



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

November 24, 2020

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 of the information packet for the November 24, 2020 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 November 24, 2020.




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 emailed on this the 24 day of November, 2020, to the following:

Public Service Commission
ATTN: Nancy Vinsel
P.O. Box 615
Frankfort, KY 40602
nancy.vinsel@ky.gov

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


BRIAN CUMBO

Martin County Water District
387 E. Main St.

Phone (606) 298-3885 Inez, Kentucky 41224

Special Meeting, Tuesday, November 24, 2020 – 6:00 p.m.

Martin County Government Center (2nd Floor)

Online Zoom Platform

Will Be Streamed on Facebook Live

- 1) Call the meeting to order
- 2) Review and Consideration to Approve Minutes
- 3) 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 2019 Audit Draft
 - D. Review and Consideration to Approve the 2021 Budget
- 4) Review and Consideration to Approve Bills
- 5) Operations
 - A. Alliance Operations Report
 - B. Meter Audit
 - C. Water Loss Report
- 6) Capital Projects Report
 - A. Project Updates
- 7) Other New Business
- 8) Q/A with Customers via Facebook
- 9) 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
Special Meeting of the Board of Directors
October 27, 2020 Meeting Minutes**

Presiding: James Kerr, Chairman
Present: Directors: Greg Crum, BJ Slone, and Lee Muller
Staff: Craig Miller (GM), James Ford, Cassandra Moore
Guests: None

The Regular Meeting of the Martin County Water District was held on October 27, 2020 via Zoom in Inez, Kentucky 41224. Mr. Kerr called the meeting to order at 6:00 p.m.

Mr. Kerr called for review of the October 12, 2020, Special Board Meeting. Having no questions or further discussions, Mr. Slone motioned to accept the October 12, 2020 Special Board Meeting minutes. Mr. Mueller seconded. All ayes. Motion carried.

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. Slone motioned to approve, Mr. Mueller seconded. All ayes. Motion carried. Mr. Miller gave a detailed report for the 2018 Audit Draft. After further discussion, Mr. Slone motioned to approve the 2018 Audit Draft. Mr. Crum seconded. All ayes. Motion carried. Mr. Miller provided an updated report on the 2019 Audit Draft. Once a date is set the board will approve.

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. Muller seconded. All ayes. Motion carried.

Mr. Kerr called for review of the Operations Report. Mr. Ford provided the Operations report. Mr. Ford reported that they have began the process of creating an organized map room to better access and utilize available information. Employees are being cross trained on all sampling requirements. Adjusted a PRV at Poplar Fork to ensure an appropriate amount of pressure was being supplied to our customers in that area. A new meter tap has been installed at the Warfield Fire Department. Improved service to our customers, and an unneeded water main being removed from our distribution system.

Mr. Miller presented an update on the meter audit.

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

Mr. Kerr presented an update on capital projects.

Mr. Kerr inquired if there was any Other New Business to discuss. Staff is recommending that the Board consider re-instating disconnects for nonpayment in January 2021. Additionally, Staff is recommending that the Board consider a 12-month payment plan for

customers to begin paying their arrearages. This payment plan will break it down evenly between a 12-month period. The district will begin notifying customers of the 12-month plan effective November 1, 2020. After further discussion, Mr. Mueller motioned to approve the discussion plan for disconnects and non-payments. Mr. Crum seconded. All ayes. Motion carried. Mr. Kerr called for review the Vacation Owed Payment Plan. The memo submitted is for payment of vacation that was accrued prior to January 1, 2020. The three-month scheduled payment plan would be paid by the district to Alliance Water Resources. Mr. Slone motioned to approve the payment plan. Mr. Mueller seconded. All ayes. Motioned carried

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 6:55 p.m.

Minutes approved this _____ day of _____, 2020.

James Kerr, Chairman

Cassandra Moore, District Clerk

Martin County Water District
Inez, KY
Treasury Report
Summary of Cash & Investments
October 31, 2020

Bank Account	Beginning Balance	Deposits	Interest Earned, Net of Fees	Payments	Ending Balance
Operations Account	\$ 159,970.04	306,055.10	-	(342,336.03)	\$ 123,689.11
Revenue EFT Account	53,259.84	61,711.85	-	(91,310.21)	23,661.48
Cash on Hand	900.00	-	-	-	900.00
Total Unrestricted Cash	214,129.88	367,766.95	-	(433,646.24)	148,250.59
Restricted Cash					
Security Deposits	161,626.68	-	6.65	(401.01)	161,232.32
ARC Grant	13,060.30	7,845.00	-	-	20,905.30
Rockhouse Project	4,279.66	10,800.00	-	(10,648.65)	4,431.01
Regions Bank-KY 2015E Martin County	69,247.63	10,648.65	1.02	-	79,897.30
KIA Bond & Interest	4,531.17	11,600.00	0.14	(5,689.19)	10,442.12
KY Assoc of Counties Leasing Trust	7,066.70	1,200.00	0.10	-	8,266.80
Debt Service Surcharge	9,425.05	5,267.40	0.18	-	14,692.63
Management Infrastructure Surcharge	1,000.16	9,433.48	0.09	-	10,433.73
Depreciation Reserve	1,021.74	-	0.01	-	1,021.75
Total Restricted Cash	271,259.09	56,794.53	8.19	(16,738.85)	311,322.96
Total Cash & Investments	\$ 485,388.97	424,561.48	8.19	(450,385.09)	\$ 459,573.55

NOTE: Revenue EFT Account is being transitioned to re-direct deposits into Operations Account.

**Martin County Water District
Inez, KY**

Treasury Report

Billing Charges For the Month of:	Oct-20	
Water Revenue		\$ 148,045.58
Water Revenue-Commercial		24,826.85
Water Revenue-Commercial Exempt		5,047.22
Late Charges		-
Sales Taxes		1,436.52
Debt Service Surcharge		9,090.16
School Tax		5,347.02
Management Infrastructure Surcharge		16,318.60
Returned Check		573.61
Connection Fees		3,200.00
Other Miscellaneous Fees		832.00
Deposits Applied		(810.00)
Refund Checks Paid		58.39
Total Billing Charges		\$ 213,965.95
		<hr/>
Gallons Billed		13,296,734
		<hr/>
Customers Billed		3,496
		<hr/>

Accounts Receivable	Oct-20	
Beginning Balance		397,720.50
Billing Charges		213,965.95
Bad Debt (Write Offs) Recoveries		1,044.53
Accounts Receivable Collections		(213,095.10)
End of Month Accounts Receivable		399,635.88

Operations Account		
Beginning Balance		\$ 159,970.04
Deposits		
Accounts Receivable Collections		213,095.10
Deposits Received		1,940.00
Transfers from Other District Accts		91,000.00
Other		20.00
Total Deposits		306,055.10
Disbursements:		
Checks Written		(238,046.43)
Transfers to Other District Accts		(38,300.88)
Auto Drafted Utilities		(65,988.72)
End of Month Balance		\$ 123,689.11

Martin County Water District
Statements of Revenues and Expenses
For the Ten Months Ending October 31, 2020
Actual vs Budget

<u>October</u>			<u>YTD</u>		<u>Annual Budget</u>
<u>Actual</u>	<u>Budget</u>		<u>Actual</u>	<u>Budget</u>	
		Operating Revenues			
\$148,146	\$148,829	Water Sales-Residential	\$1,534,118	\$1,488,288	\$1,785,946
24,827	32,082	Water Sales-Commercial	246,054	320,816	384,979
5,047	539	Water Sales-Public Authorities	69,493	5,387	6,464
0	12	Bulk Water Sales	35	117	140
3,200	0	Connection Fees - Tap	20,872	0	0
0	0	Late Charge Fees	13,416	0	0
832	9,215	Reconnect/Meter Sets/Other Fees	17,331	92,146	110,575
9,090	8,333	Debt Service Surcharge	89,321	83,333	100,000
16,319	15,844	Management Infrastructure Surcharge	160,661	158,441	190,129
20	0	Miscellaneous Income	3,945	0	0
207,481	214,854	Total Operating Revenues	2,155,246	2,148,528	2,578,233
		Operating Expenses			
0	0	Employee Benefits	21,367	0	0
0	4,167	Water Purchased	0	41,667	50,000
164,446	164,446	Management & Operations Contract	1,644,456	1,644,455	1,973,346
66,098	25,715	Utilities	259,826	257,153	308,584
3,413	3,958	Insurance	34,134	39,583	47,500
89	0	Repairs & Maintenance	1,564	0	0
0	417	Materials & Supplies	0	4,167	5,000
(9,931)	0	Outside Services	6,521	0	0
1,400	2,083	Legal Expenses	6,850	20,833	25,000
25,000	15,000	Audit	25,000	30,000	30,000
4,583	0	Bad Debts	45,833	0	0
0	0	Bond Trustee Fees	450	0	0
0	0	Dues	1,850	0	0
124	0	Office Expense	2,458	0	0
874	752	Rent Expense	7,405	7,517	9,020
0	417	Regulatory Assess Fees	5,983	4,167	5,000
54	0	Miscellaneous Expense	1,094	0	0
256,150	216,955	Total Operating Expenses	2,064,791	2,049,542	2,453,450
(48,669)	(2,101)	Net Income B/4 Other (Inc) & Exp	90,455	98,986	124,783
		Other Income (Expenses)			
7,845	334,125	Capital Contributions	84,161	3,341,250	4,009,500
8	0	Interest Income	370	0	0
(6,678)	(8,119)	Interest Expense	(71,000)	(81,194)	(97,433)
63	63	Amortization	628	628	753
(64,583)	(64,583)	Depreciation	(645,833)	(645,833)	(775,000)
(63,345)	261,486	Total Other Income (Expenses)	(631,674)	2,614,851	3,137,820
(\$112,014)	\$259,385	Net Income(Loss)	(\$541,219)	\$2,713,837	\$3,262,603

