

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC INVESTIGATION INTO THE)	
FINACIAL AND OPERATING CAPACITY OF)	CASE NO.
BLACK MOUNTAIN UTILITY DISTRICT)	2023-00235

VERIFIED RESPONSE OF BLACK MOUNTAIN UTILITY DISTRICT

Comes now Black Mountain Utility District (“Black Mountain”), by counsel, pursuant to the Commission’s October 9, 2023 Order (“Order”) in the above-styled docket, and does hereby tender its response to the averments set forth in the Commission’s Order, respectfully stating as follows:

1. Black Mountain states, to the best of its knowledge, the June 16, 2015 note referenced in the Commission’s October 9, 2023 Order was not approved by the Commission. However, it did not need to be approved by the Commission. This was a line of credit (Line of Credit # 5363200) that was first funded on June 16, 2015. This note was paid off on August 1, 2016. A new line of credit was entered into on July 28, 2016, (Line of Credit # 5395900). This line of credit was paid off on August 31, 2017. On August 31, 2017, Line of Credit # 180018511 was entered into for a term of 9 payments. This Line of Credit was modified on June 28, 2018 to extend the maturity date to July 27, 2018. It was modified a few times to extend the maturity date to June 27, 2020. On July 1, 2020 a principal and interest loan was entered into (Loan # 180002495). This principal and interest loan was originally for a term of thirteen months and was modified on August 1, 2021 to extend the maturity date to September 1, 2022 and modified on September 1, 2022 to extend the maturity date to October 1, 2023. This last modification was on October 1, 2023 and the maturity date was extended to September 1, 2024. The 2015 Line of Credit was a separate “loan” from the current principal and interest loan. The Line of Credit was

not for an initial term of longer than two years and was not renewed for more than a total of six years. In addition, the principal and interest loan was also not for an initial term on two years nor has it been renewed for a total of six years. The total remaining balance on the loan is now approximately \$85,000.00. The Harlan County Fiscal Court initially posted a Certificate of Deposit as collateral for the line of credit which has the current balance of the Certificate of Deposit is \$108,716.50. In addition, Black Mountain has set up a separate debt surcharge account to assist in applying these amounts correctly in the future. Black Mountain did not willfully violate KRS 278.300. Black Mountain's Commissioners have discussed with counsel the need to implement a policy regarding the procedures that will be followed when any financing issue arises in the future. Black Mountain will review and vote on the Financing Policy at its December meeting. Black Mountain will file a copy of the approved Financing Policy once it is complete. A copy of the loan documentation is attached to this response as Exhibit A.

2. Black Mountain states that its current general manager was hired on April 1, 2021. The general manager was unaware of the 2020 inspection or the report that was issued. When the prior Commissioners and general manager departed Black Mountain, there was not much information provided or documents left for Black Mountain to review. The only documents provided were the paperwork for customers and monthly billing. There were no files. This 2020 inspection appears to have been performed during the time when COVID restrictions were partially still in place, and during the time that Black Mountain was undergoing changes in its Commissioners as well as its general manager. According to the Commission's October 9, 2023 Order, Black Mountain was cited for failing to have a water shortage plan. Black Mountain currently has a water shortage plan and it is attached to this response as Exhibit B. The Commission's Order also stated that the 2020 inspection cited Black Mountain for its water loss percentage. The Commission stated that Black Mountain's water loss percentage in its test year used in its most recent Alternative Rate Filing Case was 47.9095 percent. Black Mountain has worked hard on lowering its water loss percentage. Black Mountain's current water loss percentage is 25%. Black Mountain will continue to work diligently on reducing its water loss

percentage. Black Mountain did not willfully fail to respond to the Commission's 2020 inspection report.

3. Black Mountain states that its wastewater system was inspected on December 1, 2022 and that the inspector noted three violations. Black Mountain responded to the inspection report provided regarding the December 1, 2022 wastewater inspection. Black Mountain's current general manager drafted a letter in response to the report. A copy of the letter is attached to this response as Exhibit C. This is further proof that had the current general manager been aware of the 2020 water inspection report, a response would have been filed.

4. Black Mountain acknowledges that it has received the three informal complaints that were attached to the Commission's October 9, 2023 Order. Black Mountain is one hundred percent distribution and must purchase all of its water from other sources. The area where each of these complaints were located is the area served by Black Mountain from water provided by the city of Evarts. Evarts main water source was a mine source and it has deteriorated over time. The wells have also deteriorated. Evarts has at times been unable to keep enough water to serve Black Mountain's customers in this area. Black Mountain has no other source available to provide water to those customers when Evarts cannot provide water. This part of Black Mountain's system is not connected to the rest of its system or to any other system. The nearest city would be the city of Harlan, however Harlan is not connected to Black Mountain's system. In order for Black Mountain to be able to purchase water from Harlan to serve this area, Black Mountain would have to have a tank and a booster pump and Harlan would have to connect to Evarts' system and backflow water to Black Mountain. Harlan could not directly connect to Black Mountain's system. Evarts has been granted an emergency permit from the Division of Water to pump water from the river. Evarts has been working on seeking funding to upgrade its system, but has not been successful to this point. Black Mountain and Evarts will continue to work together to try to remedy this situation. Black Mountain has to rely on Evarts for this area since there is no other source to purchase water.

5. Black Mountain states that the names of the present Commissioners were emailed to Commission Staff on June 26, 2023. Black Mountain's current counsel provided the Commissioner names to Commission Staff on November 7, 2023 and was provided with additional information that was also needed to complete the obligation of Black Mountain. Black Mountain was not aware, prior to its counsel receiving this information from Commission Staff that additional information was needed to complete this process. Black Mountain was also not aware that it needed to log into the online system to update this information. Black Mountain's Commissioners are all volunteers and do not receive any payments for their service. Black Mountain believes it has now provided all of the information required to Commission Staff and has updated this information in the Commission's online database. Black Mountain did not willfully violate KRS 74.020(10)(a)-(b).

6. Black Mountain also states that two of its Commissioners have now completed twelve hours of Commission approved water training. The two Commissioners attended the Commission's training at Pine Mountain on October 9th and October 10th. Black Mountain filed a copy of the Commission's Order entered in Case No. 2023-00349, into the record of this proceeding on November 10, 2023 for proof of attending the training. The remaining Commissioners as well as its general manager are registered to attend the December 2023 water training. Black Mountain does not believe that it willfully violated the training requirement. Now that the Commissioners and the general manager are aware of the training requirement, they will attend all necessary trainings in the future.

7. The Commission's Order stated that copies of Black Mountain's audit reports had not been filed with the Commission since the 2017 audit report. Black Mountain's prior Commissioners did not do annual audits with an outside auditing firm. Black Mountain's current Commissioners have gone back and had audits conducted for 2018, 2019 and 2020. A copy of each of these reports are attached to this response as Exhibits D through F. Black Mountain is currently finalizing the 2021 report and the 2022 audit report. These are expected to be completed by December 31, 2023. Black Mountain will file those into the record of this proceeding once

they are complete. Due to the failure of the prior Commissioners in conducting audits, Black Mountain has had to spend the time catching up on the prior years that were not completed. Black Mountain continues to diligently work on catching up on the financial audits. Black Mountain's current management and Commissioners did not willfully fail to provide these audits to the Commission.

8. Black Mountain admits that it used funds to pay past due garbage bills. The prior Commissioners would go to the fiscal court for money. Coal severance money was allocated to Black Mountain to pay the USDA/bond payment because it had become delinquent. Had the Commissioners been aware of the surcharge money only being used to pay the USDA debt, then they would have used the surcharge money to pay that debt and used the money received from the fiscal court to pay the other debts of the district. The current Commissioners did not realize that it had to seek permission prior to using the surcharge monies. It appears the original surcharge was established in 2013-2014 timeframe. Black Mountain states that its Commissioners and manager did not realize that the funds could not be used to pay past due bills. This was not willful on the part of Black Mountain, its Commissioners or its general manager.

9. Black Mountain states that the current general manager and Commissioners inherited multiple issues from the prior Commissioners and prior general manager that all resigned. They were not provided with any of the documentation necessary to respond to many of the items stated by the Commission in its Order. The current general manager and the Commissioners have been able to correct several issues that were needed, however, they have not been able to correct all issues. The general manger and the Commissioners state they have not willfully violated any statutes, rules or regulations of the Commission and have tried to work hard on correcting many of the past issues that they inherited. The current general manager, Commissioners and the County Judge Executive are continuing to work diligently to improve Black Mountain and to comply with all rules and regulations going forward. For instance, Black Mountain has been able to make progress on paying down its debt, it has filed an Alternative Rate Filing and received a rate increase to improve its financial situation, it has been given the authority to implement a water loss

surcharge to assist in decreasing its water loss, (Black Mountain notes that it has reduced its water loss from the 47.9095% listed in the Commission's Order to 25%). Black Mountain is also reviewing its policies and procedures to see what changes are needed. Black Mountain is also currently working with Rural Water Association in the development of items needed for Case No. 2023-00202 including a qualified infrastructure improvement plan, a comprehensive unaccounted for water loss reduction plan and a detailed spending plan for the water loss surcharge.

10. This response is filed on behalf of Black Mountain since the Commission's Order only required a response from Black Mountain. Although the general manager and the Commissioners were discussed within the Order, they were not named as parties, nor were they ordered to respond to the Commission's Order. If clarification is needed on this issue, Black Mountain would request clarification. Furthermore, if the Commission's intent was for each of the Commissioners as well as the general manager to file responses to the Commission's October 9, 2023 Order, Black Mountain would request that the Commissioners and the general manager be granted an extension of time in which to do so, or to allow each of the Commissioners and the general manager to join in on this response.

11. Black Mountain believes that it has greatly improved its financial situation since the current Commissioners and general manager have come on board. They realize that there is still more work to do, but have been able to correct many issues that they inherited when they took their positions. Water loss has been drastically reduced with plans to reduce even further. Black Mountain has worked closely with the Harlan Fiscal Court and the Judge Executive to try to put Black Mountain back on track and will continue to do so.

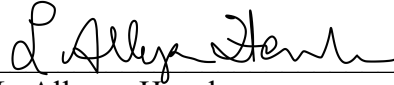
12. Black Mountain states that it desires to resolve this dispute in a manner that is in the best interest of Black Mountain and its customers.

13. Black Mountain reserves the right to file further pleadings as necessary in this proceeding and for the Commissioners and the general manager to file responses if needed to the Commission's October 9, 2023 Order.

WHEREFORE, on the basis of the foregoing, the Respondents respectfully request the Commission to not fine Black Mountain, its general manager or any of its Commissioners and to find that they did not willfully violate any Commission statutes, rules or regulations.

Done this 17th day of November, 2023.

Respectfully submitted,



L. Allyson Honaker
HONAKER LAW OFFICE PLLC
1795 Alysheba Way, Suite 6202
Lexington, Kentucky 40509
(859) 368-8803
allyson@hloky.com

Counsel for Black Mountain Utility District

CERTIFICATE OF SERVICE

This is to certify that foregoing was submitted electronically to the Commission on November 17, 2023 and that there are no parties that have been excused from electronic filing. Pursuant to prior Commission orders, no paper copies of this filing will be submitted.



Counsel for Black Mountain Utility District

AFFIDAVIT

COMMONWEALTH OF KENTUCKY)
COUNTY OF HARLAN)

Comes now, Grant Cooper, in his official capacity as the General Manager of Black Mountain Utility District, and after first being duly sworn, does hereby swear and affirm that the statements set forth in the Verified Response are true and correct to the best of his knowledge and belief.


Grant Cooper

The foregoing Affidavit was sworn to, subscribed and acknowledged before me, the Notary Public, by Grant Cooper, in his official capacity as the General Manager of Black Mountain Utility District, on this the 17th day of November, 2023.


NOTARY PUBLIC
Commission Expires: 8/2/27



Account Inquiry - COMMERCIAL LOAN

5363200 - BLACK MTN UTILITY DISTRICT -
COMMERCIAL LOAN

7/1/2020

Account

Account Name and Address

BLACK MTN
UTILITY DISTRICT
609 FOUR MILE RD

BAXTER KY 40806

Payment

Payment Amount: \$0.00
Past Due Amount: \$0.00
Partially Paid Amount: \$0.00
Payment Suspend Amount: \$0.00
Total Amount Due: \$0.00

Interest

Interest Base: 0 - Interest accrued on 365/365
Interest Rate: 2.230000 %
Daily Accrual: \$0.00000
Payoff
Current Payoff: \$0.00
Payoff Good Thru Date:
Payoff Pending Flag: No
Next Months Payoff: \$0.00

Payment Details

Payment Due Date: 06/16/2016
Use Billed Amounts When Splitting Payments: Yes
Payment Type: 2 - Payment is accrued interest only
Payment Frequency (Term): 1
Payment Frequency (Units): M - Months
Loan Term: 12
Loan Term (Units): M - Months

Balance Details

Original Loan Amount: \$150,000.00
Current Balance: \$0.00
Interest Accrued: \$0.00
Late Charge Due: \$0.00
Other Charges: \$0.00
Credit Line Available: \$0.00

Dates

Original Loan Date: 06/16/2015
Last Payment Date: 08/01/2016
Maturity Date: 06/16/2016
Next Review Date:
Last Maintenance Date: 08/17/2015
Paid Off Date: 08/01/2016

Internal

Account Number: 5363200
Loan Type: CL - COMMERCIAL LOAN
Officer: DST - DELMAR STEVE TOLLIVER
Branch: 20 - HARLAN MAIN OFFICE
General Ledger Group Code: 500 - COMMERCIAL
Universal Loan Identifier:

Collateral

Collateral: 15 - SAVINGS AND CERTIFICATES OF DEPOSIT
Collateral Insurance Expiration Date:

Maturity Rate

Maturity Rate: 0.000000 %
Maturity Rate Grace Days: 0

Charged Off Details

Charged Off Amount: \$0.00
Charged Off Date:

LTV Ratio

Current PMI LTV Ratio: 0.00 %
Original LTV Ratio: 0.00 %

PRIOR OBLIGATION INFORMATION	LOAN NUMBER	ACCT. NUMBER	NOTE DATE	NOTE AMOUNT	MATURITY DATE
	180018511	B0090280	08/31/17	\$144,000.00	07/27/18
AMENDED OBLIGATION INFORMATION	LOAN NUMBER	ACCT. NUMBER	MODIFICATION DATE	NOTE AMOUNT	
	180018511	B0090280	July 27, 2018	\$140,371.17	
	MATURITY DATE	INDEX (w/margin)	INTEREST RATE	INITIALS	
	07/27/19	Not Applicable	2.300%	GLH	
Creditor Use Only					

DEBT MODIFICATION AGREEMENT

DATE AND PARTIES. The date of this Debt Modification Agreement (Modification) is July 27, 2018. The parties and their addresses are:

LENDER:
MONTICELLO BANKING CO.
 50 N Main St.
 PO Box 421
 Monticello, KY 42633
 Telephone: 606-348-8411

BORROWER:
BLACK MTN UTILITY DISTRICT
 609 FOUR MILE RD
 BAXTER, KY 40806

1. DEFINITIONS. In this Modification, these terms have the following meanings:

- A. Pronouns.** The pronouns "I," "me," and "my" refer to each Borrower signing this Modification, individually and together with their heirs, executors, administrators, successors, and assigns, and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this Loan. "You" and "your" refer to the Lender, with its participants or syndicators, successors and assigns, or any person or entity that acquires an interest in the Modification or the Prior Obligation.
- B. Amended Obligation.** Amended Obligation is the resulting agreement that is created when the Modification amends the Prior Obligation. It is described above in the AMENDED OBLIGATION INFORMATION section.
- C. Loan.** Loan refers to this transaction generally. It includes the obligations and duties arising from the terms of all documents prepared or submitted in association with the Prior Obligation and this modification, such as applications, security agreements, disclosures, notes, agreements, and this Modification.
- D. Modification.** Modification refers to this Debt Modification Agreement.
- E. Prior Obligation.** Prior Obligation refers to my original agreement described above in the PRIOR OBLIGATION INFORMATION section, and any subsequent extensions, renewals, modifications or substitutions of it.

