white).

6.4L Diesel turbo, tool bed with auto crane.

Vin# 1FDWW37R88EC67055



2005 Chevrolet 2500 HD 4x4 Extended cab 4 door (white).

Vin# 1GHK29U85E181082



2005 Chevrolet Silverado 4x4 regular cab (beige).

Vin# 1GCEK14X05Z283712



1997 Ford F-250 Heavy duty power stroke Diesel 4x4

Regular cab (red) with white tool bed.

Vin# 1FTHF26F2VEB97790



1997 Ford F-350 XL Diesel, hydraulic dump bed.

Regular cab (white)

Vin # 1FDJF37M3RNA92505



2004 Chevy Blazer LS (white)

4 door, 4x4, 6 cylinder

Vin # 1GNDT13X84K165304



1988 F-800 Diesel

Weight 24,000

Flat bed 18.6' x 7.7'

6 wheel

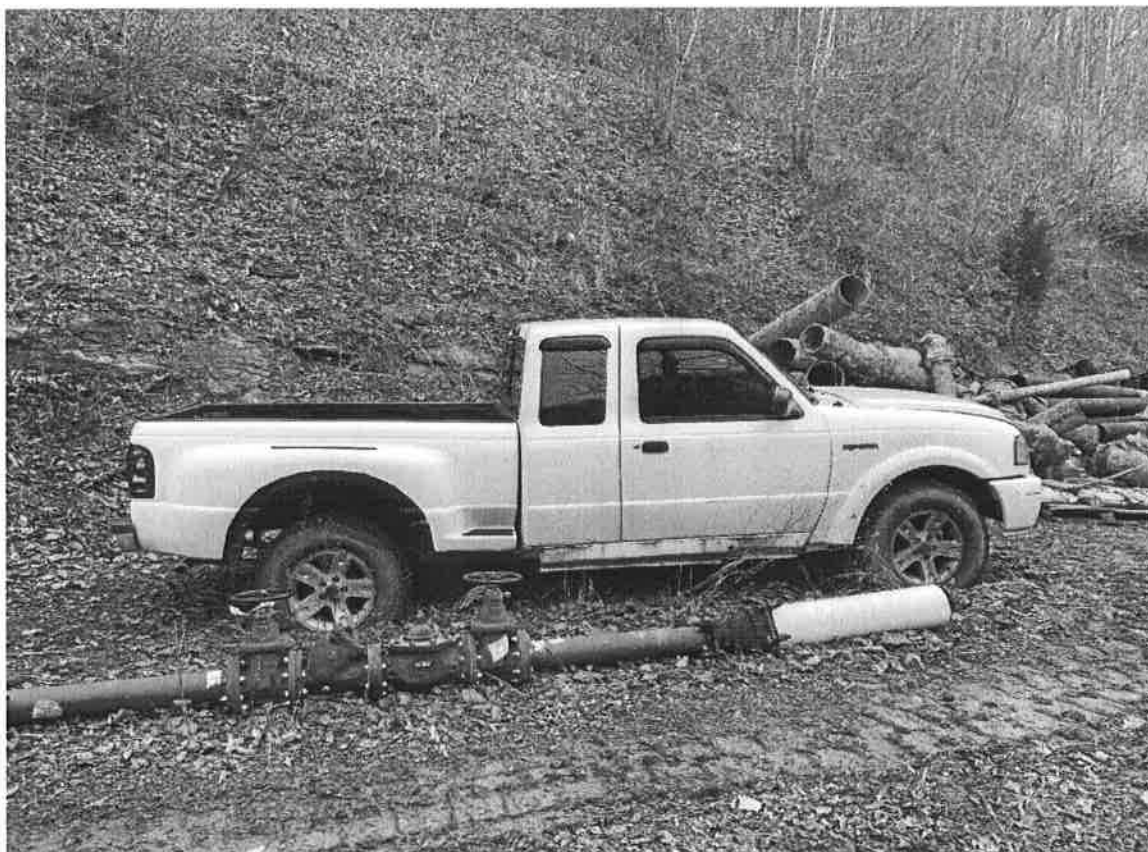
National Crane, Model 556B, Ser. 19688



2004 Ford Ranger 4x4 (white)

Extended cab, 4.0 L

Vin# 1FTZR45EX4PA66416



2005 Chevrolet Silverado V8 4x4 (white)

Extended cab 4 door

Vin# 1GCEK19Z55Z196835