Items in yellow include
pre-2020 balances that have
not yet been adjusted/confirmed.

Martin County Water District
Balance Sheet
October 31, 2020

10/31/2020

ASSETS

CURRENT ASSETS

Checking Account - Operations	\$123,689.11
Revenue Fund-EFT	23,661.48
Cash on Hand	900.00
Total Cash	148,250.59
Accounts Receivable	528,792.57
Allowance for Doubtful Accts	(11,303.07)
Unbilled Accounts Receivable	90,632.07
Accounts Receivable-Other	52,954.62
Inventory	8,376.76
Prepaid Expenses	(4,843.10)
Total Current Assets	812,860.44

PROPERTY, PLANT & EQUIPMENT

Land	214,713.83
Water Supply & Distribution System	28,197,113.19
Buildings	500,263.89
Equipment & Furniture	5,629,715.77
Vehicles	344,794.47
Construction Work in Progress	63,345.00
Less: Accumulated Depreciation	(17,187,997.38)
Net Property, Plant & Equipment	17,761,948.77

RESTRICTED CASH

Security Deposits	161,232.32
Grant Fund	20,905.30
Sinking Fund - RD	4,431.01
Regions Sinking Fund	79,897.30
KIA Sinking Fund	10,442.12
KACO Sinking Fund	8,266.80
Debt Service Surcharge Fund	14,692.63
Management Infrastructure Surcharge Fund	10,433.73
Depreciation Fund	1,021.75
Accrued Interest Receivable	4.00
Total Restricted Cash	311,326.96

OTHER ASSETS

Deferred Outflows of Resources Related to Pensions	504,402.00
Total Other Assets	504,402.00

Total Assets	\$19,390,538.17
---------------------	------------------------

**Martin County Water District
Balance Sheet
October 31, 2020**

10/31/2020

LIABILITIES AND DISTRICT'S EQUITY

CURRENT LIABILITIES

Accounts Payable	\$1,118,643.72
Sales Tax Payable	3,217.18
School Tax Payable	8,885.19
Accrued Wages Payable	88.92
Accrued Vacation	12,861.81
Accrued Payroll Taxes	12,307.80
Accrued Retirement	(44,569.09)
Accrued 401(k)	60.00
Accrued Health Insurance	2,649.17
Long Term Debt-Current	129,619.70
Accrued Interest Payable	18,149.03
Customer Deposits	153,790.53
Total Current Liabilities	1,415,703.96

LONG-TERM DEBT

Notes Payable - KIA	407,075.40
Lease Payable - KACO	71,221.96
Bonds Payable - 2015 E Current Refunding	1,765,000.00
Bonds Premium-2015E	22,363.00
A/Amort Bond Premium-2015E	(4,108.62)
Less: Current Portion of L-Term Debt	(129,619.70)
Net Pension Liability	1,072,039.00
Other Inflow Resources-Pension	220,865.00
Other Deferred Credits	46,453.94
Total Long-Term Debt	3,471,289.98

Total Liabilities

4,886,993.94

DISTRICT'S EQUITY

Contributed Capital-Grants	13,197,146.17
Contributed Capital-Government Grants	14,439,514.29
Contributed Capital	1,800,797.77
Retained Earnings	(14,392,695.70)
YTD Net Income	(541,218.30)
Total District's Equity	14,503,544.23

Total Liabilities and District's Equity

\$19,390,538.17

**Martin County Water District
Billing Summary**

Date	Billed		Gallons (000'S)	Billed # of Customers	Payments Received
	Revenue	YTD Total			
Oct-20	183,281	2,064,164	13,297	3,496	213,095
Sep-20	181,546	1,880,884	12,276	3,490	188,022
Aug-20	182,051	1,699,338	13,603	3,481	237,043
Jul-20	223,267	1,517,287	18,702	3,463	207,448
Jun-20	372,931	1,294,020	27,388	3,424	195,535
May-20	194,835	921,089	14,811	3,390	221,999
Apr-20	178,101	726,254	12,528	3,370	199,144
Mar-20	170,339	548,153	11,629	3,386	193,963
Feb-20	187,025	377,814	12,846	3,369	207,246
Jan-20	190,788	190,788	14,830	3,388	234,262
Dec-19	180,925	2,257,333	13,238	3,384	225,180
Nov-19	189,850	2,076,408	14,344	3,411	212,517
Oct-19	200,717	1,886,558	15,772	3,408	213,508

Notes:

- 1) June 2020 line above includes usage from 4/20/20-5/20/20 billed around 6/1/20 AND usage from 5/20/20-6/20/20 billed on 6/26/20 (mailed 6/30/20).
- 2) Billed revenue includes water charges billed to residential, commercial, and governmental entities.
- 3) Gallons reported represent billed revenue as stated in Note #2 and excludes sales to City of Presontonburg.
- 4) Payments received is total customer payments posted by the District's billing system (includes sales tax, school tax, and other fees). Pass through items are approximately \$7,000.

Martin County Water District

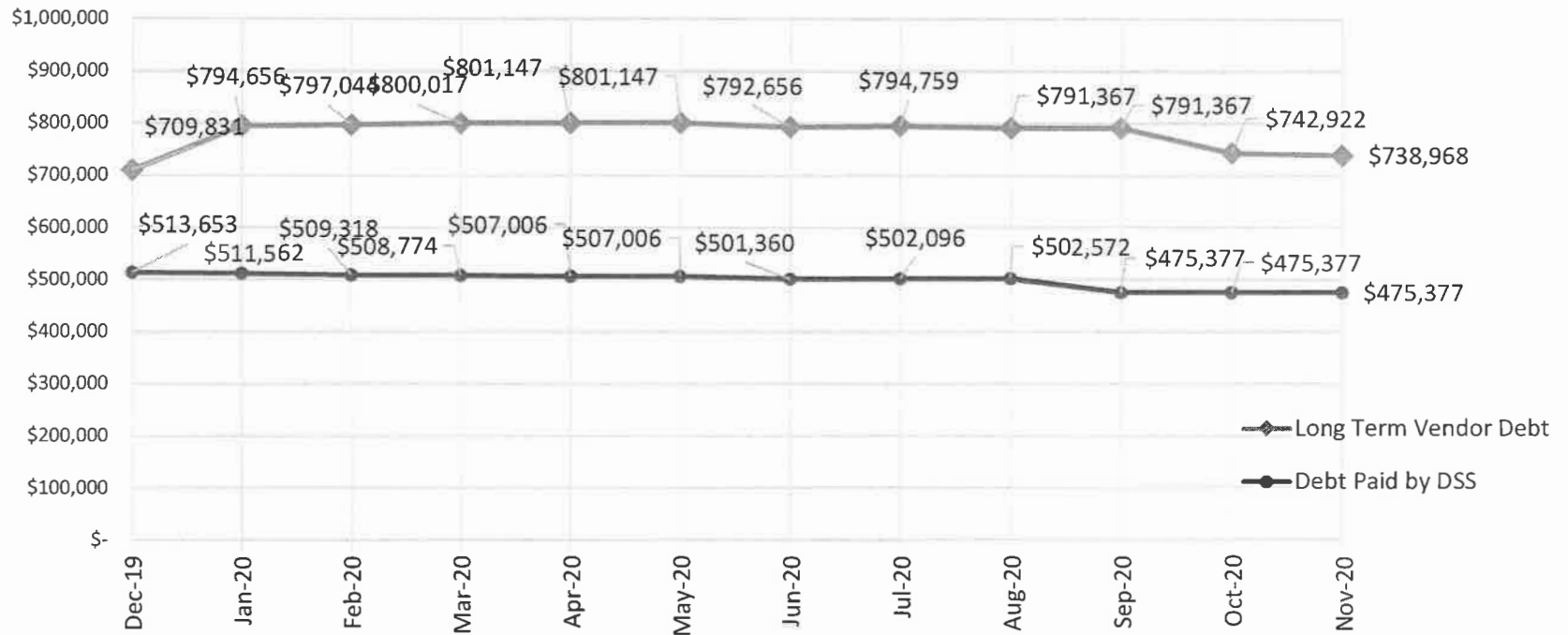
Net Income on a Cash Basis (Snapshot) EXCLUDES DEPRECIATION (format Revised 28 July 20)