2. BACKGROUND. You and I have previously entered into a Prior Obligation. As of the date of this Modification, the outstanding, unpaid balance of the Prior Obligation is \$140,371.17. Conditions have changed since the execution of the Prior Obligation instruments. In response, and for value received, you and I agree to modify the terms of the Prior Obligation, as provided for in this Modification.

3. CONTINUATION OF TERMS. I agree and understand that all other terms and provisions in the Prior Obligation survive and continue in full force and effect, except to the extent that they are specifically and expressly amended by this Modification. The express amendment of a term does not amend related or other terms - even if the related or other terms are contained in the same section or paragraph of the Prior Obligation. For illustration purposes only, a modification of the interest rate to be paid during the term of the loan would not modify the default rate of interest even though both of those terms are described in the Prior Obligation in a common section titled "Interest". The term "Prior Obligation" includes the original instrument and any modifications prior to this Modification.

4. TERMS. The Prior Obligation is modified as follows:

- A. Maturity and Payments.** The maturity and payment provisions are modified to read:

(1) PAYMENT. I agree to pay the Loan in Installments of accrued interest beginning August 27, 2018, and then on the 27th day of each month thereafter. I agree to pay the entire unpaid Principal and any accrued but unpaid interest on July 27, 2019.

Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.

B. Fees and Charges. As additional consideration for your consent to enter into this Modification, I agree to pay, or have paid these additional fees and charges:

(1) Minimum Finance Charge - Commercial/Ag. A(n) Minimum Finance Charge - Commercial/Ag equal to \$10.00.

(2) Late Charge. If a payment is more than 10 days late, I will be charged 5.000 percent of the Amount of Payment or \$5.00, whichever is greater. However, this charge will not be greater than \$100.00. I will pay this late charge promptly but only once for each late payment.

C. Insurance. I agree to obtain the insurance described in this Modification.

(1) Property Insurance. I will insure or retain insurance coverage on any tangible property that secures the Loan and abide by the insurance requirements of any security instrument securing the Loan.

(2) Insurance Warranties. I agree to purchase any insurance coverages that are required, in the amounts you require, as described in this or any other documents I sign for the Loan. I will provide you with continuing proof of coverage. I will buy or provide insurance from a firm licensed to do business in the State where the property is located. If I buy or provide the insurance from someone other than you, the firm will be reasonably acceptable to you. I will have the insurance company name you as loss payee on any insurance policy. You will apply the insurance proceeds toward what I owe you on the outstanding balance. I agree that if the insurance proceeds do not cover the amounts I still owe you, I will pay the difference. I will keep the insurance until all debts under this agreement are paid. If I want to buy the insurance from you, I have signed a separate statement agreeing to this purchase.

5. CREDITOR-PLACED INSURANCE NOTICE. I am giving you a security interest in the Property described in the security instrument(s) securing the Loan. I am required to maintain insurance on the tangible property described in the security instrument(s) to protect your interest until all debts under this agreement are paid. If I fail to provide evidence of insurance on the tangible property to you, you may place insurance on the tangible property and I will be responsible to pay for the costs of that creditor-placed insurance.

6. WAIVER. I waive all claims, defenses, setoffs, or counterclaims relating to the Prior Obligation, or any document securing the Prior Obligation, that I may have. Any party to the Prior Obligation that does not sign this Modification, shall remain liable under the terms of the Prior Obligation unless released in writing by you.

7. REASON(S) FOR MODIFICATION. Note matured on July 27th, 2018.

8. SIGNATURES. By signing, I agree to the terms contained in this Modification. I also acknowledge receipt of a copy of this Modification.

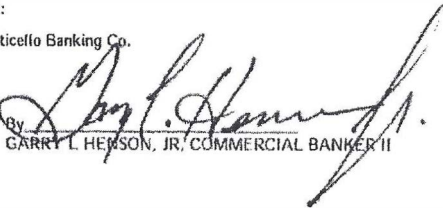
BORROWER:

BLACK MTN UTILITY DISTRICT

By 
Raymond Cox, Chairman

LENDER:

Monticello Banking Co.

By 
GARRY L. HENSON, JR, COMMERCIAL BANKER II

08/23/2018 11:22 6065731276

BLACK MT UTILITIES

PAGE 01/01

Regular Board Meeting
July 10, 2018

Present: Steve Sergent, Robert Simpson, Raymond Cox, Charles Hyde, Charles Guyn, Ray Metcalfe, Marcela Fuson and Angela Noe.

The meeting was called to order at 4:02 p.m. by Chairman Raymond Cox.

Charles Hyde made a motion to pay the monthly bills. Robert Simpson seconded the motion. All in favor.

The minutes were mailed and a copy given to each board member at the meeting. Steve Sergent made a motion to accept the minutes as read. Charles Hyde seconded the motion. All in favor.

Customer Complaints: Hershel Napier came to the meeting again to see if the board had decided anything about his bill. He explained again that his bill was high 56,000 gallons of water, when Mike came to his house the dial was turning. He said he turned off a water valve to his house when he turned it back on the dial stopped turning. He said someone had mentioned it may be a leaky toilet. Mr. Napier said he has checked into this and a leaky toilet can run your bill up some but not that much. He also said that he had checked and found out if the meters hadn't been changed within ten years they can go bad. We had his information that showed the meter was changed on July 12, 2017 and again after this high bill on April 2, 2018. Mr. Napier said he did not fix anything in his house, and he didn't use 56,000 gallons of water the research he has done says that grit and air can make the dial turn. Charles Hyde asked Ray could they audit that community to see if the Master meter shows more water than average going through it during that time period. Ray said he could check the Sukey Ridge Master meter but it may take some time to generate.

Raymond Cox said let him pay his monthly average for now and we will table it till we can find out more about it. Raymond said we will table this till next meeting to see what we can do. Raymond told Ray to check into this and see what he finds out and what we can do. Charles Hyde said if the water wasn't going through the meter why would it show it was until he turned the valve off and if it had an air pocket it would still be in it. Charles said he thinks he had a toilet leaking and when he turned it off it reset.

Charles Guyn told the board we need a motion to renew the Bank of Harlan/Monticello line of credit. Steve Sergent made a motion to renew the Bank of Harlan/Monticello line of credit. Robert Simpson seconded the motion. All in favor.

Ray spoke to the board about the sewer plant. The P.A. should be in the next week and they can get it set up. Ray said there is still a lot of water running through there. He said they think it may be possible the county has run something in there; when it rains it's a lot of water that looks clean.

Ray said we may can do another smoke test and maybe stop that pipe up and see what happens. Charles Hyde said once you stop the flow you'll find the answer. Ray said we will try to smoke the old part. Robert Simpson said maybe Ray and Judge Executive Dan Mosley can talk to the county attorney so they are not liable for what happens. Raymond Cox said he would go with them. Ray told them it's not sewer it is clear water coming in there. Charles Hyde told him to take a sample to see if it has chlorine in it or not.

Ray said he asked Ken Taylor to look into installing a burst valve on Daniels Mountain. He said we can have it set where it will shut off if something happens where it won't let too much water go through.

Robert Simpson made a motion to adjourn the motion at 4:23 p.m. Charles Hyde seconded the motion. All in favor.

Minutes taken and typed by: Marcela Fuson

Minutes accepted with correction: Charles Hyde

Minutes accepted as read: _____

ORDERS
REGULAR

HARLAN COUNTY FISCAL COURT
JULY 17, 2018

MOTION: CLARK MIDDLETON
TO APPROVE THE ANNUAL FINANCIAL REPORT.

SECOND: JIM RODDY

ALL YES

MOTION: JAMES HOWARD
TO RENEW LINE OF CREDIT AT MONTICELLO BANKING COMPANY FOR BLACK
MOUNTAIN UTILITY DISTRICT, AUTHORIZE JUDGE EXECUTIVE AND TREASURER
TO SIGN ANY AND ALL DOCUMENTS.

SECOND: CLARK MIDDLETON

ALL YES

MOTION: CLARK MIDDLETON
TO APPROVE SHERIFF'S QUARTERLY REPORT FOR PERIOD ENDED JUNE 30, 2018,
AUTHORIZE JUDGE EXECUTIVE TO SIGN ANY AND ALL DOCUMENTS.

SECOND: BILL MOORE

ALL YES

MOTION: BILL MOORE
TO ACCEPT HARLAN COUNTY CLERK'S EXCESS FEE CHECK FOR \$1,662.46.

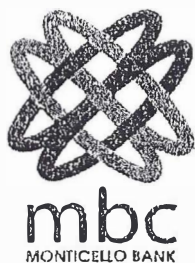
SECOND: JIM RODDY

ALL YES

MOTION: JAMES HOWARD
TO APPROVE THE GRANT AGREEMENT FOR CUMBERLAND HOPE COMMUNITY
CENTER (RECOVERY KENTUCKY), GRANT #17-059, AMOUNT \$200,000, AUTHORIZE
JUDGE EXECUTIVE TO SIGN ANY AND ALL DOCUMENTS.

SECOND: BILL MOORE

ALL YES



PO Box 421 · 50 N Main St · Monticello, KY 42633
phone: 606.348.8411 fax: 606.348.6778
www.mbcbank.com

DA
8-28-19

EXTENSION AGREEMENT

COPY

LOAN # 180018511

This agreement is between Black Mountain Utility District (Borrower) and Monticello Banking Company (Lender).

WITNESSETH: That, whereas, Lender has heretofore made loan to Borrower in the principal amount of \$144,000.00 evidenced by Borrower's Promissory Note dated August 31, 2017 .

WHEREAS, Borrower and Lender desire to modify certain provisions in said note:
Now therefore, in consideration of the premises and other good and valuable consideration, Borrower agrees with Lender as follows, to wit:

1. The next scheduled payment will be due 9/27/2019 .
2. The maturity date is extended to 9/27/2019 .
3. All other terms and conditions are to remain the same.

Borrower hereby agrees to pay Lender \$ 7.72 in which Lender will apply to accrued interest. Borrower hereby authorizes and directs Lender to take any action necessary to conform the original Note, security instruments and other collateral documents to the terms as herein modified. Borrower further agrees that the foregoing agreement shall in no way affect or otherwise release any collateral held by Lender as security to said Note, but acknowledges and agrees that the collateral held by Lender as security to said note shall continue to secure the Note.

IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS INSTRUMENT THIS 28th day of August, 2019 .

Borrower:

Raymond Cox

Monticello Banking Company (Lender)

by: [Signature]

NMLS# 194434

PRIOR OBLIGATION INFORMATION	LOAN NUMBER	ACCT. NUMBER	NOTE DATE	CREDIT LIMIT	MATURITY DATE
	180018511	BAA4895	08/31/17	\$144,000.00	09/27/19
AMENDED OBLIGATION INFORMATION	LOAN NUMBER	ACCT. NUMBER	MODIFICATION DATE	CREDIT LIMIT	
	180018511	BAA4895	October 22, 2019	\$144,000.00	
	MATURITY DATE	INDEX (w/margin)	INTEREST RATE	INITIALS	
	05/27/20	Not Applicable	2.300%	KWC	
Creditor Use Only					

DEBT MODIFICATION AGREEMENT

DATE AND PARTIES. The date of this Debt Modification Agreement (Modification) is October 22, 2019. The parties and their addresses are:

LENDER:
MONTICELLO BANKING CO.
PO Box 421
Monticello, KY 42633
Telephone: 606-348-8411

COPY

BORROWER:
BLACK MTN UTILITY DISTRICT
609 FOUR MILE RD
BAXTER, KY 40806

1. DEFINITIONS. In this Modification, these terms have the following meanings:

- A. **Pronouns.** The pronouns "I," "me," and "my" refer to each Borrower signing this Modification and each other person or legal entity (including guarantors, endorser, and sureties) who agrees to pay this Loan. "You" and "your" refer to the Lender, with its participants or syndicators, successors and assigns, or any person or entity that acquires an interest in the Modification or the Prior Obligation.
- B. **Amended Obligation.** Amended Obligation is the resulting agreement that is created when the Modification amends the Prior Obligation. It is described above in the AMENDED OBLIGATION INFORMATION section.
- C. **Credit Limit.** Credit Limit means the maximum amount of principal you will permit me to owe you under this Line of Credit, at any one time. My Credit Limit is stated at the top of this Modification.
- D. **Loan.** Loan refers to this transaction generally. It includes the obligations and duties arising from the terms of all documents prepared or submitted in association with the Prior Obligation and this modification, such as applications, security agreements, disclosures, notes, agreements, and this Modification.
- E. **Modification.** Modification refers to this Debt Modification Agreement.
- F. **Prior Obligation.** Prior Obligation refers to my original agreement described above in the PRIOR OBLIGATION INFORMATION section, and any subsequent extensions, renewals, modifications or substitutions of it.

2. BACKGROUND. You and I have previously entered into a Prior Obligation. As of the date of this Modification, the outstanding, unpaid balance of the Prior Obligation is \$122,434.77. Conditions have changed since the execution of the Prior Obligation instruments. In response, and for value received, you and I agree to modify the terms of the Prior Obligation, as provided for in this Modification.

3. CONTINUATION OF TERMS. I agree and understand that all other terms and provisions in the Prior Obligation survive and continue in full force and effect, except to the extent that they are specifically and expressly amended by this Modification. The express amendment of a term does not amend related or other terms - even if the related or other terms are contained in the same section or paragraph of the Prior Obligation. For illustration purposes only, a modification of the interest rate to be paid during the term of the loan would not modify the default rate of interest even though both of those terms are described in the Prior Obligation in a common section titled "Interest". The term "Prior Obligation" includes the original instrument and any modifications prior to this Modification.

4. TERMS. The Prior Obligation is modified as follows:

- A. **Maturity and Payments.** The maturity and payment provisions are modified to read:

BLACK MTN UTILITY DISTRICT
Debt Modification Agreement
KY/4XXXXXXXXX000000001973008102219N

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Initials _____
Page 1

(1) PAYMENT. I agree to pay all accrued interest on the balance outstanding from time to time in regular payments beginning October 27, 2019, then on the same day of each month thereafter. A final payment of the entire unpaid outstanding balance of Principal and interest will be due May 27, 2020. Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.

(2) Maturity. The maturity provision is modified to read:

(a) Maturity Date. Consistent with our existing periodic payment arrangement, except any scheduled, final payment, I agree that the entire outstanding balance of Principal and accrued interest is due on, or before, May 27, 2020.