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
REVENUE												
Customer Count	3,388	3,369	3,386	3,370	3,390	3,424	3,463	3,481	3,490	3,496		
Payments Received	\$234,262	\$207,152	\$195,082	\$199,144	\$221,999	\$195,535	\$207,448	\$237,043	\$188,022	\$213,095		
EXPENSES												
Operations Account	\$286,613	\$249,774	\$223,121	\$223,319	\$221,129	\$227,410	\$236,598	\$228,784	\$239,610	\$247,224		
Transfers for debt serv funding	\$19,150	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800		
Payment Plans	\$6,625	\$6,500	\$6,500	\$5,500	\$0	\$0	\$0	\$0	\$0	\$0		
DSS EXP/ (FUNDING)	(\$8,978)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
MIS EXP / (FUNDING)												
Sub total	\$303,410	\$274,074	\$247,421	\$246,619	\$238,929	\$245,210	\$254,398	\$246,584	\$257,410	\$265,024		
NET INCOME												
Cash Basis	-\$69,148	-\$66,922	-\$52,339	-\$47,475	-\$16,930	-\$49,675	-\$46,950	-\$9,541	-\$69,388	-\$51,929		

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 *Current balance= \$277,383 (Some fin charges forgiven & Prestonburg City decreased)*
- 4: **Operations Account Includes** the estimated DSS and MIS transfers (See list of Bills in Board Packet)
- 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= **\$502,572**
- 8: **Based on the requirements there will be deposits and subsequent withdrawals in DSS/MIS accounts with a likely sum of zero monthly**

Martin County Water District Outstanding Vendor Debt



9:56 AM
11/06/20

Martin County Water District
Vendor Balance Summary
As of October 31, 2020

	<u>Oct 31, 20</u>
All Pumps Sales & Services	8,411.90
Brian Cumbo	33,834.10
CI Thornburg	36,345.26
CI Thornburg-VFD#1	1,252.28
CI Thornburg-VFD#2	12,071.32
Evans Hardware	30,362.72
Evans Hardware #2	18,820.64
Fast Change	4,155.33
Linda F Sumpter, CPA	151,942.35
Service Pumps & Supply	21,282.99
Soles Electric	13,300.00
United Rentals	56,722.94
Xylem	93,739.10
Zip Zone Express	256,726.95
	<hr/>
TOTAL	738,967.88 <hr/> <hr/>

Martin County Water and Sanitation District

Number of Customers Subject to Disconnection as of November 19, 2020

<u>Class of Service</u>	<u>No. of Customers Subject to Disconnect</u>
Residential	1556
Commercial	<u>185</u>
TOTAL:	1741

Assuming the moratorium on disconnects was not in effect, provided is the number of customers in each class that would be subject to disconnection and the date used for this determination. Staff is in the process of creating a report that splits Water and Sanitation.

November 24th, 2020

TO: Martin County Water District
Board of Directors

INFORMATION & DECISION

FROM: Staff

RE: 2019 Audit Draft

Staff is recommending the Board review the 2019 Audit Draft.

Attached is the 2019 Audit Draft from Wade Stables and P.C.

In the draft you will find an attached letter needing a signature. After review of the draft, If the Board agrees, we are respectfully seeking a motion to approve the 2019 Audit Draft.

Martin County Water District

Inez, Kentucky

Annual Financial Report

Years Ended December 31, 2019 and 2018

Martin County Water District

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December 31, 2019 and 2018

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Financial Section

DRAFT

Independent Auditor's Report

The Board of Directors
Martin County Water District
Inez, Kentucky

We were engaged to audit the accompanying financial statements of the business-type activities of the Martin County Water District, as of and for the years ended December 31, 2019 and 2018, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Martin County Water District was not able to produce sufficient appropriate audit evidence related to accounts receivable and customer deposits. In addition, we were not able to obtain sufficient appropriate audit evidence for various income and expense accounts. As a result of these matters, we were unable to determine whether any adjustments might have been necessary related to these accounts in the statements of net position, statements of revenues and expenses and changes in net position and statements of cash flows.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Independent Auditor's Report (Concluded)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the District's proportionate share of the net pension liability, and schedule of contributions on pages 16 and 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020, 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.
Certified Public Accountants

November 13, 2020
Hannibal, Missouri

Basic Financial Statements

DRAFT

Martin County Water District

Statements of Net Position

Years Ended December 31, 2019 and December 31, 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 47,341	\$ 105,427
Accounts receivable (net)	121,707	201,201
Unbilled revenue	317,549	292,715
Prepaid expenses	13,780	27,243
Inventory	8,377	8,377
Total Current Assets	<u>508,754</u>	<u>634,963</u>
Restricted Assets		
Cash - Customer deposits	157,928	152,790
Cash - Debt service	120,239	141,558
Cash - Grants	89	8,299
Total Restricted Assets	<u>278,256</u>	<u>302,647</u>
Capital Assets		
Transmission & distrib. mains	20,275,959	20,273,944
Water treatment equipment	4,929,868	4,929,868
Reservoirs & standpipes	4,361,724	4,361,724
Lakes, rivers & intakes	2,173,720	2,173,720
Other plant, equipment & tools	1,449,003	1,435,381
Meters & hydrants	516,766	516,766
Structures	500,264	500,264
Transportation equipment	346,665	329,570
Office furniture & equipment	184,349	177,296
Land	214,714	214,714
Less: Accumulated depreciation	<u>(16,565,983)</u>	<u>(15,775,689)</u>
Total Capital Assets	<u>18,387,049</u>	<u>19,137,558</u>
TOTAL ASSETS	<u>19,174,059</u>	<u>20,075,168</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	<u>286,346</u>	<u>261,494</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>286,346</u>	<u>261,494</u>

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

Martin County Water District

Statements of Net Position

Years Ended December 31, 2019 and December 31, 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES		
Current Liabilities		
Accounts payable	850,181	1,083,414
Payroll tax liabilities	41,693	36,189
Accrued interest	34,469	35,597
Sales tax payable	7,795	6,428
Customer deposits	142,391	137,155
Current portion of long-term debt	124,620	118,007
Total Current Liabilities	<u>1,206,149</u>	<u>1,416,790</u>
Long-Term Liabilities		
Long-term portion of debt (net)	2,252,962	2,378,335
Net pension liability	1,739,483	1,459,298
TOTAL LIABILITIES	<u>5,198,594</u>	<u>5,254,423</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	93,003	151,042
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>93,003</u>	<u>151,042</u>
NET POSITION		
Net investment in capital assets	16,009,467	16,641,216
Restricted for customer deposits	157,928	152,790
Restricted for debt service	120,239	141,558
Restricted for capital projects	89	8,299
Unrestricted	(2,118,915)	(2,012,666)
TOTAL NET POSITION	<u>\$ 14,168,808</u>	<u>\$ 14,931,197</u>

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

Martin County Water District
 Statements of Revenues and Expenses and Changes in Net Position
 Years Ended December 31, 2019 and December 31, 2018

	2019	2018
Operating Revenues		
Water sales	\$ 2,220,203	\$ 2,013,260
Other sales	67,495	47,867
Penalties	76,437	70,747
Water surcharge	164,953	150,162
Total Operating Revenues	2,529,088	2,282,036
Operating Expenses		
Salaries and wages	757,165	580,849
Employee benefits	473,677	587,491
Purchased water	362,568	464,330
Chemicals	172,529	161,897
Materials & supplies	91,597	263,840
Contractual services	241,872	233,504
Rental	45,380	126,166
Transportation	96,271	63,986
Insurance	73,924	75,931
Bad debt	1,731	-
Payroll taxes	58,684	44,598
Regulatory assess fees	4,526	4,071
Depreciation	790,294	780,131
Miscellaneous	44,870	39,442
Total Operating Expenses	3,215,088	3,426,236
Operating Income	(686,000)	(1,144,200)
Non-operating Income (Expenses)		
Interest expense	(93,472)	(108,055)
Interest income	83	898
Total Non-operating Income (Expenses)	(93,389)	(107,157)
Change in Net Position Before Contributions	(779,389)	(1,251,357)
Capital grants and contributions	17,000	76,350
Change in Net Position	(762,389)	(1,175,007)
Net Position - Beginning	14,931,197	16,106,204
Net Position - Ending	\$ 14,168,808	\$ 14,931,197

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

Martin County Water District

Statements of Cash Flows

Years Ended December 31, 2019 and December 31, 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 2,588,984	\$ 2,297,927
Cash payments for goods and services	(1,348,671)	(1,163,419)
Cash payments for employees and benefits	(1,086,728)	(817,252)
Net Cash Provided by Operating Activities	<u>153,585</u>	<u>317,256</u>
Cash Flows From Capital and Related Financing Activities		
Payments for capital assets	(39,785)	(146,484)
Principal repayments	(118,007)	(116,443)
Interest and other charges paid	(95,353)	(108,630)
Capital grants	17,000	76,350
Net Cash Provided By Capital and Related Financing Activities	<u>(236,145)</u>	<u>(295,207)</u>
Cash Flows From Investing Activities		
Interest received	83	898
Net Cash Provided By Investing Activities	<u>83</u>	<u>898</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(82,477)	22,947
Cash and Cash Equivalents - Beginning of Year	<u>408,074</u>	<u>385,127</u>
Cash and Cash Equivalents - End of Year	<u>\$ 325,597</u>	<u>\$ 408,074</u>
Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 47,341	\$ 105,427
Restricted cash and cash equivalents		
Cash - Customer deposits	157,928	152,790
Cash - Debt service	120,239	141,558
Cash - Grants	89	8,299
Total Cash and Cash Equivalents	<u>\$ 325,597</u>	<u>\$ 408,074</u>
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Operating income	\$ (686,000)	\$ (1,144,200)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	790,294	780,131
Change in assets and liabilities:		
Accounts receivable	79,494	69,361
Unbilled receivables	(24,834)	(53,470)
Prepaid expenses	13,463	(17,713)
Accounts payable	(233,233)	313,228
Customer deposits	5,236	(25,076)
Payroll liabilities	5,504	(15,349)
Sales tax payable	1,367	(691)
Other accrued liabilities	5,000	-
Net pension obligation	197,294	411,035
Net Cash Provided By Operating Activities	<u>\$ 153,585</u>	<u>\$ 317,256</u>

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

**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 insure 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 and account groups, each of which is considered a separate accounting entity. The operations of the District constitute the equivalent of enterprise funds, and therefore, only these funds are presented. These funds consist of a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, 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 the statements of net position. Their reported fund equity (net position) is segregated into contributed capital and retained earnings 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 the statements of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. 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

1) Summary of Significant Accounting Policies (Concluded)

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) Reserves for net position

The amount restricted in net position is the amount that has been set aside for payments of long-term debt, customer deposits, and capital projects. The restricted amount equals the restricted cash and cash equivalents as reported in the statement of net position.

I) 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) Accounts Receivable

Accounts receivable are presented, when considered necessary, net of an allowance for doubtful accounts.

4) 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 interest rate of 1.85%. The collateral for the loan is service revenue.

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.

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 from 2.10 – 4.10% maturing on February 1, 2044. 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 year ended December 31, 2019 amounted to \$753.

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

Martin County Water District

Notes to the Financial Statements
December 31, 2019 and 2018

4) Long-Term Debt (Continued)

The following is a summary of outstanding debt as of December 31, 2019:

	<u>2019</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%.	\$ 1,820,000
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%.	452,478
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>86,222</u>
Total Debt Payable	2,358,700
Add: Unamortized Premium	18,882
Less: Current Portion	<u>(124,620)</u>
Long-Term Portion of Debt Payable	<u><u>\$ 2,252,962</u></u>

The following is a summary of bond principal requirements as of December 31:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	124,620	82,577	207,197
2021	131,281	78,829	210,110
2022	132,993	74,382	207,375
2023	134,757	69,887	204,644
2024	141,574	65,221	206,795
2025-2029	528,475	267,982	796,457
2030-2034	420,000	192,474	612,474
2035-2039	400,000	109,359	509,359
2040-2044	290,000	39,152	329,152
2045-2049	55,000	1,127	56,127
Totals	<u>\$ 2,358,700</u>	<u>\$ 980,990</u>	<u>\$ 3,339,690</u>

The changes in long-term debt for the year ended December 31, 2019 are as follows:

	<u>2019</u>
Balance, Beginning	\$ 2,476,707
Additions	-
Retirements	<u>(118,007)</u>
Balance, Ending	<u><u>\$ 2,358,700</u></u>

Martin County Water DistrictNotes to the Financial Statements
December 31, 2019 and 2018**5) Cash and Investments**

The carrying amount of the District's deposits was \$325,597 at December 31, 2019, and the bank balances totaled \$357,940. As of December 31, 2019, \$250,000 was covered by federal depository insurance and \$11,463 was collateralized with securities held by the financial institution in the District's name and \$96,477 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.

6) Litigation

At December 31, 2019, there were no claims or lawsuits pending against the District.

7) 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.

8) Capital Assets

Capital assets during the year ended December 31, 2019 consisted of the following:

	<u>Balance at January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at December 31</u>
Transmission & Distrib. Mains	\$ 20,273,944	\$ 2,015	\$ -	\$ 20,275,959
Water Treatment Equipment	4,929,868	-	-	4,929,868
Reservoirs & Standpipes	4,361,724	-	-	4,361,724
Lakes, rivers & intakes	2,173,720	-	-	2,173,720
Other plant, equipment & tools	1,435,381	18,644	(5,022)	1,449,003
Meters & hydrants	516,766	-	-	516,766
Structures	500,264	-	-	500,264
Transportation Equipment	329,570	17,095	-	346,665
Office Furniture & Equipment	177,296	7,053	-	184,349
	<u>34,698,533</u>	<u>44,807</u>	<u>(5,022)</u>	<u>34,738,318</u>
Accumulated Depreciation	(15,775,689)	(790,294)	-	(16,565,983)
Land	214,714	-	-	214,714
Total Capital Assets	<u>\$ 19,137,558</u>	<u>\$ (745,487)</u>	<u>\$ (5,022)</u>	<u>\$ 18,387,049</u>

Depreciation expense for the year ended December 31, 2019 amounted to \$790,294.

9) Related Party Transactions

There were no related party transactions during the year ended December 31, 2019.

10) 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, 2019 employers were required to contribute 16.23% of the member's salary. During the year ended December 31, 2019, the District contributed \$101,193 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At December 31, 2019, the District reported a \$1,739,483 liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2018 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, 2019. At December 31, 2019 the District's proportion was .024733%.

For the year ended December 31, 2019, the District recognized pension expense of \$301,634 related to CERS. At December 31, 2019, 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	\$ 44,414	\$ 7,350
Changes in assumptions	176,055	-
Net difference between projected and actual earnings on pension plan investments	33,391	61,432
Changes in proportion and differences between District contributions and proportionate share of contributions		24,221
Total	<u>\$ 286,346</u>	<u>\$ 93,003</u>

10) Pension Plan (Continued)

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:

<u>Year Ended</u>	
2020	\$ 117,812
2021	50,515
2022	23,025
2023	1,991
2024	-
	<u>\$ 193,343</u>

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, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2018.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2019:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	26 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	3.05% to 18.55%
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.

10) Pension Plan (Concluded)

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Core Bonds	13.50%	1.35%
Specialty Credit/High Yield	15.00%	2.60%
Private Equity	10.00%	6.65%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Cash	1.00%	0.20%
Total	100.00%	3.89%

Discount Rate

The discount rate used to measure the total pension liability was 5.25%. 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>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 2,175,600	\$ 1,739,483	\$ 1,375,984

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, 2019.

11) 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, 2019, the District has used \$93,350 of these funds.

12) Contingencies

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the next fiscal year.

13) Subsequent Events

Beginning January 1, 2020, the District will be utilizing the expertise of an outside management company to aid in operations of the District. Subsequent events have been considered through November 13, 2020, the date the financial statements were available to be issued.

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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, 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	0.02%	0.02%	0.03%	0.02%	0.02%
District's proportionate share of the net pension liability	\$ 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	\$ 1,739,483	\$ 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	290.05%	248.08%	181.02%	179.26%	134.05%
Plan fiduciary net position as a percentage of the total pension liability	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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County Employee's Retirement System:						
Contractually required contribution	\$ 101,193	\$ 85,993	\$ 82,452	\$ 84,846	\$ 104,892	\$ 97,385
Contributions in relation to the contractually required contribution	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>
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	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

DRAFT

**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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-002 to be a significant deficiency.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-003 and 2019-004.