B. Security. The security provision is modified to read:

(1) Existing Collateral Added. The following previously executed security instruments or agreements are added as security for the Amended Obligation:

C. Fees and Charges. As additional consideration for your consent to enter into this Modification, I agree to pay, or have paid these additional fees and charges:

(1) Late Charge. If a payment is more than 10 days late, I will be charged 5.000 percent of the Amount of Payment or \$5.00, whichever is greater. However, this charge will not be greater than \$100.00. I will pay this late charge promptly but only once for each late payment.

D. Insurance. I agree to obtain the insurance described in this Modification.

(1) Property Insurance. I will insure or retain insurance coverage on any tangible property that secures the Loan and abide by the insurance requirements of any security instrument securing the Loan.

(2) Insurance Warranties. I agree to purchase any insurance coverages that are required, in the amounts you require, as described in this or any other documents I sign for the Loan. I will provide you with continuing proof of coverage. I will buy or provide insurance from a firm licensed to do business in the State where the property is located. If I buy or provide the insurance from someone other than you, the firm will be reasonably acceptable to you. I will have the insurance company name you as loss payee on any insurance policy. You will apply the insurance proceeds toward what I owe you on the outstanding balance. I agree that if the insurance proceeds do not cover the amounts I still owe you, I will pay the difference. I will keep the insurance until all debts under this agreement are paid. If I want to buy the insurance from you, I have signed a separate statement agreeing to this purchase.

5. CREDITOR-PLACED INSURANCE NOTICE. I am giving you a security interest in the Property described in the security instrument(s) securing the Loan. I am required to maintain insurance on the tangible property described in the security instrument(s) to protect your interest until all debts under this agreement are paid. If I fail to provide evidence of insurance on the tangible property to you, you may place insurance on the tangible property and I will be responsible to pay for the costs of that creditor-placed insurance.

6. WAIVER. I waive all claims, defenses, setoffs, or counterclaims relating to the Prior Obligation, or any document securing the Prior Obligation, that I may have. Any party to the Prior Obligation that does not sign this Modification, shall remain liable under the terms of the Prior Obligation unless released in writing by you.

7. REASON(S) FOR MODIFICATION. Renewal

8. ADDITIONAL TERMS. COMMERCIAL SECURITY AGREEMENT DATED 08/31/2017 PLEDGING MONTICELLO BANKING COMPANY CD ACCOUNT NUMBER 6594.

9. SIGNATURES. By signing, I agree to the terms contained in this Modification. I also acknowledge receipt of a copy of this Modification.

BORROWER:

BLACK MTN UTILITY DISTRICT

By 
RAYMOND COX, CHAIRMAN

LENDER:

Monticello Banking Co.

By 
KEVIN W CAVINS, PERSONAL BANKER

AWG-28-2019 WED 02:55 PM

FAX:

Regular Board Meeting
August 13, 2019

Present: Steve Sergent Charles Hyde, Ralph Turner, Charles Guyn, Marcella Fuson, Angela Noe, Ray Metcalfe and a Reporter from a newspaper in Ohio.

The meeting was called to order by Charles Hyde at 4:07 p.m. due to the Chairman being absent.

The minutes were mailed and a copy given to each board member. Ralph Turner made a motion to approve the minutes as read. Steve Sergent seconded the motion. All in favor.

Steve Sergent made a motion to pay the monthly bills. Ralph Turner seconded the motion. All in favor.

Ralph Turner asked about the line breaks that were discussed last month on Daniels Mountain. Ray told him most of these are the ones we are going to replace when the new project starts. Ken Taylor was not present for the meeting. Charles Hyde asked about a pump station there. Ray said that is all on that new project. Ralph asked if someone can be there doing a daily report sheet on the progress of the project, and for someone to make sure they do the job correctly. Ray told him that is what Ken Taylor does he is the Engineer. They have someone who inspects the job. Ray said Ken will have someone there doing a daily report sheet. Ralph asked about Kenvirons, Ray told him Ken Taylor is Kenvirons that is the company name.

Steve Sergent made a motion to give Chairman Raymond Cox the authority to sign all documents for Ken Taylor pertaining to the new water project. Ralph Turner seconded the motion. All in favor.

*Ken Taylor
10/22/19*

Steve Sergent made a motion to give Chairman Raymond Cox, the authority to sign all documents needed to renew the loan for the revolving bank account for Monticello Banking Company. Ralph Turner seconded the motion. All in favor.

Charles Hyde asked if there were any updates on the sewer situation at Closplint. Ray told him they are just keeping up with compliance now. Ralph asked if it was still costing BMUD a lot of money. Ray told him it is costing money but not as much as before. Ralph asked if Ken Taylor talked to anyone in Frankfort about giving these people their own septic system. Charles Hyde said Ken needs approval from the county to do a sewer project.

Ray said he wanted to talk to the board to see what they think about raising the cost for the tap fees. It has been \$400 for a long time and that is the cost in the materials alone for doing a tap, not counting labor and it takes anywhere from two to four hours to do a tap. Ray said he had sent Ken a sheet that shows wages it cost to do a tap. It was also brought up from the office that the New Customer Deposit, reconnect, meter test and broken lock fees also need to be raised. They have not been raised in a long time and especially the deposit is not enough to cover two months of water the customer may leave owing. Charles Guyn said he thinks Harlan's might be \$600 because they contracted theirs out. Ray said Evans is \$1,000 maybe \$1,100 outside the city limits. Ralph said we would wait till Raymond and Robert are here. Steve Sergent made a motion to table the discussion of the increase on the fees till the next meeting. Ralph Turner seconded the motion. All in favor.

The reporter that came to the meeting wanted to ask questions. She asked how many water customers we had. She was told around 3,900. She said a lot of utilities are struggling to get service to everyone, there's not enough money coming in to maintain these utilities. She asked if she could record just for her records she won't use it for anything. Ray told her they would answer general questions. She said they have got a lot of attention since the things happened in Martin County. She said you had just said when merging with Green Hills and taking over Wallins now you might take over Cawood. Charles Hyde told her we lost around \$110,000 just for what they owed us for water. The debt for Green Hills was a lot also. Ralph Turner said the reason we had some problems is when they put pipes in they didn't bed the ditches and didn't do a good job. Ralph said you patched what you can until you can do a project and replace it. She said with the coal severance money paying for a lot of the projects and there's not much of that now how will you get the money to do new projects. Charles Guyn told her the money didn't come from Coal Severance taxes but Grants and loans. Charles Hyde said we just have to look at what revenue is coming in before we do any loans. Ray told her where she said BMUD was taking over Cawood that we might be merging with Cawood not doing a takeover. After finding out BMUD buys and resells the water she asked why Pineville or Harlan didn't take them over. Charles Guyn told her Harlan and Pineville are Municipalities. They won't take rural water. They are not regulated by PSC except by their water rates. They can't be forced to take over a water system. She said in Martin County they weren't making people pay their bill that's one of their problems. Now Martin County is arresting people for not paying their bill. Charles Hyde told her we do lock their meter for nonpayment. We don't have anyone arrested unless for theft of service we may have to do that. She will follow up with some of the board members by phone.

Ralph Turner made a motion to adjourn the meeting at 4:34 p.m. Steve Sergent seconded the motion. All in favor.

Minutes were taken and typed by: Marcella Fuson

Minutes accepted with correction: _____

Minutes accepted as read: _____

*523-4571
Alto: Wh. [unclear]*



PO Box 421 • 50 N Main St • Monticello, KY 42633
phone: 606.348.8411 fax: 606.348.6778
www.mbcbank.com

pub
5-29-2020
Certified True Copy

EXTENSION AGREEMENT

LOAN # 180018511

This agreement is between Black Mountain Utility District (Borrower) and Monticello Banking Company (Lender).

WITNESSETH: That, whereas, Lender has heretofore made loan to Borrower in the principal amount of \$144,000.00 evidenced by Borrower's Promissory Note dated 08/31/2017 .

WHEREAS, Borrower and Lender desire to modify certain provisions in said note:
Now therefore, in consideration of the premises and other good and valuable consideration, Borrower agrees with Lender as follows, to wit:

- 1. The next scheduled payment will be due 06/27/2020 .**
- 2. The maturity date is extended to 06/27/2020 .**
- 3. All other terms and conditions are to remain the same.**

Borrower hereby agrees to pay Lender \$ **223.45** in which Lender will apply to accrued interest. Borrower hereby authorizes and directs Lender to take any action necessary to conform the original Note, security instruments and other collateral documents to the terms as herein modified. Borrower further agrees that the foregoing agreement shall in no way affect or otherwise release any collateral held by Lender as security to said Note, but acknowledges and agrees that the collateral held by Lender as security to said note shall continue to secure the Note.

IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS INSTRUMENT THIS 26th day of May, 2020 .

Borrower:

Raymond Cox

Monticello Banking Company (Lender)

by: *Kevin [Signature]*
Suzanne [Signature]

NMLS# 1836988

Account Inquiry - COMMERCIAL LOAN

5363200 - BLACK MTN UTILITY DISTRICT -
COMMERCIAL LOAN

7/1/2020

~~Bank Internal~~

Points and Fees

Bank Discount: **\$0.00**
Points Paid: **\$0.00**
Points Paid by Borrower: **No**

Watch List

Watch List Code:
Watch List Date:

1098 Information

Requires 1098: **N - No, do not create a form 1098**
Number of Properties Securing Mortgage: **0**

Dates

UCC Expiration Date:
Previous Extension Date:
Last Renewal Date:
Previous Renewal Date:
Loan Conversion Date:
Last Extension Date:
Next Review Date:

Notices

Send Billing Notice: **N - Billing Notices are not to be sent**
Send Past Due Notice: **Yes**
Past Due Notice Code: **0 - Zero notices sent since past due status**
Print Loan Receipt: **No**

Past Due

Times Past Due 10 - 29 days YTD: **0**
Times Past Due 10 - 29 days Prior Year: **0**
Times Past Due 10 - 29 days LTD: **1**
Times Past Due 30 - 59 days YTD: **0**
Times Past Due 30 - 59 days Prior Year: **0**
Times Past Due 30 - 59 days LTD: **1**
Times Past Due 60 - 89 days YTD: **0**
Times Past Due 60 - 89 days Prior Year: **0**

Coupons

Print Coupon Book: **No**
Coupon Book Term: **0**
Coupon Book Reorder Date:
Last Coupon Book Order Date:

Other Conditions

Flood Insurance Required: **No**
Restructured Loan: **No**

SBA Data

SBA GP Number:
SBA Guaranteed Percentage: **0.000000 %**

Times Past Due 60 - 89 days LTD: **0**
Times Past Due 90 - 119 days YTD: **0**
Times Past Due 90 - 119 Days Prior Year: **0**
Times Past Due 90 - 119 days LTD: **0**
Times Past Due 120 - 149 days YTD: **0**
Times Past Due 120 - 149 days Prior Year: **0**
Times Past Due 120 - 149 days LTD: **0**
Times Past Due 150 - 179 days YTD: **0**
Times Past Due 150 - 179 days Prior Year: **0**
Times Past Due 150 - 179 days LTD: **0**
Times Past Due 180 days + YTD: **0**

Codes

Department: **C - Commercial loan department**
Loan Purpose: **7 - COMMERCIAL**
Call Report: **4A - Commercial and Industrial Loans to US Addresses**

Account Inquiry - COMMERCIAL LOAN

5363200 - BLACK MTN UTILITY DISTRICT -
COMMERCIAL LOAN

7/1/2020

Class:	C - CORPORATE	Times Past Due 180 days + Prior Year:	0
		Times Past Due 180 days + LTD:	0

Classification

Examiner's Classification Type:
Examiner's Classification Date:

MONTICELLO BANKING COMPANY

PO BOX 421
MONTICELLO KY 42633
606-348-8411

GOVT AGCY Activity Statement

BLACK MTN UTILITY DISTRICT

609 FOUR MILE RD
BAXTER KY 40806-8437

General Information

Account Number:	XXXXXXXXXXXXXXXX11	Customer Number:	BAA4895
Home Phone:	(606)573-1277	Work Phone:	(606)573-1277
Loan Term:	7	Loan Type:	TAX EXEMPT
Interest Rate:	2.300000 %	Origination Date:	08/31/2017
		Date Range:	1/1/0001-12/31/9999
Loan Officer:	EUGENE ENIX		
Collateral:	15 - SAVINGS AND CERTIFICATES OF DEPOSIT		
Call Report:	Obligations of State and Political Subdivisions in US		
Loan Purpose:	COMMERCIAL		

Balance & Payment Information

Original Amount:	\$144,000.00	Payment Due Date:	06/27/2020
Current Balance:	\$0.00	Payment Amount:	\$0.00
Accrued Interest:	\$0.00	Principal/Interest:	\$0.00
Daily Per Diem:	\$0.00000	Payment Type:	Payment is accrued interest only

Loan History

Posting Date	Transaction Description	Amount	Principal Balance
09/08/2017	Effective Date Debit Interest Adj.	\$72.59	
09/08/2017	Loan Advance	\$144,000.00	\$144,000.00
10/09/2017	Regular Payment	(\$1,272.21)	\$143,000.00
	Payment Break Down		
	Transaction Description	Affects	Amount
	Effective Date Credit Interest Adj.	Accrual Adjustment	(\$0.18)
	Principal Payment Split Out	Principal	(\$1,000.00)
	Interest Payment Split Out	Interest Payment	(\$272.21)
10/30/2017	Regular Payment	(\$1,270.71)	\$142,000.00
	Payment Break Down		
	Transaction Description	Affects	Amount
	Principal Payment Split Out	Principal	(\$1,000.00)
	Interest Payment Split Out	Interest Payment	(\$270.71)
11/30/2017	Regular Payment	(\$277.39)	\$142,000.00

		Payment Break Down	
Transaction Description	Affects	Amount	Balance
Interest Payment Split Out	Interest Payment	(\$277.39)	\$142,000.00
01/09/2018	Late Charge Assessed	\$13.42	\$142,000.00
01/24/2018	Regular Payment	(\$268.44)	\$142,000.00
		Payment Break Down	
Transaction Description	Affects	Amount	Balance
Interest Payment Split Out	Interest Payment	(\$268.44)	\$142,000.00
02/09/2018	Late Charge Assessed	\$13.87	\$142,000.00
02/12/2018	Regular Payment	(\$559.24)	\$141,731.56
		Payment Break Down	
Transaction Description	Affects	Amount	Balance
Principal Payment Split Out	Principal	(\$268.44)	\$141,731.56
Interest Payment Split Out	Interest Payment	(\$277.38)	\$142,000.00
Late Charge Split Out	Late Charge	(\$13.42)	\$142,000.00
03/01/2018	Regular Payment	(\$273.09)	\$141,731.56
		Payment Break Down	
Transaction Description	Affects	Amount	Balance
Interest Payment Split Out	Interest Payment	(\$259.22)	\$141,731.56
Late Charge Split Out	Late Charge	(\$13.87)	\$141,731.56
04/09/2018	Late Charge Assessed	\$13.40	\$141,731.56
04/13/2018	Regular Payment	(\$267.93)	\$141,731.56
		Payment Break Down	
Transaction Description	Affects	Amount	Balance
Interest Payment Split Out	Interest Payment	(\$267.93)	\$141,731.56
05/10/2018	Late Charge Assessed	\$13.84	\$141,731.56
05/25/2018	Regular Payment	(\$1,290.27)	\$140,959.29
		Payment Break Down	
Transaction Description	Affects	Amount	Balance
Principal Payment Split Out	Principal	(\$772.27)	\$140,959.29
Interest Payment Split Out	Interest Payment	(\$241.13)	\$141,731.56
Interest Payment Split Out	Interest Payment	(\$276.87)	\$141,731.56
05/29/2018	Status Change	\$0.00	\$140,959.29
06/06/2018	Late Charge Assessed	\$5.00	\$140,959.29
06/27/2018	Additional Interest Payment	(\$541.73)	\$140,959.29
06/27/2018	Additional Principal Payment	(\$588.12)	\$140,371.17
06/28/2018	Status Change	\$0.00	\$140,371.17
07/27/2018	Status Change	\$0.00	\$140,371.17
08/06/2018	Late Charge Assessed	\$5.00	\$140,371.17
08/27/2018	Regular Payment	(\$1,811.44)	\$138,559.73
		Payment Break Down	
Transaction Description	Affects	Amount	Balance
Principal Payment Split Out	Principal	(\$1,811.44)	\$138,559.73
08/29/2018	WAIVE LATE CHARGE	\$37.24	\$138,559.73
08/30/2018	Status Change	\$0.00	\$138,559.73
08/30/2018	Generated Accrual Adjustment	\$0.34	\$138,559.73