**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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wade Stables P.C.
Certified Public Accountants

November 13, 2020
Hannibal, Missouri

DRAFT

Findings – Financial Statement Audit

Material Weaknesses

Finding 2019-001 - Accounts Receivable:

Criteria:

Internal controls should be in place to reconcile the total accounts receivable to the accounts receivable in the general ledger.

Condition:

A detailed accounts receivable aging report as of December 31, 2019 could not be produced.

Cause:

There were no internal controls in place to maintain a detailed aged receivable listing.

Effect:

The District would not be able to accurately account for accounts receivable or related revenues.

Recommendation:

Management should implement internal controls to track accounts receivable and reconcile the asset to the general ledger on a monthly basis.

Views of Responsible Officials:

The District will produce an aged accounts receivable trial balance on a monthly basis and reconcile the report to the general ledger on a monthly basis.

Significant Deficiencies

Finding 2019-002 - Customer Security Deposit Liability:

Criteria:

Internal controls should be in place to reconcile the customer security deposit log to the customer security deposit liability in the general ledger.

Condition:

The customer security deposits log could not be reconciled to the general ledger.

Cause:

There were no internal controls in place to maintain the customer security deposits log.

Effect:

The District would not be able to accurately account for customers' security deposits.

Recommendation:

Management should implement internal controls to track the customer security deposit log to the customer security deposit liability regularly.

Views of Responsible Officials:

The Board will discuss the policy on security deposit refunds going forward and making any necessary adjustments to reconcile the customer security deposit liability to the customer security deposit log. Internal controls will be implemented to reconcile the customer deposits log to the general ledger.

Compliance Findings

2019-003 - 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.

2019-004 – 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 appears to have not given responsibility to an employee to be responsible or be held accountable for loan covenants or requirements.

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 and other policies and procedures implemented for an employee to be responsible and held accountable for ensuring all loan covenants are met.

Views of Responsible Officials:

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

MARTIN COUNTY UTILITY BOARD

387 East Main Street Suite 140
INEZ, KY 41224

606-298-3885 OFFICE

606-298-4913 Fax

November 24, 2020

**TO: Martin County Water District
Board of Directors**

FROM: Staff

RE: FY 2021 Budget Proposal

The District's FY 2021 Fiscal Year Budget Proposal is hereby submitted for your final review and consideration.

The budget proposal as presented is a balanced budget; operating revenues exceed operating expenditures with the minimum debt service coverage allowed per the bond covenants, please see summary below:

2021 Total Revenue	\$ 2,692,402
2021 Operating Expenses	\$ 2,437,429
(Including Interest Expense)	\$ 80,458
Net Revenue before Debt (Principal)	\$ 174,516
Debt Service (P&I)	\$ 212,483
Net Revenue (after Ops & Debt)	\$ 42,491
Debt Service Coverage	1.20
(1.2 Required)	
Capital Improvements	
from Outside Funding 2021	\$ 5,859,518

The District's FY 2021 budget proposal is for Board review and consideration. Staff will present and discuss the budget proposal in further detail; we will provide any additional information you desire and revise as requested.

The District should review, consider, and adopt a 2021 Budget prior to the start of its fiscal year on January 1, 2021.

MARTIN COUNTY WATER DISTRICT

2021 PROPOSED BUDGET

**January 1, 2021 - December 31, 2021
Fiscal Year**

**Prepared and Submitted by:
Alliance Water Resources, Inc.**

Martin County Water District
2021 Fiscal Year Budget Estimate
Statement of Revenues and Expenditures
(in Dollars)

Cash Needs Basis

<u>Revenue Source</u>	<u>Actual 2019</u>	<u>Budget 2020</u>	<u>Projected 2020</u>	<u>Budget 2021</u>	<u>Notes</u>
Water Sales	\$ 2,220,203	\$ 2,177,390	\$ 2,228,861	\$ 2,425,375	
All Other Revenue, Connection Fees	<u>308,885</u>	<u>300,844</u>	<u>261,668</u>	<u>267,027</u>	
Total Revenue	\$ 2,529,088	\$ 2,478,234	\$ 2,490,529	\$ 2,692,402	
<u>Expenditures</u>					
All General & Operating Expenses	\$ 2,424,794	\$ 2,453,450	\$ 2,428,284	\$ 2,437,429	
Interest Expense(s)	<u>93,472</u>	<u>85,521</u>	<u>85,521</u>	<u>80,458</u>	
Total Operating Expenditures	\$ 2,518,266	\$ 2,538,971	\$ 2,513,805	\$ 2,517,886	
Net Revenue B4 Principal Payments	\$ 10,822	\$ (60,737)	\$ (23,275)	\$ 174,516	
<u>Debt Service Coverage Calculation</u>					
Net Revenue B4 Principal	\$ 10,822	\$ (60,737)	\$ (23,275)	\$ 174,516	
Plus Above Interest Expense	<u>93,472</u>	<u>85,521</u>	<u>85,521</u>	<u>80,458</u>	
Net Revenues Available for Coverage	\$ 104,294	\$ 24,784	\$ 62,245	\$ 254,973	
P&I Debt Service	\$ 208,111	\$ 215,995	\$ 215,995	\$ 212,483	
Net Revenue after Oper & Debt Exp.	\$ (103,817)	\$ (191,211)	\$ (153,750)	\$ 42,491	
Debt Service Coverage (Required Coverage 1.2)	0.50	0.11	0.29	1.20	
Projected YE Unrestricted Cash Reserves	\$ 104,294	\$ -	\$ -	\$ 42,491	Before Capital
Projected CI Funded Outside Sources	\$ 142,500	\$ 104,500		\$ 5,859,518	
Projected CI Funded from Operations or Unfunded	\$ 125,000	\$ 275,000		\$ 1,293,606	
Total Capital Improvements (CI)				\$ 7,153,124	

Martin County Water District

2021 Fiscal Year Budget Estimate

Statement of Revenues in Dollars

<u>Revenue Source</u>	<u>Budget 2020</u>	<u>Actual Thru 9/30/2020</u>	<u>Projected 2020</u>	<u>Budget 2021</u>	<u>Notes</u>
Water Sales - Residential	\$ 1,785,946	\$ 1,385,972	\$ 1,847,963	\$ 2,010,893	Includes Rate Increase
Water Sales - Commercial	\$ 384,979	\$ 221,228	\$ 294,971	\$ 320,978	
Water Sales - Public Authorities	\$ 6,465	\$ 64,446	\$ 85,928	\$ 93,504	
Water Sales - Bulk	\$ 140	\$ 35	\$ 47	\$ 50	
Connection Fees - Tap	0	17,672	\$ 23,563	\$ 26,333	
Late Charge Fees	0	13,416	\$ 17,888	\$ 17,888	
Reconnect/Meter Sets/Other Fees	110,575	16,499	\$ 21,999	\$ 24,585	Excludes Disconn Fees due to Mortorium
Management Infrastructure Surcharge	190,129	144,342	\$ 192,456	\$ 192,456	
Miscellaneous Income	0	3,925	\$ 5,233	\$ 5,233	
Interest Income	0	362	483	483	
Total Revenues	\$ 2,478,234	\$ 1,867,897	\$ 2,490,529	\$ 2,692,402	

MARTIN COUNTY WATER DISTRICT

DESCRIPTION OF REVENUE ACCOUNTS

Water Sales Revenue	Revenue received from metered and permitted (bulk or hydrant) water sales.
Connection Fees	Revenue collected as connection fees from new customers connecting onto the District's water and/or sewer systems.
Late Charge Fees	Revenues the District collects due to customers not paying current charges by due date on the bill form.
Reconnect/NSF Fees	Revenues collected from disconnection and reconnection charges and returned check fees.
Interest Income	Represent interest earnings on the balances of the District's banking and investment accounts.
Miscellaneous	Any other income or revenue the District receives not included in a specific category.
MIS	Management Infrastructure Surcharge.
DSS (fee)	Debt Service Surcharge.