08/30/2018	Generated Principal Reversal	\$1,811.44	\$140,371.17
08/30/2018	Additional Interest Payment	(\$2.44)	\$140,371.17
08/30/2018	Loan Renewal	\$0.00	\$140,371.17
08/30/2018	Regular Payment	(\$1,811.44)	\$138,834.08

Payment Break Down			
Transaction Description	Affects	Amount	Balance
Effective Date Credit Interest Adj.	Accrual Adjustment	(\$0.29)	\$138,834.08
Principal Payment Split Out	Principal	(\$1,537.09)	\$138,834.08
Interest Payment Split Out	Interest Payment	(\$274.35)	\$140,371.17

09/21/2018	Regular Payment	(\$1,267.50)	\$137,834.08
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Payment Break Down			
Transaction Description	Affects	Amount	Balance
Principal Payment Split Out	Principal	(\$1,000.00)	\$137,834.08
Interest Payment Split Out	Interest Payment	(\$267.50)	\$138,834.08

11/06/2018	Late Charge Assessed	\$13.01	\$137,834.08
11/20/2018	Regular Payment	(\$1,260.19)	\$137,116.34

Payment Break Down			
Transaction Description	Affects	Amount	Balance
Principal Payment Split Out	Principal	(\$717.74)	\$137,116.34
Late Charge Split Out	Late Charge	(\$13.01)	\$137,834.08
Interest Payment Split Out	Interest Payment	(\$269.25)	\$137,834.08
Interest Payment Split Out	Interest Payment	(\$260.19)	\$137,834.08

01/07/2019	Late Charge Assessed	\$12.94	\$137,116.34
01/14/2019	Regular Payment	(\$1,258.89)	\$136,397.12

Payment Break Down			
Transaction Description	Affects	Amount	Balance
Principal Payment Split Out	Principal	(\$719.22)	\$136,397.12
Late Charge Split Out	Late Charge	(\$12.94)	\$137,116.34
Interest Payment Split Out	Interest Payment	(\$267.84)	\$137,116.34
Interest Payment Split Out	Interest Payment	(\$258.89)	\$137,116.34

02/12/2019	Regular Payment	(\$1,267.84)	\$135,395.13
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Payment Break Down			
Transaction Description	Affects	Amount	Balance
Principal Payment Split Out	Principal	(\$1,001.99)	\$135,395.13
Interest Payment Split Out	Interest Payment	(\$265.85)	\$136,397.12

03/13/2019	Regular Payment	(\$1,265.85)	\$134,367.23
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Payment Break Down			
Transaction Description	Affects	Amount	Balance
Principal Payment Split Out	Principal	(\$1,027.90)	\$134,367.23
Interest Payment Split Out	Interest Payment	(\$237.95)	\$135,395.13

03/18/2019	Regular Payment	(\$8,989.73)	\$125,377.50
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Payment Break Down			
Transaction Description	Affects	Amount	Balance
Principal Curtailment	Principal	(\$8,989.73)	\$125,377.50

04/29/2019	Regular Payment	(\$1,238.91)	\$124,377.50
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Payment Break Down			
Transaction Description	Affects	Amount	Balance
Principal Payment Split Out	Principal	(\$1,000.00)	\$124,377.50
Interest Payment Split Out	Interest Payment	(\$238.91)	\$125,377.50
06/06/2019	Late Charge Assessed	\$11.76	\$124,377.50
06/14/2019	Regular Payment	(\$1,247.01)	\$123,620.46
Payment Break Down			
Transaction Description	Affects	Amount	Balance
Effective Date Credit Interest Adj.	Accrual Adjustment	(\$0.05)	\$123,620.46
Principal Payment Split Out	Principal	(\$757.04)	\$123,620.46
Interest Payment Split Out	Interest Payment	(\$242.96)	\$124,377.50
Late Charge Split Out	Late Charge	(\$11.76)	\$124,377.50
Interest Payment Split Out	Interest Payment	(\$235.25)	\$124,377.50
07/26/2019	Status Change	\$0.00	\$123,620.46
08/06/2019	Late Charge Assessed	\$100.00	\$123,620.46
08/15/2019	Regular Payment	(\$1,418.71)	\$122,434.77
Payment Break Down			
Transaction Description	Affects	Amount	Balance
Principal Payment Split Out	Principal	(\$1,185.69)	\$122,434.77
Interest Payment Split Out	Interest Payment	(\$233.02)	\$123,620.46
08/28/2019	Status Change	\$0.00	\$122,434.77
08/28/2019	Additional Interest Payment	(\$7.72)	\$122,434.77
08/28/2019	Loan Extension	\$0.00	\$122,434.77
09/27/2019	Status Change	\$0.00	\$122,434.77
09/30/2019	Additional Interest Payment	(\$1,472.04)	\$122,434.77
10/07/2019	Late Charge Assessed	\$100.00	\$122,434.77
10/23/2019	Status Change	\$0.00	\$122,434.77
10/23/2019	Late Fee Waived	(\$100.00)	\$122,434.77
10/23/2019	Loan Renewal	\$0.00	\$122,434.77
10/28/2019	Additional Interest Payment	(\$1,000.00)	\$122,434.77
12/09/2019	Late Charge Assessed	\$5.00	\$122,434.77
12/11/2019	Interest Payment Reversal	\$1,000.00	\$122,434.77
12/11/2019	Reversed Late Charge Assessed	(\$5.00)	\$122,434.77
12/11/2019	Regular Payment	(\$1,000.00)	\$121,534.77
Payment Break Down			
Transaction Description	Affects	Amount	Balance
Effective Date Credit Interest Adj.	Accrual Adjustment	(\$2.50)	\$121,534.77
Principal Payment Split Out	Principal	(\$900.00)	\$121,534.77
Late Charge Split Out	Late Charge	(\$100.00)	\$122,434.77
12/12/2019	Interest Payment Reversal	\$1,472.04	\$121,534.77
12/12/2019	Additional Interest Payment	(\$474.83)	\$121,534.77
12/12/2019	Effective Date Credit Interest Adj.	(\$4.59)	\$121,534.77
12/12/2019	Additional Principal Payment	(\$997.21)	\$120,537.56
12/13/2019	Generated Accrual Adjustment	\$2.61	\$120,537.56
12/13/2019	Late Charge Reversal	\$100.00	\$120,537.56
12/13/2019	Generated Principal Reversal	\$900.00	\$121,437.56
12/13/2019	Additional Interest Payment	(\$455.74)	\$121,437.56
12/13/2019	Effective Date Credit Interest Adj.	(\$1.58)	\$121,437.56
12/13/2019	Additional Principal Payment	(\$544.26)	\$120,893.30

01/06/2020	Late Charge Assessed	\$11.81	\$120,893.30
01/31/2020	Late Fee Payment	(\$11.81)	\$120,893.30
01/31/2020	Late Fee Payment	(\$100.00)	\$120,893.30
01/31/2020	Regular Payment	(\$583.37)	\$120,781.49

Payment Break Down			
Transaction Description	Affects	Amount	Balance
Principal Payment Split Out	Principal	(\$111.81)	\$120,781.49
Interest Payment Split Out	Interest Payment	(\$235.40)	\$120,893.30
Interest Payment Split Out	Interest Payment	(\$236.16)	\$120,893.30

01/31/2020	Additional Principal Payment	(\$388.19)	\$120,393.30
03/09/2020	Late Charge Assessed	\$11.73	\$120,393.30
03/17/2020	Regular Payment	(\$465.79)	\$120,393.30

Payment Break Down			
Transaction Description	Affects	Amount	Balance
Interest Payment Split Out	Interest Payment	(\$219.40)	\$120,393.30
Late Charge Split Out	Late Charge	(\$11.73)	\$120,393.30
Interest Payment Split Out	Interest Payment	(\$234.66)	\$120,393.30

03/18/2020	Effective Date Credit Interest Adj.	(\$0.05)	\$120,393.30
03/18/2020	Additional Principal Payment	(\$768.87)	\$119,624.43
04/24/2020	Regular Payment	(\$232.56)	\$119,624.43

Payment Break Down			
Transaction Description	Affects	Amount	Balance
Interest Payment Split Out	Interest Payment	(\$232.56)	\$119,624.43

04/24/2020	Additional Principal Payment	(\$1,000.00)	\$118,624.43
05/26/2020	Regular Payment	(\$1,223.45)	\$117,624.43

Payment Break Down			
Transaction Description	Affects	Amount	Balance
Principal Payment Split Out	Principal	(\$1,000.00)	\$117,624.43
Interest Payment Split Out	Interest Payment	(\$223.45)	\$118,624.43

05/27/2020	Status Change	\$0.00	\$117,624.43
05/28/2020	Additional Principal Payment	(\$10,000.00)	\$107,624.43
05/29/2020	Status Change	\$0.00	\$107,624.43
05/29/2020	Loan Extension	\$0.00	\$107,624.43
06/26/2020	Status Change	\$0.00	\$107,624.43
07/01/2020	Regular Payment	(\$237.28)	\$107,597.37

Payment Break Down			
Transaction Description	Affects	Amount	Balance
Principal Payment Split Out	Principal	(\$27.06)	\$107,597.37
Interest Payment Split Out	Interest Payment	(\$210.22)	\$107,624.43

07/01/2020	Regular Payment	(\$107,624.43)	
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Payment Break Down			
Transaction Description	Affects	Amount	Balance
Interest Payment Split Out	Interest Payment	(\$27.06)	
Interest Assessment	Non-monetary	(\$27.06)	
Principal Payment Split Out	Principal	(\$107,597.37)	

Account Inquiry - COMMERCIAL LOAN

5395900 - BLACK MTN UTILITY DISTRICT -
COMMERCIAL LOAN

7/1/2020

Account

Account Name and Address

BLACK MTN
UTILITY DISTRICT
609 FOUR MILE RD

BAXTER KY 40806

Payment

Payment Amount: \$0.00
Past Due Amount: \$0.00
Partially Paid Amount: \$0.00
Payment Suspend Amount: \$0.00
Total Amount Due: \$0.00

Payment Details

Payment Due Date: 07/28/2017
Use Billed Amounts When Splitting Payments: Yes
Payment Type: 2 - Payment is accrued interest only
Payment Frequency (Term): 1
Payment Frequency (Units): M - Months
Loan Term: 12
Loan Term (Units): M - Months

Interest

Interest Base: 0 - Interest accrued on 365/365

Interest Rate: 2.150000 %

Balance Details

Original Loan Amount: \$150,100.00
Current Balance: \$0.00
Interest Accrued: \$0.00
Late Charge Due: \$0.00
Other Charges: \$0.00
Credit Line Available: \$0.00

Daily Accrual: \$0.00000

Payoff

Current Payoff: \$0.00
Payoff Good Thru Date: 09/07/2017
Payoff Pending Flag: No
Next Months Payoff: \$0.00

Dates

Original Loan Date: 07/28/2016
Last Payment Date: 08/31/2017
Maturity Date: 07/28/2017
Next Review Date:
Last Maintenance Date: 09/07/2017
Paid Off Date: 08/31/2017

Internal

Account Number: 5395900

Loan Type: CL - COMMERCIAL LOAN

Officer: DST - DELMAR STEVE TOLLIVER

Branch: 18 - HARLAN MANSION

General Ledger Group Code: 500 - COMMERCIAL

Universal Loan Identifier:

Collateral

Collateral: 15 - SAVINGS AND CERTIFICATES OF DEPOSIT

Collateral Insurance Expiration Date:

Maturity Rate

Maturity Rate: 0.000000 %
Maturity Rate Grace Days: 0

Charged Off Details

Charged Off Amount: \$0.00

Charged Off Date:

LTV Ratio

Current PMI LTV Ratio: 0.00 %
Original LTV Ratio: 0.00 %

Account Inquiry - COMMERCIAL LOAN

5395900 - BLACK MTN UTILITY DISTRICT -
COMMERCIAL LOAN

7/1/2020

Bank Internal

Points and Fees

Bank Discount: **\$0.00**
Points Paid: **\$0.00**
Points Paid by Borrower: **No**

Watch List

Watch List Code:
Watch List Date:

1098 Information

Requires 1098: **N - No, do not create a form 1098**
Number of Properties Securing Mortgage: **0**

Dates

UCC Expiration Date:
Previous Extension Date:
Last Renewal Date:
Previous Renewal Date:
Loan Conversion Date:
Last Extension Date:
Next Review Date:

Notices

Send Billing Notice: **Y - Prior to each payment date**
Send Past Due Notice: **Yes**
Past Due Notice Code: **0 - Zero notices sent since past due status**

Past Due

Times Past Due 10 - 29 days YTD: **0**
Times Past Due 10 - 29 days Prior Year: **0**
Times Past Due 10 - 29 days LTD: **4**
Times Past Due 30 - 59 days YTD: **0**
Times Past Due 30 - 59 days Prior Year: **0**
Times Past Due 30 - 59 days LTD: **2**
Times Past Due 60 - 89 days YTD: **0**
Times Past Due 60 - 89 days Prior Year: **0**

Coupons

Print Coupon Book: **No**
Coupon Book Term: **0**
Coupon Book Reorder Date:
Last Coupon Book Order Date:

Other Conditions

Flood Insurance Required: **No**
Restructured Loan: **No**

SBA Data

SBA GP Number:
SBA Guaranteed Percentage: **0.000000 %**

Times Past Due 60 - 89 days LTD: **0**
Times Past Due 90 - 119 days YTD: **0**
Times Past Due 90 - 119 Days Prior Year: **0**
Times Past Due 90 - 119 days LTD: **0**
Times Past Due 120 - 149 days YTD: **0**
Times Past Due 120 - 149 days Prior Year: **0**
Times Past Due 120 - 149 days LTD: **0**
Times Past Due 150 - 179 days YTD: **0**
Times Past Due 150 - 179 days Prior Year: **0**
Times Past Due 150 - 179 days LTD: **0**
Times Past Due 180 days + YTD: **0**

Codes

Department: **C - Commercial loan department**
Loan Purpose: **7 - COMMERCIAL**
Call Report: **4A - Commercial and Industrial Loans to US Addresses**

Account Inquiry - COMMERCIAL LOAN

5395900 - BLACK MTN UTILITY DISTRICT -
COMMERCIAL LOAN

7/1/2020

Class:

C - CORPORATE

Times Past Due 180 days + Prior
Year:

0

Times Past Due 180 days + LTD:

0

Classification

Examiner's Classification Type:

Examiner's Classification Date:

**COMMERCIAL LINE OF CREDIT
AGREEMENT AND NOTE**

Monticello Banking Company
50 North Main St
PO Box 421
MONTICELLO, Kentucky 42633
(606)573-5713
ghenson@mbcbank.com

LOAN NUMBER	AGREEMENT DATE	LOAN TERM	LINE OF CREDIT LIMIT	MATURITY DATE	LOAN ID
180018511	August 31, 2017	9 Payments	\$144,000.00	May 27, 2018	180018511
LOAN PURPOSE: Commercial Real Estate Refinance					

BORROWER INFORMATION

BLACK MTN UTILITY DISTRICT
609 FOUR MILE RD
BAXTER, KY 40806-0000

LINE OF CREDIT AGREEMENT AND NOTE. This Commercial Line of Credit Agreement and Note will be referred to in this document as the "Agreement."

LENDER. "Lender" means Monticello Banking Company whose address is 50 North Main St, PO Box 421, MONTICELLO, Kentucky 42633, its successors and assigns.

BORROWER. "Borrower" means each person or legal entity identified above in the BORROWER INFORMATION section who signs this Agreement.

PROMISE TO PAY. For value received, receipt of which is hereby acknowledged, on or before the Maturity Date, the Borrower promises to pay the principal amount of One Hundred Forty-four Thousand and 00/100 Dollars (\$144,000.00) or such lesser amount as shall have been advanced by Lender, from time to time, to or on behalf of Borrower under the terms of this Agreement, and all interest on the outstanding principal balance and any other charges, including service charges, to the order of Lender at its office at the address noted above or at such other place as Lender may designate in writing. The Borrower will make all payments in lawful money of the United States of America.

PAYMENT SCHEDULE. This Agreement will be paid according to the following required payment schedule: Monthly payments of accrued and unpaid interest. The unpaid principal balance of this Note, together with all accrued interest and charges owing in connection therewith, shall be due and payable on the Maturity Date. All payments received by the Lender from the Borrower for application to this Agreement may be applied to the Borrower's obligations under this Agreement in such order as determined by the Lender.

INTEREST RATE AND SCHEDULED PAYMENT CHANGES. Interest will begin to accrue upon draws. The interest rate on this Agreement will be fixed at 2.300% per annum.

Nothing contained herein shall be construed as to require the Borrower to pay interest at a greater rate than the maximum allowed by law. If, however, from any circumstances, Borrower pays interest at a greater rate than the maximum allowed by law, the obligation to be fulfilled will be reduced to an amount computed at the highest rate of interest permissible under applicable law and if, for any reason whatsoever, Lender ever receives interest in an amount which would be deemed unlawful under applicable law, such interest shall be automatically applied to amounts owed, in Lender's sole discretion, or as otherwise allowed by applicable law. Interest on this Agreement is calculated on an Actual/365 day basis.

LATE PAYMENT CHARGE. If any required payment is more than 10 days late, then at Lender's option, Lender will assess a late payment charge of \$5.00 or 5.000% of the amount of the regularly scheduled payment then past due, whichever is greater, subject to a minimum charge of \$5.00.

LINE OF CREDIT TERMS. The advances under this Agreement are discretionary. The Borrower acknowledges and agrees that although the Borrower may from time to time request an advance under this Agreement up to a maximum amount equal to the Line of Credit Limit, the Lender in no way is obligated to make such advance, Lender may at any time, with or without cause, refuse to extend credit, and all advances will be made by Lender in its sole and absolute discretion and subject to the terms and conditions of this Agreement.

Advances.

- Advances under this Agreement may be requested orally or in writing by the Borrower or by an authorized person.
- The total of all advances requested and unpaid principal cannot exceed One Hundred Forty-four Thousand and 00/100 Dollars (\$144,000.00).
- All advances made will be charged to a loan account in Borrower's name on Lender's books, and the Lender shall debit such account the amount of each advance made to, and credit to such account the amount of each repayment made by Borrower.

Suspension and Termination. Subject to Lender's right to make any advances under this Agreement in its sole and absolute discretion, advances under this Agreement will be available until the earliest of any date or event described below occurs: (a) the Maturity Date, (b) the date the Line of Credit is cancelled by Borrower, or (c) the date the Line of Credit is cancelled by the Lender due to an occurrence of an Event of Default.

SECURITY TO NOTE. Security (the "Collateral") for this Agreement is granted pursuant to the following security document(s):

- Security Agreement dated August 31, 2017 evidencing security interest in CD - Monticello Banking Company CD, Account Number - 6594.

RIGHT OF SET-OFF. To the extent permitted by law, Borrower agrees that Lender has the right to set-off any amount due and payable under this Agreement, whether matured or unmatured, against any amount owing by Lender to Borrower including any or all of Borrower's accounts with Lender. This shall include all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. Such right of set-off may be exercised by Lender against Borrower or against any assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor of Borrower, or against anyone else claiming through or against Borrower or such assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor, notwithstanding the fact that such right of set-off has not been exercised by Lender prior to the making, filing or issuance or service upon Lender of, or of notice of, assignment for the benefit of creditors, appointment or application for the appointment of a receiver, or issuance of execution, subpoena or order or warrant. Lender will not be liable for the dishonor of any check when the dishonor occurs because Lender set-off a debt against Borrower's account. Borrower agrees to hold Lender harmless from any claim arising as a result of Lender exercising Lender's right to set-off.

RELATED DOCUMENTS. The words "Related Documents" mean all promissory notes, security agreements, mortgages, deeds of trust, deeds to secure debt, business loan agreements, construction loan agreements, resolutions, guaranties, environmental agreements, subordination agreements, assignments and any other documents or agreements executed in connection with this Agreement whether now or hereafter existing, including any modifications, extensions, substitutions or renewals of any of the foregoing. The Related Documents are hereby made a part of this Agreement by reference thereto, with the same force and effect as if fully set forth herein.

DEFAULT. Upon the occurrence of any one of the following events (each, an "Event of Default" or "default" or "event of default"), Lender's obligations, if any, to make any advances will, at Lender's option, immediately terminate and Lender, at its option, may declare all indebtedness of Borrower to Lender under this Agreement immediately due and payable without further notice of any kind notwithstanding anything to the contrary in this Agreement or any other agreement: (a) Borrower's failure to make any payment on time or in the amount due; (b) any default by Borrower under the terms of this Agreement or any other Related Documents; (c) any default by Borrower under the terms of any other agreement between Lender and Borrower; (d) the death, dissolution, or termination of existence of Borrower or any guarantor; (e) Borrower is not paying Borrower's debts as such debts become due; (f) the commencement of any proceeding under bankruptcy or insolvency laws by or against Borrower or any guarantor or the appointment of a receiver; (g) any default under the terms of any other indebtedness of Borrower to any other creditor; (h) any writ of attachment, garnishment, execution, tax lien or similar instrument is issued against any collateral securing the loan, if any, or any of Borrower's property or any judgment is entered against Borrower or any guarantor; (i) any part of Borrower's business is sold to or merged with any other business, individual, or entity; (j) any representation or warranty made by Borrower to Lender in any of the Related Documents or any financial statement delivered to Lender proves to have been false in any material respect as of the time when made or given; (k) if any guarantor, or any other party to any Related Documents in favor of Lender entered into or delivered in connection with this Agreement terminates, attempts to terminate or defaults under any such Related Documents; (l) Lender has deemed itself insecure or there has been a material adverse change of condition of the financial prospects of Borrower or any collateral securing the obligations owing to Lender by Borrower. Upon the occurrence of an event of default, Lender may pursue any remedy available under any Related Document, at law or in equity.

GENERAL WAIVERS. To the extent permitted by law, the Borrower severally waives any required notice of presentment, demand, acceleration, intent to accelerate, protest and any other notice and defense due to extensions of time or other indulgence by Lender or to any substitution or release of collateral. No failure or delay on the part of Lender, and no course of dealing between Borrower and Lender, shall operate as a waiver of such power or right, nor shall any single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right.

JOINT AND SEVERAL LIABILITY. If permitted by law, each Borrower executing this Agreement is jointly and severally bound.

SEVERABILITY. If a court of competent jurisdiction determines any term or provision of this Agreement is invalid or prohibited by applicable law, that term or provision will be ineffective to the extent required. Any term or provision that has been determined to be invalid or prohibited will be severed from the rest of this Agreement without invalidating the remainder of either the affected provision or this Agreement.

SURVIVAL. The rights and privileges of the Lender hereunder shall inure to the benefits of its successors and assigns, and this Agreement shall be binding on all heirs, executors, administrators, assigns and successors of Borrower.

ASSIGNABILITY. Lender may assign, pledge or otherwise transfer this Agreement or any of its rights and powers under this Agreement without notice, with all or any of the obligations owing to Lender by Borrower, and in such event the assignee shall have the same rights as if originally named herein in place of Lender. Borrower may not assign this Agreement or any benefit accruing to it hereunder without the express written consent of the Lender.

ORAL AGREEMENTS DISCLAIMER. This Agreement represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

GOVERNING LAW. This Agreement is governed by the laws of the state of Kentucky except to the extent that federal law controls.

HEADING AND GENDER. The headings preceding text in this Agreement are for general convenience in identifying subject matter, but have no limiting impact on the text which follows any particular heading. All words used in this Agreement shall be construed to be of such gender or number as the circumstances require.

ATTORNEYS' FEES AND OTHER COSTS. Borrower agrees to pay all of Lender's costs and expenses in connection with the enforcement of this Agreement including, without limitation, reasonable attorneys' fees, to the extent permitted by law.

WAIVER OF JURY TRIAL. All parties to this Agreement hereby knowingly and voluntarily waive, to the fullest extent permitted by law, any right to trial by jury of any dispute, whether in contract, tort, or otherwise, arising out of, in connection with, related to, or incidental to the relationship established between them in this Agreement or any other instrument, document or agreement executed or delivered in connection with this Agreement or the Related Documents.

By signing this Agreement, Borrower acknowledges reading, understanding, and agreeing to all its provisions and receipt hereof.

BLACK MTN UTILITY DISTRICT

Raymond Cox 8-31-2017
By: RAYMOND COX Date
Its: CHAIRMAN

LENDER: Monticello Banking Company

Garry Henson 8-31-17
By: Garry Henson Date
Its: Commercial Banker

DISBURSEMENT REGISTER

Monticello Banking Company
50 North Main St
PO Box 421
MONTICELLO, Kentucky 42633
(606)573-5713
ghenson@mbcbank.com

180018511	August 31, 2017	180018511
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BORROWER INFORMATION

BLACK MTN UTILITY DISTRICT
609 FOUR MILE RD
BAXTER, KY 40806-0000

Black Mountain Utility District	Proceeds	\$144,000.00
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By signing this Disbursement Register, each Borrower acknowledges reading, understanding and receiving a completely filled in copy of it.

BLACK MTN UTILITY DISTRICT

Raymond Cox 8-31-2017
By: RAYMOND COX Date
Its: CHAIRMAN

ORDERS
REGULAR

HARLAN COUNTY FISCAL COURT
JULY 18, 2017

MOTION JIM RODDY
TO APPROVE LEGAL SERVICES AGREEMENT DIRECTING THE EMPLOYMENT OF CERTAIN LAW FIRMS TO REPRESENT THE COUNTY IN POTENTIAL LITIGATION AGAINST THOSE PARTIES LEGALLY RESPONSIBLE FOR THE WRONGFUL DISTRIBUTION OF PRESCRIPTION OPIATES, AUTHORIZE JUDGE EXECUTIVE TO SIGN ANY AND ALL DOCUMENTS.

SECOND BILL MOORE
ALL YES

MOTION JIM RODDY
TO APPROVE RESOLUTION REQUESTED BY KENTUCKY TRANSPORTATION CABINET TO EXCHANGE MAINTENANCE AND OWNERSHIP OF VARIOUS HARLAN COUNTY ROADWAYS KY 1137, MP 2.045 TO 3.207 END OF STATE MAINTENANCE, KY 3450, MP 0.00 - 0.559 END OF STATE MAINTENANCE, AND OLD US 421 LOOP MP 0.00 - MP 0.139, AUTHORIZE JUDGE EXECUTIVE TO SIGN ANY AND ALL DOCUMENTS.

SECOND JAMES HOWARD
ALL YES

MOTION BILL MOORE
TO RENEW LINE OF CREDIT AT MONTICELLO BANKING COMPANY FOR BLACK MOUNTAIN UTILITY DISTRICT, AUTHORIZE JUDGE EXECUTIVE TO SIGN ANY AND ALL DOCUMENTS.

SECOND DAVID KENNEDY
ALL YES

MOTION JIM RODDY
TO APPROVE GRANT EASEMENT FOR KENTUCKY WIRED STATEWIDE BROADBAND NETWORK INITIATIVE, AUTHORIZE JUDGE EXECUTIVE TO SIGN ANY AND ALL DOCUMENTS.

SECOND BILL MOORE
ALL YES

MOTION JIM RODDY
TO APPROVE LETTER OF AGREEMENT WITH GRW FOR COURTROOM LEVEL RESTROOMS, AUTHORIZE JUDGE EXECUTIVE TO SIGN ANY AND ALL DOCUMENTS.

SECOND BILL MOORE
ALL YES

MOTION BILL MOORE
TO ACCEPT THE AUDIT REPORT OF THE HARLAN COUNTY FISCAL COURT, FOR THE YEAR ENDED JUNE 30, 2016.

SECOND DAVID KENNEDY
ALL YES

MOTION CLARK MIDDLETON
TO GIVE PERMISSION TO ADVERTISE FOR A GENERATOR FOR THE COURTHOUSE.

SECOND JAMES HOWARD
ALL YES

MOTION DAVID KENNEDY
TO ADVERTISE FOR COOLING TOWER REPAIRS AT THE JUSTICE CENTER.

SECOND JIM RODDY
ALL YES

MOTION DAVID KENNEDY
TO APPROVE AGREEMENT WITH BRANDSTETTER CARROLL INC FOR ENGINEERING SERVICES TO FISCAL COURT FOR BUILD READY CERTIFICATION SITE FOR SLEEPY HOLLOW GOLF COURSE, AUTHORIZE JUDGE EXECUTIVE TO

COMMERCIAL SECURITY AGREEMENT

Monticello Banking Company
50 North Main St
PO Box 421
MONTICELLO, Kentucky 42633
(606)573-5713
ghenson@mbcbank.com

180018511	August 31, 2017	180018511
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BORROWER INFORMATION

BLACK MTN UTILITY DISTRICT
609 FOUR MILE RD
BAXTER, KY 40806-0000

COLLATERAL OWNER INFORMATION

HARLAN COUNTY FISCAL COURT
PO BOX 956
HARLAN, KY 40831-0000

AGREEMENT. For purposes of this document, the term "Agreement" is used when reference is made to this Commercial Security Agreement.