Martin County Water District

2021 Fiscal Year Budget Estimate

Statement of Expenses in Dollars

	<u>Budget</u>	<u>Actual Thru</u>	<u>Projected</u>	<u>Budget</u>	
	<u>2020</u>	<u>Sep-20</u>	<u>2020</u>	<u>2021</u>	<u>Notes</u>
<u>Operating Expenses</u>					
Employee Benefits	\$ -	\$ 21,367	\$ 21,367	\$ -	
Water Purchased	\$ 50,000	\$ -	\$ -	10,000	
Management & Operations Contract	\$ 1,973,346	\$ 1,480,010	\$ 1,973,347	\$2,022,079	
Utilities	\$ 308,584	\$ 193,728	\$ 258,304	260,000	
Insurance	\$ 47,500	\$ 30,720	\$ 40,960	30,000	Property & Casualty Ins, D&O Policy, Treasurer's Bond
Repairs & Maintenance	\$ -	\$ 1,475	\$ 10,000	10,000	
Materials & Supplies	\$ 5,000	\$ -	\$ -	\$ -	
Outside Services	\$ -	\$ 6,452	\$ 11,936	10,000	
Legal Expenses	\$ 25,000	\$ 5,450	\$ 7,267	7,500	
Audit	\$ 30,000	\$ -	\$ 25,000	7,800	2020 includes pymt for 2017, 2018 & 2019 audits
Bad Debts	\$ -	\$ 41,250	\$ 55,000	55,000	
Bond Trustee Fees	\$ -	\$ 450	\$ 600	700	
Admin Fees (Bonds)	\$ -	\$ 855	\$ 855	750	
Dues	\$ -	\$ 1,850	\$ 1,850	1,850	KRWA
Office Expense	\$ -	\$ 2,334	\$ 3,112	3,250	KY One Call Fees
Rent Expense	\$ 9,020	\$ 6,532	\$ 8,709	9,000	
Regulatory Assess Fees	\$ 5,000	\$ 5,983	\$ 7,977	8,000	
Miscellaneous Expense	\$ -	\$ 1,040	\$ 2,000	1,500	
Total Operating Expenses	\$ 2,453,450	\$ 1,799,496	\$ 2,428,284	\$ 2,437,429	-0.7% (over prior budget)
<u>Other Income (Expenses)</u>					
Debt Service Surcharge (Fee)	\$ 110,575	\$ 80,231	\$ 106,975	\$ 107,000	
Creditor Debt	\$ (110,575)	\$ (8,978)	\$ (8,978)	\$ (107,000)	
Capital Contributions	\$ -	\$ -	\$ -	\$ -	
Capital Contributions - KYDOT	\$ -	\$ -	\$ -	\$ -	
Amortization	\$ -	\$ -	\$ 753	\$ 753	
Depreciation	\$ (775,000)	\$ (581,250)	\$ (775,000)	\$ (780,000)	
Total Other Income (Expenses)	\$ (775,000)	\$ (509,997)	\$ (676,250)	\$ (779,247)	

Current Customer Count = 3,485

MARTIN COUNTY WATER DISTRICT

Description of Expense Accounts

Professional Operations	Professional operating and management services provided by Alliance Water Resources, Inc. As a general rule, includes all labor, operating, maintenance and repair expenses for maintaining the District's facilities on a day-to-day basis.
Insurance	Includes premiums for comprehensive coverage for District properties, coverage for equipment owned by the District plus Directors & Officers insurance coverage.
Utilities	Energy costs for power and other utilities used for the operation of the District's booster pumps, lift stations, wastewater treatment plants, offices and other facilities.
Repairs & Maintenance	Repair expenses not covered by Alliance's budget. Generally, these are new equipment items costing more than \$2,500 or single repairs which significantly extend equipment or service life costing more than \$2,500. This also includes expenditures that are planned, non-routine and budgeted by the District including costs associated with District contractors such as line upgrades, tower cleaning, inspection, washing and repainting.
Legal & Audit	Expenses associated with legal guidance and direction, (Legal, Accounting & Audit) including, but not limited to the review or preparation of agreements and contracts. Also included are expenses associated with the review and preparation of the District's annual audit.
Bad Debts	Amounts related to write off of uncollectible receivables.
Bond Trustee Fees	Expenses associated with the administration of the District's bond issues such as bank and trustee fees.

Description of Expense Accounts (Continued)

Dues	Annual dues for the District to belong to KRWA and/or other professional water and/or sewer organizations.
Interest Expense	Interest expenses due on District's debt, interest portion due on any outstanding bond issues or debt any kind.
Capital Contributions	The cost or value of water or sewer systems contributed or dedicated to the District which was constructed and paid for by developers or home builders.
Amortization	Various costs incurred to issue revenue bonds or other debt as expensed over the life of a bond issue.
Depreciation	The reduction in the value of the District's facilities based upon their anticipated lifespan.

Martin County Water District
2021 Fiscal Year Budget Estimate

Debt Schedule

<u>Debt</u>	<u>Budget 2019</u>	<u>Budget 2020</u>	<u>Projected 2020</u>	<u>Scheduled 2021</u>	<u>Notes</u>
Notes Payable - KIA					
Principal	\$53,007	\$54,620	\$54,620	\$56,281	Payments made monthly
Interest	\$14,440	\$12,827	\$12,827	\$11,166	
Admin Fee	\$963	\$855	\$855	\$744	
KIA N/P Total	\$68,410	\$68,302	\$68,302	\$68,191	
Lease Payable - KACO					
Principal	\$10,000	\$15,000	\$15,000	\$15,000	Principal due 3/20 each year
Interest	\$5,763	\$4,910	\$4,910	\$3,968	
KACO Lease Payable Total	\$15,763	\$19,910	\$19,910	\$18,968	
Bonds Payable - 2015 E Current Refunding					
Principal	\$55,000	\$60,000	\$60,000	\$60,000	Principal is due 1/1 so funded in p/yr
Interest	\$68,939	\$67,784	\$67,784	\$65,324	
2015 E Current Refunding Total	\$123,939	\$127,784	\$127,784	\$125,324	
Total Debt - All Issues	\$208,111	\$215,995	\$215,995	\$212,483	
Total Interest Expense	\$89,141	\$85,521	\$85,521	\$80,458	
Total Admin Fees Expense	\$963	\$855	\$855	\$744	

Martin County Water District

2021 Fiscal Year Budget Estimate

Capital Improvements Water System, Sewer System, Machinery and Equipment

	2021 Budget	Funding Source
<u>Water System Improvements</u>		
Clarifier/Filter Unit 1 Refurbishment	\$ 450,000	AML
Filter Repair Unit 3	\$ 250,000	AML
Tank Inspections	\$ 7,000	Funded From Cash if Available
Project 113-19-02 Concrete Ramp & Winch System, Electrical Building Upgrade, Telemetry, Line Reactors & Instrumentation @ RWI. New Valve Vault for Clarifier 1, Replace Master & Replace Chlorine Feed system @ WTP	\$ 2,393,860	AML & USACE
Project 113-19-03 Replace Existing Mainline, Water Meters, Service Line, Valves & Hydrants in the Warfield Area	\$ 1,260,658	AML & USACE
Project 113-19-04 Replace Existing Mainline, Water Meters, Service Line, Valves & Hydrants in the Lovely Area (Note 1)	\$ 750,000	ARC
Projects 113-19-05 & 113-19-06 Construction of 250,000 gallon water storage tank, new 400 gpm pump station, telemetry, master meter, booster chlorination and upgrade Davella Pump Station (Note 1)	\$ 750,000	AML
Contracts 113-20-02 & 113-20-03 Hunters Lane & Rockhouse Creek Utility Relocations	TBD	KYTC
Sub-Total Water System Improvements	\$ 5,861,518	
<u>Building and Land Improvements</u>		
Roof Repair over Chemical Building	\$ 5,000	AML
Doors for Valve Vaults	\$ 10,000	Funded From Cash if Available
Booster Stations - Building Repairs and/or Replacements	\$ 10,000	Funded From Cash if Available
Sub-Total Building and Land Improvements	\$ 25,000	
<u>Machinery and Equipment</u>		
AMR Meters and Reading Equipment	\$ 1,200,000	Funded From Cash if Available
Radio Read Meters & Transmitters, New & Replacements	\$ 15,000	Funded From Cash if Available
VFD 40E Booster Station	\$ 7,500	Funded From Cash if Available
Online Turbidimeters and Controller	\$ 22,626	Funded From Cash if Available
Level Probes for Filter 4 and 5	\$ 11,480	Funded From Cash if Available
Dump Trailer	\$ 10,000	Funded From Cash if Available
Sub-Total Machinery and Equipment	\$ 1,266,606	
2021 Improvements from External Sources	\$ 5,859,518	
2021 Improvements Funded From Cash	\$ 1,293,606	
Grand Total for 2020 Capital Improvements	\$ 7,153,124	

Note 1: Estimate of portion of funds that will be expended in 2021.

MCW Rate Proposal FYE 2021				
	Base	\$/1000	AVG Use (1,000 gals)	Total
Water				
DSS	\$ 2.63			\$ 2.63
MIS	\$ 4.72			\$ 4.72
Current	\$ 33.32	\$ 8.43	3.27	\$ 51.38
Increase	\$ 37.32	\$ 9.36	3.27	\$ 56.55
Difference				\$ 5.18
Additional Revenue	Residential Customer Count		3,177	\$ 197,393.53
% Increase For Avg User				10.08%

MCUD Connection Fees			Commercial Customers	
	Residential	Larger Sized Tap		
Water			<1"	197
Current	\$1,000	Actual Cost	1"	19
Increase	\$100		1.5"	2
New	\$1,100		2"	16
			3"	4
			4"	1
			Government	
			<1"	22
			1"	5
			1.5"	3
			2"	9
			Non Residential	278
			Total Customer Count	3,455

Meter Size	Minimum Usage	Minimum Bill	Increase to Minimum	New Base Bill	
5/8 x 3/4"	2000	\$33.32	\$4.00	\$37.32	\$13,584.00
1"	5000	\$58.59	\$10.00	\$68.59	\$240.00
1.5"	10000	\$100.70	\$20.00	\$120.70	\$100.00
2"	20000	\$184.93	\$40.00	\$224.93	\$1,000.00
3"	30000	\$269.17	\$60.00	\$329.17	\$240.00
4"	50000	\$437.63	\$100.00	\$537.63	\$100.00
Base Bill Additional Revenue Estimate:					\$15,264.00

**** Customer Counts Are for Budgeting Purposes**

Following Board Approval Staff will Prepare and Submit the Application for a Rate Adjustment to the PSC. (Ten Days)

Martin County Water District, Inez KY
List of Bills for Consideration
24-Nov-20

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Operations Account		
1 AEP	Electric (26 bills) Estimated	\$ 30,068.23
2 Big Sandy RECC	Electric (9 bills) Estimated	\$ 1,933.83
3 Paintsville Utilities	Electric for token (10/8/20 to 11/8/20) Estimated	\$ 55.77
4 Roy F Collier Comm. Center	Rent (December)	\$ 773.51
6 Martin County Water District	Sanitation October	\$ 131.90
7 Sales tax	10/2020 (estimated)	\$ 1,721.55
8 School tax	10/2020 (estimated)	\$ 5,211.99
9 Alliance Water Resources	12/1-20-12/15/20 O&M services	\$ 82,222.75
10 Alliance Water Resources	12/16/20-12/31/20 O&M services	\$ 82,222.75
11 Alliance Water Resources	11/20 Suddenlink Reimbursement (estimated)	\$ 74.14
12 Alliance Water Resources	11/20 Suddenlink Reimbursement (estimated)	\$ 34.95
13 Management Inf. Surcharge	Estimated (actual collected will be paid)	\$ 15,851.94
14 Debt Service Surcharge	Estimated (actual collected will be paid)	\$ 8,829.15
15 Walker Communications	Phone maintenance (October)	\$ 89.00
17 Cumbo Law Office	Legal Services	\$ 600.00
18 Appalachian Wireless	Pay out and cancel phone (Greg Scott)	\$ 22.97
19 Railroad Management Company	Pigeon Roost UG Pipe	\$ 529.98
20 KRWA	Membership Dues	\$ 1,850.00
21 Wade Stables P.C.	Audit work and reports	\$ 15,000.00
TOTAL		\$ 229,821.46

The following invoices have already been paid via auto debit or to avoid service interruption(s) and/or late fees.

2 Zoom	Zoom subscription (October)	\$ 15.89
TOTAL		\$ 15.89

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

Martin County Water District, Inez KY
List of Bills for Consideration
24-Nov-20

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
TOTAL OPERATIONS		\$ 247,637.35

PAST DUE ACCOUNTS

(Based on cash availabilty)

8/31/2020

1	CI Thornburg VFD # 1	VFD	\$	1,252.28
2	CI Thornburg VFD # 2	VFD	\$	12,071.32
3	Xylem	Pump rental	\$	93,739.10
4	Soles Electric	Pump service	\$	13,300.00
5	Service Pump & Supply	Pump service	\$	21,282.99
6	All Pumps Sales & Services	Pump service	\$	8,411.90
7	Cumbo Law Office	Legal service	\$	33,834.10
8	Evans Hardware #2	Parts & supplies	\$	18,820.64
9	Fast Change	Vehicle Maintenance	\$	4,155.33
10	United Rentals	Pump Rental	\$	56,722.94
	TOTAL		\$	263,590.60

DSS Account

(Based on cash availabilty)

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
	TOTAL		\$	475,377.28

Total Past Due Accounts

\$ 738,967.88

Martin County Water District, Inez KY
List of Bills for Consideration
24-Nov-20

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Security Deposit Account		
Customer		
1 Ruby Fletcher	Deposit refund due to customer	\$ 2.69
2 Kathy Marcum	Deposit refund due to customer	\$ 2.33
3 Devvee Vanover	Deposit refund due to customer	\$ 22.78
TOTAL		\$ 27.80



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

October 2020

Administrative

Updated Covid awareness literature and a response kit have been issued to the billing office and all three treatment plants.

An effort to contact customers with back debt has begun. The billing department is notifying customers who are behind on their bills, this is to help ease the burden of repayment.

Water Treatment

The "sludge truck" is back in operating condition. By hauling sludge on a consistent schedule, the operators will be able to backwash filters whenever they please, for as long as they please.

As we move into the cooler months, a decrease in organics at the community's reservoir will result in chemical savings at the plant.

Distribution

A new Sawzall and ½" impact was purchased for the repair crew.

The distribution crew is undergoing a 50% change in staffing.

AWR and Rural Water participated in a joint effort to combat water loss.

The Dodge crew cab is back on the road.

Situation: Three customers were experiencing low water pressure on Happy Hollow Road.

Solution: A system approach to customer communication, verification of water pressure at the meter, and valve isolation, the problem was traced back to a pressure reducing valve.

Results: By communicating with a trusted vendor, a PRV rebuild kit was obtained and installed. The pressure to Happy Hollow is now desirable.

Conclusion: Customer communication, systematic troubleshooting, and trusted vendors create a lasting teamwork that achieves goals.



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Customer Service

A customer was so happy with the results of a PRV rebuild, he ordered the distribution crew several pizzas.

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	

Safety

October's meeting was on fire safety. The safety meeting for November is on chlorine safety.

Regulatory

The Martin County Water Treatment Plant continues to operate within compliance of all state regulatory agencies.

Training

Two additional employees have been trained on sludge hauling operations.

Water Plant Operation

Water Pumped	
Total Water Production (gallons) – OCTOBER	55,673,000
Total Water Metered/Billed (gallons) – OCTOBER	17,362,000
Other Water Used (gallons) – OCTOBER	829,000
Total Water Loss (gallons) – OCTOBER	37,482,000
Portion of TWL due to Main Breaks (gallons) – OCT	4,262,000
Average Daily Flow (Million Gallons per Day)-OCT	1.796 MGD
Maximum Daily Flow – OCTOBER	1.885 MGD
Fluoride Used (lbs.) – OCTOBER	513.6 LBS
Chlorine Used (lbs.) – OCTOBER	1,679 LBS
Lab Tests – OCTOBER	3,565 TESTS

Water Quality Analysis

Test	Routine	Special	Repeat
Bacteriological	12 (Pass)	12 (Pass)	0
		Reported	Minimum Limit
Fluoride Plant Sample	31	0.83 mg/l Average	0.6 mg/l
Chlorine Distribution Sample	35	Low Readings Total - 0.42 mg/L Free - 0.49 mg/L	0.2 mg/l

Customer Service Request and Work Orders

Meter Reads	3460
Meter Sets	18
Turn offs-Close account	17
Taps	0
Meter Changes	8
Disconnects for Non-payment	0
Boil Notices	4
Line Locates	88
Water Leaks/Breaks	47
Other/Investigates	138



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Water Main Breaks & Service Lines

Date	Location	Pipe Size/Type	Estimated Water Loss (gallons)
10-1-20	North Wolf Creek	6" PVC	172,800
10-1-20	Moore Branch	2" PVC	57,600
10-2-20	Sweetwater Road	6" PVC	345,600
10-2-20	Riverfront Road	¾" SVS	57,600
10-5-20	Rockhouse Road	¾" SVS	57,600
10-5-20	Blacklog Road	2" PVC	57,600
10-5-20	Little Peter Cave	¾" SVS	86,400
10-5-20	Beatrice Loop	¾" SVS	57,600
10-6-20	Riverfront Road	¾" SVS	28,800
10-7-20	Beauty Road	¾" SVS	57,600
10-8-20	New Route 3	1" SVS	86,400
10-8-20	Blacklog Road	¾" SVS	57,600
10-9-20	East Main Street	¾" SVS	86,400
10-12-20	Collins Creek	6" PVC	345,600
10-12-20	Joseph Lane	¾" SVS	28,800
10-12-20	Muddy Branch	¾" SVS	86,400
10-13-20	Rockcastle Road	1" SVS	57,600
10-16-20	Randy Fannin Place	1" SVS	57,600
10-16-20	Riverfront Road	Setter	28,800
10-16-20	Harris Street	¾" SVS	57,600
10-16-20	Riverfront Road	¾" SVS	57,600
10-16-20	Tomahawk Road	¾" SVS	115,200
10-16-20	Milo Subdivision	¾" SVS	86,400
10-20-20	Blackberry Road	¾" SVS	28,800
10-20-20	Justin Drive	¾" SVS	28,800
10-20-20	Rockcastle Road	¾" SVS	86,400