LENDER. "Lender" means Monticello Banking Company whose address is 50 North Main St, PO Box 421, MONTICELLO, Kentucky 42633, its successors and assigns.

DEBTOR. For purposes of this Agreement, "Debtor" refers to any party to this Agreement, whose name and address is recited above, and who executes this Agreement.

SECURITY INTEREST GRANT. Debtor, in consideration of the Obligations to Lender, as defined in the "OBLIGATIONS" provision below, hereby agrees to all of the terms of this Agreement and specifically grants Lender rights to, and a continuing security interest in, the Collateral as defined in the "DESCRIPTION OF COLLATERAL" provision below, the proceeds of the Collateral, the proceeds of hazard insurance and eminent domain or condemnation awards involving the Collateral, and all products of, accessions to, and interests in the Collateral that the Debtor either has now or acquires in the future. Debtor's continuing security interest grant to the Lender secures the payment of any present and future obligations as that term is defined below.

OBLIGATIONS. As used in this Agreement, the term "Obligations" means all of Borrower's responsibilities to Lender. These responsibilities arise under any and all agreements and documents evidencing the indebtedness related to this Agreement. In addition, these responsibilities continue in any future agreements for renewals, extensions or modifications, including obligations that arise by operation of law.

Obligations include all expenditures that Lender may make under the terms of this Agreement or for the benefit of Debtor. Expenditures may include, among other things, interest, costs, and expenses, and also includes, to the extent permitted by law, attorneys' fees paid by the Lender or on behalf of the Lender to enforce the Obligations, or to protect or liquidate the Collateral. Any costs that may arise after the filing of any petition by or against Debtor, even if they do not accrue because of the automatic stay provision of the Bankruptcy Code, are also considered "Obligations."

RELATED DOCUMENTS. The words "Related Documents" mean all promissory notes, security agreements, prior mortgages, prior deeds of trust, prior deeds to secure debt, business loan agreements, construction loan agreements, resolutions, guaranties, environmental agreements, subordination agreements, assignments of leases and rents and any other documents or agreements executed in connection with this Agreement whether now or hereafter existing, including any modifications, extensions, substitutions or renewals of any of the foregoing. The Related Documents are hereby made a part of this Agreement by reference thereto, with the same force and effect as if fully set forth herein.

DESCRIPTION OF COLLATERAL. The collateral covered by this Agreement (the "Collateral") is all of the Debtor's property described below. The Collateral includes all of the described property that the Debtor now owns, or may acquire or create in the future and all proceeds and products thereof, whether tangible or intangible, including proceeds of insurance.

Deposit Accounts. "Deposit Accounts" shall consist of all demand, time, savings, passbook, and similar deposit accounts more particularly described below, which are held by the Debtor in Lender's institution, or maintained in another bank ("Bank"). If the deposit accounts are maintained with a Bank, the Debtor, Lender and Bank will enter into a duly executed Control Agreement acceptable to the Lender. Deposit Accounts are not a type of qualifying tax-deferred account as defined in the Internal Revenue Code, as currently in effect and amended from time to time (e.g. Individual Retirement Arrangements, qualified retirement plans, Health Savings Accounts, etc.).

DEPOSIT ACCOUNTS DESCRIPTION: Monticello Banking Company CD, Account Number - 6594

Specific Collateral. "Specific" refers to the specific property, together with all related rights, described below.

SPECIFIC COLLATERAL DESCRIPTION: Monticello Banking Company CD, Account Number - 6594

WARRANTIES. The Debtor warrants the following: Debtor has or will acquire free and clear title to all of the Collateral, unless otherwise provided in this Agreement, all of the Collateral exists and is actual property of the Debtor, and all of the Collateral has the value represented; the security interest granted to the Lender is a first security interest unless the Lender specifically agrees otherwise; Debtor will defend the Lender against claims and demands of any person as to title to the Collateral and the priority of Lender's security interest; Debtor will fully cooperate with the Lender in placing, perfecting, and maintaining Lender's lien or security interest on the Collateral, Debtor agrees to take whatever actions requested by Lender to perfect and continue Lender's security interest on the Collateral, and specifically authorizes the Lender to file the necessary financing statements to perfect the Lender's security interest in the Collateral; Debtor will not allow any lien or other adverse claim or encumbrance of any kind against the Collateral; Debtor will immediately notify Lender of any existing or anticipated event that has or may adversely affect the value of the Collateral, the Debtor's assets, or ability to perform its Obligations; Debtor will not change location of any Collateral without Lender's prior written consent, and will allow the Lender to inspect the Collateral at Lender's reasonable request; Debtor is properly organized as the business entity described at the beginning of this Agreement and the person signing this Agreement is legally authorized to enter into this Agreement on behalf of the Debtor; and Debtor will not change its state of organization or formation without the Lender's prior written approval, and will assist the Lender with any necessary changes to documents, filings or other records as the result of such a change.

TAXES, LIENS, ETC. The Debtor must pay all taxes and assessments on the Collateral or Debtor's business as they become due. If the Debtor fails to pay any taxes or assessments, the Lender may choose to pay the taxes or assessments.

INFORMATION AND REPORTING. Debtor agrees to supply Lender with financial and other information and reports about the Debtor, any of Debtor's assets, the Collateral, or otherwise, as Lender may reasonably require from time to time.

CROSS-COLLATERALIZATION. Debtor agrees that any security interest provided in Collateral under this Agreement or any Collateral provided in connection with any and all other indebtedness of Debtor or Borrower to Lender, whether or not such indebtedness is related by class or claim and whether or not contemplated by the parties at the time of executing each evidence of indebtedness, shall act as Collateral for all said indebtedness. This cross-collateralization provision shall not apply to any Collateral that is/are household goods or a principal dwelling.

DEFAULT; REMEDIES. The Lender has the right to declare all Obligations due and immediately payable if a default exists. If any of the following events occur this Agreement will be in default: (a) failure to make required payments; (b) failure of the Debtor to keep any of its agreements with the Lender; (c) making of any oral or written statement or assertion by the Debtor to the Lender that is untrue when made; (d) the death of any natural person who has legal duties related to this Agreement, or of a partner of any partnership with legal duties related to this Agreement; (e) any change or event that affects the Debtor's type of business organization; (f) any decline in the value of the Collateral (other than normal wear and tear, or depreciation); and (g) any impairment of the Lender's rights under this Agreement.

If the Lender in good faith believes the Debtor is not able to meet its Obligations, or that any of the Collateral or the Lender's ability to resort to any Collateral is or will soon be impaired, the Lender may, to the extent permitted by law, declare this Agreement to be in default.

If a default occurs, the Lender may exercise any of the remedies described in this Agreement or other documents or agreements between the Lender and the Debtor. The Lender also has the right to exercise any remedies provided for in the Uniform Commercial Code of the state where the Lender is located, and any other available legal or equitable remedies. If the Lender waives a specific default by the Debtor, that waiver does not apply to any other default.

FUTURE ADVANCES AND AFTER-ACQUIRED PROPERTY. Future advances may be made at any time by the Lender under this Agreement to the extent allowed by law. The security interest grant contained in this Agreement also applies to any Collateral of the type(s) identified in this Agreement that the Debtor acquires after this Agreement is executed, except that no security interest attaches to after-acquired consumer goods unless the Debtor acquires rights in such goods within 10 days of Lender giving value. In anticipation of future advances by Lender, the Debtor authorizes Lender to file any necessary financing statements to protect Lender's security interest.

EXERCISE OF LENDER'S RIGHTS. Any delay on the part of the Lender in exercising any power, privilege, or right hereunder, or under any other document executed by Debtor to the Lender in connection herewith, shall not operate as a waiver thereof, and no single or partial exercise thereof or any other power, privilege, or right shall preclude other or further exercise thereof. The waiver by the Lender of any default of the Debtor shall not constitute a waiver of subsequent default.

CONTINUING AND UNCONDITIONAL AGREEMENT. This Agreement is continuing and unconditional, and remains entirely effective until the Obligations are paid in full. If the Lender enters into other agreements with the Debtor, those agreements will not discharge this Agreement. The Lender's rights to the Collateral will not be altered if any of the Obligations against Debtor are determined to be invalid or unenforceable. This Agreement is enforceable even if the Debtor may assert any counterclaim on the underlying debt. Any stay, modification, discharge, or extension of the Debtor's Obligations that occur because of the Debtor's insolvency, bankruptcy, or reorganization will have no effect on the enforceability of this Agreement.

POSSESSION OF COLLATERAL BY LENDER. The Lender will use reasonable care in the custody and preservation of Collateral in its possession. However if the Collateral in the Lender's possession includes chattel paper or an instrument, the Lender is not obligated to take steps necessary to preserve rights against any prior parties.

NOTICES. Unless otherwise required by applicable law, any notice or demand given by the Lender to the Debtor is considered effective when it is deposited in the United States Mail with the appropriate postage, mailed to the address of the Debtor given at the beginning of this Agreement.

WAIVERS. Debtor waives notice of Lender's acceptance of this Agreement, defenses based on suretyship, and to the fullest extent permitted by law, any defense arising as a result of any election by Lender under the Bankruptcy Code or the Uniform Commercial Code. Debtor and any maker, endorser, guarantor, surety, third-party pledgor, and other party executing this Agreement that is liable in any capacity with respect to the

Obligations hereby waive demand, notice of intention to accelerate, notice of acceleration, notice of nonpayment, presentment, protest, notice of dishonor, and any other similar notice whatsoever.

WAIVER OF JURY TRIAL. All parties to this Agreement hereby knowingly and voluntarily waive, to the fullest extent permitted by law, any right to trial by jury of any dispute, whether in contract, tort, or otherwise, arising out of, in connection with, related to, or incidental to the relationship established between them in this Agreement or any other instrument, document or agreement executed or delivered in connection with this Agreement or the Related Documents.

JOINT AND SEVERAL LIABILITY. To the extent permitted by law, each Debtor executing this Agreement is jointly and severally bound.

SEVERABILITY. If a court of competent jurisdiction determines any term or provision of this Agreement is invalid or prohibited by applicable law, that term or provision will be ineffective to the extent required. Any term or provision that has been determined to be invalid or prohibited will be severed from the rest of this Agreement without invalidating the remainder of either the affected provision or this Agreement.

SURVIVAL. The Lender's rights in this Agreement will continue in its successors and assigns. This Agreement is binding on all heirs, executors, administrators, assigns and successors of the Debtor.

ASSIGNABILITY. The Lender may assign or otherwise transfer this Agreement or any of Lender's rights under this Agreement without notice to the Debtor. Any assignee of the Lender has the same rights as the Lender. The Debtor may not assign this Agreement, or any part of the Agreement without the express written consent of the Lender.

AUTHORIZATIONS. The Debtor authorizes the Lender to take whatever reasonable acts are necessary to protect the Collateral and the Lender's security interest in the Collateral including, without limitation, filing any financing statements necessary for Lender to perfect or protect Lender's security interest. The Debtor also authorizes the Lender to take any reasonable steps necessary to protect the Lender's right to repayment of any underlying or related Obligations of the Debtor.

REIMBURSEMENT. The Debtor will reimburse the Lender for all reasonable expenses incurred by the Lender in protecting or exercising any of the Lender's rights related to the Obligations, Collateral, or otherwise. Reimbursement may be on demand, or, to the extent permitted by law, will become part of the Obligations.

TERMINATION. The Lender is under no obligation to provide a termination statement related to this Agreement for Collateral other than consumer goods, except upon receipt of an authenticated demand from the Debtor.

GOVERNING LAW. This Agreement has been delivered in the State of Kentucky and shall be construed in accordance with the laws of that state.

HEADINGS AND GENDER. The headings preceding text in this Agreement are for general convenience in identifying subject matter, but have no limiting impact on the text which follows any particular heading. All words used in this Agreement shall be construed to be of such gender or number as the circumstances require.

MISCELLANEOUS. Time is of the essence of this Agreement. Unless otherwise stated in this Agreement, all the terms in this Agreement have the meanings provided by the Uniform Commercial Code as it has been adopted in the state of Kentucky. Resolution of any ambiguities between the terms of this Agreement and any other loan agreement executed by the Debtor in combination with this Agreement will be resolved using the terms of the loan agreement.

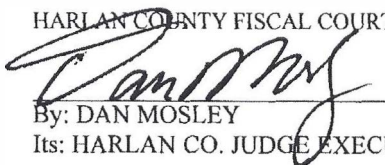
ORAL AGREEMENTS DISCLAIMER. This Agreement represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

ADDITIONAL PROVISIONS.

ACKNOWLEDGMENT. Debtor acknowledges agreeing to all of the provisions in this Agreement, and further acknowledges receipt of a true and complete copy of this Agreement.


IN WITNESS WHEREOF, Debtor has executed this Agreement on the date and year shown below.

HARLAN COUNTY FISCAL COURT

 8-31-17
By: DAN MOSLEY Date
Its: HARLAN CO. JUDGE EXECUTIVE

 8/31/17
By: RYAN CREECH Date
Its: TREASURER

LENDER: Monticello Banking Company

 8-31-17
By: Garry Henson Date
Its: Commercial Banker

24367

180018511



REMITTER: MBC/BMUD

DATE 8/31/17

Black Mountain Utility District

EXACTLY **144,000 AND 00/100 DOLLARS

\$

\$144,000.00

CUSTOMER - FILE COPY

CASHIER'S CHECK

AUTHORIZED SIGNATURE

NOT NEGOTIABLE

**RESOLUTION
CORPORATION**

Monticello Banking Company
50 North Main St
PO Box 421
MONTICELLO, Kentucky 42633
(606)573-5713
ghenson@mbcbank.com

180018511	August 31, 2017	180018511
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CORPORATION INFORMATION

HARLAN COUNTY FISCAL COURT
PO BOX 956
HARLAN, KY 40831-0000

By signing below, we certify to Monticello Banking Company ("Lender") that: I am the duly elected or appointed HARLAN CO. JUDGE EXECUTIVE of the Corporation whose name is accurately presented above (the "Corporation"); the Corporation is properly organized under and validly existing under the laws of the State of Kentucky as a for profit Corporation, with a principal office at Harlan, Kentucky, and its articles or certificate of incorporation were filed at the appropriate governmental office on January 1, 1955; the following is a true and complete copy of the Resolution properly adopted at a duly called meeting of a quorum of the Corporation's Board of Directors on August 31, 2017, in accordance with law and the By-Laws of the Corporation, if any; the Resolution is contained in the minutes of that meeting; the Resolution is still in force and effect and has not been amended or rescinded, was and still is in accordance with the By-Laws of the Corporation; provided below are the correct titles and names and the genuine signatures of the persons authorized to exercise the powers provided in the Resolution ("Authorized Signers"); I have provided the Lender with a true and complete copy of the articles or certificate of incorporation and By-Laws of the Corporation if any, as in effect as of the date of this Resolution; the Corporation does not have a Seal and I have the power and authority to make this certification and to execute this Resolution.

IT IS RESOLVED:

The Authorized Signers shall possess the powers indicated as contained in this Resolution. Each power has a designated Authority Code that indicates the powers available to each Authorized Signer.

NAME/TITLE	SIGNATURE	AUTHORITY CODE/LIMITATIONS
DAN MOSLEY HARLAN CO. JUDGE EXECUTIVE		L3
RYAN CREECH TREASURER		L3

BORROW MONEY. [Authority Code - L1] As in their judgment, to borrow from time to time from Lender, on such terms as may be agreed upon between the Corporation and Lender, such sum or sums of money without limitation.

EXECUTE NOTES. [Authority Code - L2] To execute and deliver to Lender the promissory note(s), or other evidence of credit accommodations of the Corporation, on Lender's forms, at such rates of interest and on such terms as may be agreed upon evidencing the sums of money so borrowed or any indebtedness of the Corporation to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

GRANT SECURITY. [Authority Code - L3] To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender, as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed including any amendments to or modifications, renewals, and extensions of such promissory notes, or any other or further indebtedness of the Corporation or any third party to Lender at any time owing, however the same may be evidenced, any property now or hereafter belonging to the Corporation or in which the Corporation now or hereafter may have an interest, including without limitation all real property and all personal property (tangible or intangible) of the Corporation. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated, or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated, or encumbered.

EXECUTE SECURITY DOCUMENTS. [Authority Code - L4] To execute and deliver to Lender the forms of mortgage, deed of trust, pledge, agreement, hypothecation agreement, and other security agreements and financing statements which may be submitted by Lender, and which shall evidence the terms and conditions under and pursuant to which liens and encumbrances, or any of them are given; and also to execute and deliver to Lender any authorizations and other written instruments, any chattel paper, or any other collateral, of any kind or nature, which they may at their discretion deem reasonably necessary or proper in connection with or pertaining to the giving and perfecting of liens and encumbrances.

NEGOTIATE ITEMS. [Authority Code - L5] To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation in which the Corporation may have an interest, and

either to receive cash for the same or to cause such proceeds to be credited to the account of the Corporation with Lender, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

ADVANCE UNDER LINE OF CREDIT. [Authority Code - L6] In the case of lines of credit, to designate additional or alternative individuals as being authorized to request advances thereunder, and in all cases, to perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements, (including agreements waiving the right to a trial by jury) as they may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of these Resolutions. The persons indicated herein are currently authorized to request advances and authorize payments under the line of credit until Lender receives written notice or revocation of their authority.

ENTER INTO LEASE AGREEMENTS. [Authority Code - L8] To enter into any form of personal property or fixture lease with Lender, upon such terms as this Corporation and Lender may agree.

DEPOSITORY ACCOUNT. [Authority Code - D1] Open and maintain any depository account(s) in the name of the Corporation, subject to any terms and conditions governing the account(s), including:

1. Make deposits to the account;
2. Endorse for negotiation, negotiate, and receive the proceeds of any negotiable instrument, check, draft, or order for the payment of money payable to or belonging to the Corporation by writing, stamp, or other means permitted by this Resolution without the designation of the person endorsing;
3. Make withdrawals from the account in any manner permitted by the account;
4. Transfer funds from the Corporation account at this Financial Institution to any account whether or not held at this Financial Institution and whether or not held by the Corporation;
5. Transfer funds to the Corporation account at this Financial Institution from any account whether or not held at this Financial Institution and whether or not held by the Corporation;
6. Approve, endorse, guarantee, and identify the endorsement of any payee or any endorser of any negotiable instrument, check, draft, or order for the payment of money whether drawn by the Corporation or anyone else and guarantee the payment of any negotiable instrument, check, draft, or order for the payment of money; and
7. Delegate to others the authority to approve, endorse, guarantee, and identify the endorsement of any payee or endorser on any negotiable instrument, check, draft, or order for the payment of money and to guarantee the payment of any such negotiable instrument, check, draft, or order for the payment of money.

SAFE DEPOSIT BOX. [Authority Code - D2] Lease a Safe Deposit Box(es) with Lender, make inspections of, deposits to, and removals from the Box(es) and exercise all rights and be subject to all responsibilities under the Lease.

NIGHT DEPOSITORY. [Authority Code - D3] Enter into a Night Depository Agreement with Lender and exercise all rights and be subject to all responsibilities under the Agreement.

LOCK BOX. [Authority Code - D4] Enter into a Lockbox Agreement with Lender and exercise all rights and be subject to all responsibilities under the Agreement.

DEBIT CARD/ACCESS CARD. [Authority Code - D5] Apply for, receive, and utilize debit, automated teller machine cards, credit cards, or other access devices to exercise those powers authorized by this Resolution or other Resolutions then in effect.

CASH MANAGEMENT. [Authority Code - D6] Enter into a Cash Management Agreement with Financial Institution, and exercise all rights and be subject to all responsibilities under the Agreement.

IT IS FURTHER RESOLVED THAT:

AUTHORIZED SIGNER'S POWERS. Authorized Signers are authorized to make any and all other contracts, agreements, stipulations and orders which the Authorized Signers may deem advisable for the effective exercise of their powers.

SIGNATURES. The Lender shall be indemnified and held harmless by the Corporation for any claims, expenses, damages or attorney fees resulting from the honoring of any signature, authorized by this Resolution, or refusing to honor any signature not so authorized, regardless of whether or not such signature was genuine, if such signature reasonably resembles the specimen provided to the Lender. The Lender shall also be permitted to rely upon non-signature security and verification codes which it provides to or receives from an Authorized Signer and shall be indemnified and held harmless by the Corporation for any claims, expenses, damages or attorney fees resulting from their use.

IMPROPER ENDORSEMENT. Any negotiable instrument, check, draft or order for the payment of moneys not clearly endorsed by the Authorized Signer may be returned to the Corporation by the Lender. The Lender, in its sole discretion, alternatively may endorse on behalf of the Corporation any negotiable instrument, check, draft or order for the payment of money not clearly endorsed in order to facilitate collection. Lender shall have no liability for any delay in the presentment or return of any negotiable instrument, check, draft, or order for the payment of money which is not properly endorsed.

DISPOSITION OF FUNDS. When withdrawal or transfer powers are granted to an Authorized Signer, the Lender is directed and authorized to act upon and honor withdrawal or transfer instructions issued and to honor, pay, transfer from and charge to any depository account(s) of the Corporation, all negotiable instruments, checks, drafts, or orders for the payment of money so drawn when signed consistent with the Resolution without inquiring as to the disposition of the proceeds or the circumstances surrounding the issuance of the negotiable instrument, check or order for the payment of money involved, whether such negotiable instruments, checks, drafts or orders for the payment of money are payable to the order of, or endorsed or negotiated by any Authorized Signer signing them or any Authorized Signer in their individual capacities or not, and whether they are deposited to the individual credit of or tendered in payment of the individual obligation or account of any Authorized Signer signing them or of any other Authorized Signer.

PRIOR ENDORSEMENTS. All negotiable instruments, checks, drafts or orders for the payment of money deposited with prior endorsements are guaranteed by the Corporation.

**RESOLUTION
GOVERNMENTAL ENTITY**

Monticello Banking Company
50 North Main St
PO Box 421
MONTICELLO, Kentucky 42633
(606)573-5713
ghenson@mbcbank.com

180018511	August 31, 2017	180018511
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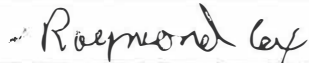
GOVERNMENT AGENCY INFORMATION

BLACK MTN UTILITY DISTRICT
609 FOUR MILE RD
BAXTER, KY 40806-0000

By signing below, I certify to Monticello Banking Company ("Lender") that: I am the properly elected or appointed CHAIRMAN of BLACK MTN UTILITY DISTRICT, which is properly established and existing under the laws of the State of Kentucky; the adoption and execution of this Resolution is permitted and in accordance with law and authority of BLACK MTN UTILITY DISTRICT, as in effect as of the date of this Resolution to the Lender; this Resolution was properly adopted at and contained in the minutes of a duly called meeting of BLACK MTN UTILITY DISTRICT, on August 31, 2017. The Resolution is still in force and effect and has not been amended or rescinded; the Lender may rely upon our certification as to our authority to adopt and execute this Resolution and to make the representation in this Resolution; provided below are the correct titles and names and the genuine signatures of the persons authorized to exercise the powers provided in the Resolution ("Authorized Signers") and we have the power and authority to make this certification and to execute this Resolution.

IT IS RESOLVED:

The Authorized Signers shall possess the powers indicated as contained in this Resolution. Each power has a designated Authority Code that indicates the powers available to each Authorized Signer.

NAME/TITLE	SIGNATURE	AUTHORITY CODE/LIMITATIONS
RAYMOND COX CHAIRMAN		L1; L2; L3; L4; L5; L6; L8

BORROW MONEY. [Authority Code - L1] As in their judgment, to borrow from time to time from Lender, on such terms as may be agreed upon between the Governmental Entity and Lender, such sum or sums of money without limitation.

EXECUTE NOTES. [Authority Code - L2] To execute and deliver to Lender the promissory note(s), or other evidence of credit accommodations of the Governmental Entity, on Lender's forms, at such rates of interest and on such terms as may be agreed upon evidencing the sums of money so borrowed or any indebtedness of the Governmental Entity to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

GRANT SECURITY. [Authority Code - L3] To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender, as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed including any amendments to or modifications, renewals, and extensions of such promissory notes, or any other or further indebtedness of the Governmental Entity or any third party to Lender at any time owing, however the same may be evidenced, any property now or hereafter belonging to the Governmental Entity or in which the Governmental Entity now or hereafter may have an interest, including without limitation all real property and all personal property (tangible or intangible) of the Governmental Entity. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated, or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated, or encumbered.

EXECUTE SECURITY DOCUMENTS. [Authority Code - L4] To execute and deliver to Lender the forms of mortgage, deed of trust, pledge, agreement, hypothecation agreement, and other security agreements and financing statements which may be submitted by Lender, and which shall evidence the terms and conditions under and pursuant to which liens and encumbrances, or any of them are given; and also to execute and deliver to Lender any authorizations and other written instruments, any chattel paper, or any other collateral, of any kind or nature, which they may at their discretion deem reasonably necessary or proper in connection with or pertaining to the giving and perfecting of liens and encumbrances.

NEGOTIATE ITEMS. [Authority Code - L5] To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Governmental Entity in which the Governmental Entity may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the account of the Governmental Entity with Lender, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

ADVANCE UNDER LINE OF CREDIT. [Authority Code - L6] In the case of lines of credit, to designate additional or alternative individuals as being authorized to request advances thereunder, and in all cases, to perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements, (including agreements waiving the right to a trial by

jury) as they may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of these Resolutions. The person indicated herein are currently authorized to request advances and authorize payments under the line of credit until Lender receives written notice or revocation of their authority.

ENTER INTO LEASE AGREEMENTS. [Authority Code - L8] To enter into any form of personal property or fixture lease with Lender, upon such terms as this Governmental Entity and Lender may agree.

DEPOSITORY ACCOUNT. [Authority Code - D1] Open and maintain any depository account(s) in the name of the Governmental Entity, subject to any terms and conditions governing the account(s), including:

1. Make deposits to the account;
2. Endorse for negotiation, negotiate, and receive the proceeds of any negotiable instrument, check, draft, or order for the payment of money payable to or belonging to the Governmental Entity by writing, stamp, or other means permitted by this Resolution without the designation of the person endorsing;
3. Make withdrawals from the account in any manner permitted by the account;
4. Transfer funds from the Governmental Entity account at this Financial Institution to any account whether or not held at this Financial Institution and whether or not held by the Governmental Entity;
5. Transfer funds to the Governmental Entity account at this Financial Institution from any account whether or not held at this Financial Institution and whether or not held by the Governmental Entity;
6. Approve, endorse, guarantee, and identify the endorsement of any payee or any endorser of any negotiable instrument, check, draft, or order for the payment of money whether drawn by the Governmental Entity or anyone else and guarantee the payment of any negotiable instrument, check, draft, or order for the payment of money; and
7. Delegate to others the authority to approve, endorse, guarantee, and identify the endorsement of any payee or endorser on any negotiable instrument, check, draft, or order for the payment of money and to guarantee the payment of any such negotiable instrument, check, draft, or order for the payment of money.

SAFE DEPOSIT BOX. [Authority Code - D2] Lease a Safe Deposit Box(es) with Lender, make inspections of, deposits to, and removals from the Box(es) and exercise all rights and be subject to all responsibilities under the Lease.

NIGHT DEPOSITORY. [Authority Code - D3] Enter into a Night Depository Agreement with Lender and exercise all rights and be subject to all responsibilities under the Agreement.

LOCK BOX. [Authority Code - D4] Enter into a Lockbox Agreement with Lender and exercise all rights and be subject to all responsibilities under the Agreement.

DEBIT CARD/ACCESS CARD. [Authority Code - D5] Apply for, receive, and utilize debit, automated teller machine cards, credit cards, or other access devices to exercise those powers authorized by this Resolution or other Resolutions then in effect.

CASH MANAGEMENT. [Authority Code - D6] Enter into a Cash Management Agreement with Financial Institution, and exercise all rights and be subject to all responsibilities under the Agreement.

IT IS FURTHER RESOLVED THAT:

AUTHORIZED SIGNER'S POWERS. Authorized Signers are authorized to make any and all other contracts, agreements, stipulations and orders which the Authorized Signers may deem advisable for the effective exercise of their powers.

SIGNATURES. The Lender shall be indemnified and held harmless by the Governmental Entity for any claims, expenses, damages or attorney fees resulting from the honoring of any signature, authorized by this Resolution, or refusing to honor any signature not so authorized, regardless of whether or not such signature was genuine, if such signature reasonably resembles the specimen provided to the Lender. The Lender shall also be permitted to rely upon non-signature security and verification codes which it provides to or receives from an Authorized Signer and shall be indemnified and held harmless by the Governmental Entity for any claims, expenses, damages or attorney fees resulting from their use.

IMPROPER ENDORSEMENT. Any negotiable instrument, check, draft or order for the payment of moneys not clearly endorsed by the Authorized Signer may be returned to the Governmental Entity by the Lender. The Lender, in its sole discretion, alternatively may endorse on behalf of the Governmental Entity any negotiable instrument, check, draft or order for the payment of money not clearly endorsed in order to facilitate collection. Lender shall have no liability for any delay in the presentment or return of any negotiable instrument, check, draft, or order for the payment of money which is not properly endorsed.

DISPOSITION OF FUNDS. When withdrawal or transfer powers are granted to an Authorized Signer, the Lender is directed and authorized to act upon and honor withdrawal or transfer instructions issued and to honor, pay, transfer from and charge to any depository account(s) of the Governmental Entity, all negotiable instruments, checks, drafts, or orders for the payment of money so drawn when signed consistent with the Resolution without inquiring as to the disposition of the proceeds or the circumstances surrounding the issuance of the negotiable instrument, check or order for the payment of money involved, whether such negotiable instruments, checks, drafts or orders for the payment of money are payable to the order of, or endorsed or negotiated by any Authorized Signer signing them or any Authorized Signer in their individual capacities or not, and whether they are deposited to the individual credit of or tendered in payment of the individual obligation or account of any Authorized Signer signing them or of any other Authorized Signer.

PRIOR ENDORSEMENTS. All negotiable instruments, checks, drafts or orders for the payment of money deposited with prior endorsements are guaranteed by the Governmental Entity.

PRE-RESOLUTION TRANSACTIONS. All actions by Authorized Signers in accordance with this Resolution but before the adoption of this Resolution are approved, ratified, adopted and confirmed by the Governmental Entity.