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10-20-20	Muncy Pit	¾" SVS	28,800
10-21-20	Debord	4" PVC	230,400
10-22-20	West Main Street	¾" SVS	28,800
10-22-20	Little Lick Road	1" SVS	57,600
10-23-20	Long Branch	4" PVC	345,600
10-26-20	Russell Workman Road	4" PVC	21,600
10-27-20	North Wolf Creek	6" PVC	345,600
10-27-20	West Main Street	¾" SVS	57,600
10-28-20	Turkey Creek	¾" SVS	28,800
10-29-20	North Wolf Creek	6" PVC	345,600
10-29-20	North Wolf Creek	6" PVC	345,600
10-29-20	Blacklog Road	10" PVC	172,800



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Repair Expenses Ending September 2020

Expended	Actual YTD	Annual Budget	% Budget / Line Item
Bldg. & Grounds Maintenance	\$3,432	\$7,000	49%
Vehicle Maintenance	\$12,701	\$20,000	64%
Water Plant Maintenance	\$8,615	\$0	0%
Well Maintenance	\$0.00	\$20,000	0%
Distribution System Maintenance	\$75,653	\$60,000	126%
Water Meter Maintenance	\$3,873	\$10,000	39%
Street Maintenance	\$1,403	\$8,000	18%
Totals	\$105,677	\$125,000	85%

Chemical Expenses Ending September 2020

Expended	Actual YTD	Annual Budget	% Budget / Line Item
Sodium Hydroxide	\$6,736	\$0	0%
Polymer	\$11,582	\$0	0%
Alum	\$24,680	\$0	0%
Chlorine	\$15,772	\$25,000	63%
Permanganate	\$12,877	\$0	0%
Fluoride	\$5,534	\$0	0%
Chemicals Other - Water	\$16,355	\$85,000	19%
Totals	\$93,536	\$110,000	85%

Notes:

- 1) Building & Grounds Maintenance
 - a. \$4.01 - R&J Building Supply
 - b. \$32.08 - R&J Building Supply

- 2) Vehicle Maintenance
 - a. \$115.51 - Advanced Auto
 - b. \$144.65 - Cox Auto Parts
 - c. \$74.36 - Fast Change
 - d. \$90.00 - Fast Change
 - e. \$74.36 - Fast Change
 - f. \$54.03 - Fast Change

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

- 4) Well Maintenance
 - a. \$0.00

- 5) Distribution System Maintenance
 - a. \$849.58 - C.I. Thornburg
 - b. \$1,348.20 - C.I. Thornburg
 - c. \$412.62 – Consolidated Pipe
 - d. \$197.68 - Layne
 - e. \$281.48 – Consolidated Pipe
 - f. \$2.96 – R&J Building Supply
 - g. \$56.10 – R&J Building Supply
 - h. \$52.95 – R&J Building Supply
 - i. \$90.47 – R&J Building Supply
 - j. \$52.44 – R&J Building Supply
 - k. \$1,106.17 – Consolidated Pipe
 - l. \$240.92 – Consolidated Pipe
 - m. \$854.64 – Consolidated Pipe
 - n. \$577.76 – Consolidated Pipe
 - o. \$1.05 – R&J Building Supply
 - p. \$0.79 – R&J Building Supply

- 6) Meter Maintenance
 - a. \$282.13 – Citco Water (formerly C.I. Thornburg)

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- 7) Street Maintenance
 - a. \$290.71 - Lowes

- 8) Sodium Hydroxide
 - a. \$5,287.01 – Citco Water

- 9) Polymer
 - a. \$1,170.70 – Citco Water

- 10) Chlorine
 - a. \$1,914.09 – Citco Water
 - b. \$1,330.00 – Citco Water
 - c. \$500.00 – Citco Water

- 11) Permanganate
 - a. \$10,160.82 – Citco Water

- 12) Fluoride
 - a. \$1,474.01 – Citco Water

- 13) Chemicals Other – Water
 - a. \$1,255.59 – Citco
 - b. \$1,944.04 – Citco
 - c. \$978.38 – Citco
 - d. \$1,219.00 – Citco
 - e. 3,668.49 – Citco

INITIAL ROUND	23-Jan-20	CNL	NEG READS	RRW/WMN	TOW	TOTAL
Total	3398	193	313	145	6	651
		5.68%	9.21%	4.27%	0.18%	19.16%
JAN FINAL NUMBERS						
	3402	35	292	0	5	332
		1.03%	8.58%	0.00%	0.15%	9.76%
FEB FINAL NUMBERS						
	3403	25	17	49	4	95
		0.06%	0.50%	1.44%	0.03%	2.79%
MAR FINAL NUMBERS						
	3388	2	28	0	1	31
		0.06%	0.83%	0.00%	0.03%	0.91%
APR FINAL NUMBERS						
	3416	1	17	0	1	20
		0.03%	0.50%	0.00%	0.03%	0.59%
MAY FINAL NUMBERS						
	3411	2	17	0	5	24
		0.06%	0.50%	0.00%	0.15%	0.70%
JUN FINAL NUMBERS						
	3442	2	18	0	1	21
		0.06%	0.52%	0.00%	0.03%	0.61%
JUL FINAL NUMBERS						
	3454	5	27	0	15	47
		0.14%	0.78%	0.00%	0.43%	1.36%
AUG FINAL NUMBERS						
	3481	3	34	0	9	46
		0.09%	0.98%	0.00%	0.26%	1.33%
SEPT FINAL NUMBERS						
	3484	5	31	0	6	42
		3.23%	0.50%	0.00%	3.87%	27.10%

UPDATE PRIOR TO	28-Oct-20	MCW DIV 07 METER AUDIT NUMBERS				
BOOK #	TOTAL	CNL	NEG READS	RRW/WMN	TOW	TOTAL
1	59	0	0	0	0	0
2	290	0	2	0	0	2
3	63	0	1	0	0	1
4	261	0	1	0	0	1
5	175	1	0	0	0	1
6	408	0	0	0	1	1
7	426	0	2	0	0	2
8	502	0	1	0	1	2
9	73	0	1	0	0	1
10	230	0	2	0	0	2
11	70	0	0	0	0	0
12	71	0	0	0	0	0
13	106	0	1	0	0	1
14	236	0	0	0	0	0
15	99	0	1	0	0	1
16	162	0	0	0	0	0
17	74	0	1	0	0	1
18	155	0	0	0	0	0
19	0	0	0	0	0	0
20	0	0	0	0	0	0
Total	3460	1	13	0	2	16
		0.03%	0.50%	0.00%	0.06%	0.46%

DIFF	62	-192	-300	-145	-4	-635
		5.65%	8.71%	4.27%	0.12%	18.70%



CNL = Can Not Locate
Neg Reads = Reading this round less then entered in December
RRW/WMN = Reread (Water)/ Wrong Meter Number
TOW = Theft of Water

PUBLIC SERVICE COMMISSION

Monthly Water Loss Report

Water Utility: Martin County Water District

For the Month of: October Year: 2020

LINE #	ITEM	GALLONS (Omit 000's)
1	WATER PRODUCED AND PURCHASED	
2	Water Produced	55,673
3	Water Purchased	
4	TOTAL PRODUCED AND PURCHASED	55,673
5		
6	WATER SALES	
7	Residential	10,598
8	Commercial	2,699
9	Industrial	
10	Bulk Loading Stations	
11	Wholesale	
12	Public Authorities	4,065
13	Other Sales (explain)	
14	TOTAL WATER SALES	17,362
15		
16	OTHER WATER USED	
17	Utility and/or Water Treatment Plant	829
18	Wastewater Plant	
19	System Flushing	
20	Fire Department	
21	Other Usage (explain)	
22	TOTAL OTHER WATER USED	829
23		
24	WATER LOSS	
25	Tank Overflows	
26	Line Breaks	4,262
27	Line Leaks	33,198
28	Excavation Damages	22
29	Theft	
30	Other Loss	
31	TOTAL WATER LOSS	37,482
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)	67.33%