WARRANTY. The Lender may rely upon the certification as to the authority of the Governmental Entity to execute this Resolution and make the representations in this Resolution.

NOTIFICATION OF CHANGES. The Governmental Entity shall notify Lender in writing at its address shown above in advance of any changes which would affect the validity of any matter certified in this Resolution.

REVOCAION AND MODIFICATION. An act ("Act") to modify, terminate, amend or replace this Resolution will not immediately affect the ability of the Lender to rely upon this Resolution. The Act shall not affect any action by the Lender in reliance on this Resolution before the date the Act becomes effective as set forth in the next sentence. An Act will not become effective until all of the following occur: (a) Lender receives written notification of the Act in form and substance satisfactory to Lender and (b) the Lender has had a reasonable period of time to act upon such notification. Until the Act is effective, this Resolution shall remain in full force and bind the Governmental Entity, its legal representatives, heirs, successors and assigns.

FACSIMILE SIGNATURES. The Lender shall be entitled to honor and charge the Governmental Entity for all such negotiable instrument, checks, drafts or other orders for payment of money drawn in the name of the Governmental Entity, on its regular accounts, including an order for electronic debit, whether by electronic tape or otherwise, regardless of by whom or by what means facsimile signatures or other non-manual signature (collectively, "Facsimile Signatures") may have been affixed, or electronically communicated, if such Facsimile Signatures resembles the specimens duly certified to or filed with the Lender for any of the named Authorized Signers, regardless of whether any misuse is with or without the negligence of the Governmental Entity. The Governmental Entity agrees that the duty of maintaining the security of any such Facsimile Signatures or device by which it is affixed is solely that of the Governmental Entity.

IN WITNESS WHEREOF, I, RAYMOND COX, have hereunto subscribed my name as CHAIRMAN of BLACK MTN UTILITY DISTRICT and hereby acknowledge that the above Authorized Signer has authority to exercise the powers provided in this Resolution on August 31, 2017.

Raymond Cox 8-31-2017
By: RAYMOND COX Date
Its: CHAIRMAN

COLLATERAL DEPOSIT RECEIPT

Monticello Banking Company
50 North Main St
PO Box 421
MONTICELLO, Kentucky 42633
(606)573-5713
ghenson@mbcbank.com

ACCOUNT NUMBER	DATE	ACCOUNT #
180018511	August 31, 2017	180018511

BORROWER INFORMATION

BLACK MTN UTILITY DISTRICT
609 FOUR MILE RD
BAXTER, KY 40806-0000

144,000.⁰⁰
9-8-17
nd

COLLATERAL DEPOSITOR INFORMATION

HARLAN COUNTY FISCAL COURT
PO BOX 956
HARLAN, KY 40831-0000

NOTICE TO COLLATERAL DEPOSITOR. This is a non-negotiable instrument. The collateral described below as well as any substitution(s) and/or addition(s) are subject to this receipt and the loan documents governing the obligation.

DEPOSIT TYPE	DESCRIPTION	CURRENT VALUE	MATURITY DATE
CD	Monticello Banking Company CD, Account Number - 6594	\$150,682.53	May 27, 2018

By signing this Collateral Deposit Receipt on the date written below, Collateral Depositor acknowledges reviewing and understanding it, and receiving a completed copy.

HARLAN COUNTY FISCAL COURT

 8-31-17
Date


By: DAN MOSLEY
Its: HARLAN CO. JUDGE EXECUTIVE

 8/31/17
Date

By: RYAN CREECH
Its: TREASURER

By signing this Collateral Deposit Receipt on the date written below, Borrower acknowledges reviewing and understanding it, and receiving a completed copy.

BLACK MTN UTILITY DISTRICT

 8-31-2017
Date

By: RAYMOND COX
Its: CHAIRMAN

By signing this Receipt, Monticello Banking Company acknowledges receiving the collateral deposit on the date written below.

RECEIVED BY:

Monticello Banking Company

 8-31-17
Date

By: Garry Henson
Its: Commercial Banker

CP



PO Box 421 • 50 N Main St • Monticello, KY 42633
phone: 606.348.8411 fax: 606.348.6778
www.mbcbank.com

2018

MODIFICATION AGREEMENT

Loan #180018511

This agreement is between BLACK MTN UTILITY DISTRICT (Borrower) and **Monticello Banking Company** (Lender).

WITNESSETH: That, whereas, Lender has heretofore made loan to Borrower in the principal amount of **ONE HUNDRED AND FORTY FOUR THOUSAND DOLLARS** evidenced by Borrower's **Promissory Note Loan Number 180018511**.

WHEREAS, Borrower and Lender desire to modify certain provisions in said note:

Now therefore, in consideration of the premises and other good and valuable consideration, Borrower agrees with Lender as follows, to wit:

- 1. **Extend Maturity date to July 27th, 2018.**
- 2. **All other terms and conditions are to remain the same.**

Borrower hereby authorized and directs lender to take any action necessary to conform the original Note, security instruments and other collateral documents to the terms as herein modified. Borrower further agrees that the foregoing Modification shall in no way affect or otherwise release any collateral held by lender as security to said Note, but acknowledges and agrees that the collateral held by lender as security to said note shall continue to secure the Note.

IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS INSTRUMENT THIS 28TH DAY OF JUNE 2018.

BORROWER:

MONTICELLO BANKING COMPANY
(Lender)

By: Raymond Cox
RAYMOND COX CHAIRMAN

By: Garry L. Henson
GARRY L. HENSON

By: _____

NMLS#408858

LOAN NUMBER 180002495	LOAN NAME BLACK MTN UTILITY DISTRICT	ACCT. NUMBER BAA4895	NOTE DATE 07/01/20	INITIALS KWC
NOTE AMOUNT \$107,624.43	INDEX (w/Margin) Not Applicable	RATE 2.400%	MATURITY DATE 08/01/21	LOAN PURPOSE Commercial
Creditor Use Only				

PROMISSORY NOTE
(Commercial - Single Advance)

DATE AND PARTIES. The date of this Promissory Note (Note) is July 1, 2020. The parties and their addresses are:

LENDER:

MONTICELLO BANKING CO.
PO Box 421
Monticello, KY 42633
Telephone: 606-348-8411

BORROWER:

BLACK MTN UTILITY DISTRICT
609 FOUR MILE RD
BAXTER, KY 40806

1. DEFINITIONS. As used in this Note, the terms have the following meanings:

- A. **Pronouns.** The pronouns "I," "me," and "my" refer to each Borrower signing this Note and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this Note. "You" and "Your" refer to the Lender, any participants or syndicators, successors and assigns, or any person or company that acquires an interest in the Loan.
- B. **Note.** Note refers to this document, and any extensions, renewals, modifications and substitutions of this Note.
- C. **Loan.** Loan refers to this transaction generally, including obligations and duties arising from the terms of all documents prepared or submitted for this transaction such as applications, security agreements, disclosures or notes, and this Note.
- D. **Loan Documents.** Loan Documents refer to all the documents executed as a part of or in connection with the Loan.
- E. **Property.** Property is any property, real, personal or intangible, that secures my performance of the obligations of this Loan.
- F. **Percent.** Rates and rate change limitations are expressed as annualized percentages.
- G. **Dollar Amounts.** All dollar amounts will be payable in lawful money of the United States of America.

2. REFINANCING. This Note will pay off the following described note(s):

Note Date	Note Number	Note Amount
August 31, 2017	# 180018511	\$144,000.00

The remaining balance of the note listed in the table above is \$107,624.43.

3. PROMISE TO PAY. For value received, I promise to pay you or your order, at your address, or at such other location as you may designate, the principal sum of \$107,624.43 (Principal) plus interest from July 1, 2020 on the unpaid Principal balance until this Note matures or this obligation is accelerated.

4. INTEREST. Interest will accrue on the unpaid Principal balance of this Note at the rate of 2.400 percent (Interest Rate).

- A. **Post-Maturity Interest.** After maturity or acceleration, interest will accrue on the unpaid Principal balance of this Note at the Interest Rate in effect from time to time, until paid in full.
- B. **Maximum Interest Amount.** Any amount assessed or collected as interest under the terms of this Note will be limited to the maximum lawful amount of interest allowed by applicable law. Amounts collected in excess of the maximum lawful amount will be applied first to the unpaid Principal balance. Any remainder will be refunded to me.
- C. **Statutory Authority.** The amount assessed or collected on this Note is authorized by the Kentucky usury laws under Ky. Rev. Stat. Ann. Ch. 286, Subtitle 6.
- D. **Accrual.** Interest accrues using an Actual/365 days counting method.

5. REMEDIAL CHARGES. In addition to interest or other finance charges, I agree that I will pay these additional fees based on my method and pattern of payment. Additional remedial charges may be described elsewhere in this Note.

- A. **Late Charge.** If a payment is more than 10 days late, I will be charged 5.000 percent of the Amount of Payment or \$5.00, whichever is greater. However, this charge will not be greater than \$100.00. I will pay this late charge promptly but only once for each late payment.

6. PAYMENT. I agree to pay this Note in installments of accrued interest beginning August 1, 2020, and then on the 1st day of each month thereafter. I agree to pay the entire unpaid Principal and any accrued but unpaid interest on August 1, 2021.

Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.

Each payment I make on this Note will be applied first to escrow that is due, then to interest that is due, then to principal that is due, then to late charges that are due, and finally to any charges that I owe other than principal and interest. If you and I agree to a different application of payments, we will describe our agreement on this Note. You may change how payments are applied in your sole discretion without notice to me. The actual amount of my final payment will depend on my payment record.

7. **PREPAYMENT.** I may prepay this Loan in full or in part at any time. Any partial prepayment will not excuse any later scheduled payments until I pay in full.

8. **LOAN PURPOSE.** The purpose of this Loan is REFI #180002495.

9. **SECURITY.** The Loan is secured by separate security instruments prepared together with this Note as follows:

Document Name	Parties to Document	Date of Security Document
Security Agreement - HARLAN COUNTY FISCAL COURT	HARLAN COUNTY FISCAL COURT	07/01/2020

10. **DEFAULT.** I will be in default if any of the following events (known separately and collectively as an Event of Default) occur:

A. **Payments.** I fail to make a payment in full when due.

B. **Insolvency or Bankruptcy.** The death, dissolution or insolvency of, appointment of a receiver by or on behalf of, application of any debtor relief law, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against me or any co-signer, endorser, surety or guarantor of this Note or any other obligations I have with you.

C. **Failure to Perform.** I fail to perform any condition or to keep any promise or covenant of this Note.

D. **Other Documents.** A default occurs under the terms of any other Loan Document.

E. **Other Agreements.** I am in default on any other debt or agreement I have with you.

F. **Misrepresentation.** I make any verbal or written statement or provide any financial information that is untrue, inaccurate, or conceals a material fact at the time it is made or provided.

G. **Judgment.** I fail to satisfy or appeal any judgment against me.

H. **Forfeiture.** The Property is used in a manner or for a purpose that threatens confiscation by a legal authority.

I. **Name Change.** I change my name or assume an additional name without notifying you before making such a change.

J. **Property Transfer.** I transfer all or a substantial part of my money or property.

K. **Property Value.** You determine in good faith that the value of the Property has declined or is impaired.

L. **Insecurity.** You determine in good faith that a material adverse change has occurred in my financial condition from the conditions set forth in my most recent financial statement before the date of this Note or that the prospect for payment or performance of the Loan is impaired for any reason.

11. **DUE ON SALE OR ENCUMBRANCE.** You may, at your option, declare the entire balance of this Note to be immediately due and payable upon the creation of, or contract for the creation of, any lien, encumbrance, transfer or sale of all or any part of the Property. This right is subject to the restrictions imposed by federal law, as applicable.

12. **WAIVERS AND CONSENT.** To the extent not prohibited by law, I waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.

A. **Additional Waivers By Borrower.** In addition, I, and any party to this Note and Loan, to the extent permitted by law, consent to certain actions you may take, and generally waive defenses that may be available based on these actions or based on the status of a party to this Note.

(1) You may renew or extend payments on this Note, regardless of the number of such renewals or extensions.

(2) You may release any Borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.

(3) You may release, substitute or impair any Property securing this Note.

(4) You, or any institution participating in this Note, may invoke your right of set-off.

(5) You may enter into any sales, repurchases or participations of this Note to any person in any amounts and I waive notice of such sales, repurchases or participations.

(6) I agree that any of us signing this Note as a Borrower is authorized to modify the terms of this Note or any instrument securing, guarantying or relating to this Note.

B. **No Waiver By Lender.** Your course of dealing, or your forbearance from, or delay in, the exercise of any of your rights, remedies, privileges or right to insist upon my strict performance of any provisions contained in this Note, or any other Loan Document, shall not be construed as a waiver by you, unless any such waiver is in writing and is signed by you.

13. **REMEDIES.** After I default, you may at your option do any one or more of the following.

A. **Acceleration.** You may make all or any part of the amount owing by the terms of this Note immediately due.

B. **Sources.** You may use any and all remedies you have under state or federal law or in any Loan Document.

C. **Insurance Benefits.** You may make a claim for any and all insurance benefits or refunds that may be available on my default.

D. **Payments Made On My Behalf.** Amounts advanced on my behalf will be immediately due and may be added to the balance owing under the terms of this Note, and accrue interest at the highest post-maturity interest rate.

E. **Set-Off.** You may use the right of set-off. This means you may set-off any amount due and payable under the terms of this Note against any right I have to receive money from you.

My right to receive money from you includes any deposit or share account balance I have with you; any money owed to me on an item presented to you or in your possession for collection or exchange; and any repurchase agreement or other non-deposit obligation. "Any amount due and payable under the terms of this Note" means the total amount to which you are entitled to demand payment under the terms of this Note at the time you set-off.

Subject to any other written contract, if my right to receive money from you is also owned by someone who has not agreed to pay this Note, your right of set-off will apply to my interest in the obligation and to any other amounts I could withdraw on my sole request or endorsement.

Your right of set-off does not apply to an account or other obligation where my rights arise only in a representative capacity. It also does not apply to any individual Retirement Account or other tax-deferred retirement account.

You will not be liable for the dishonor of any check when the dishonor occurs because you set-off against any of my accounts. I agree to hold you harmless from any such claims arising as a result of your exercise of your right of set-off.

F. Waiver. Except as otherwise required by law, by choosing any one or more of these remedies you do not give up your right to use any other remedy. You do not waive a default if you choose not to use a remedy. By electing not to use any remedy, you do not waive your right to later consider the event a default and to use any remedies if the default continues or occurs again.

14. COLLECTION EXPENSES AND ATTORNEYS' FEES. On or after the occurrence of an Event of Default, to the extent permitted by law, I agree to pay all expenses of collection, enforcement or protection of your rights and remedies under this Note or any other Loan Document. Expenses include, but are not limited to, reasonable attorneys' fees as provided by law, and court costs. This amount does not include attorneys' fees for your salaried employee. These expenses are due and payable immediately. If not paid immediately, these expenses will bear interest from the date of payment until paid in full at the highest interest rate in effect as provided for in the terms of this Note. All fees and expenses will be secured by the Property I have granted to you, if any. In addition, to the extent permitted by the United States Bankruptcy Code, I agree to pay the reasonable attorneys' fees incurred by you to protect your rights and interests in connection with any bankruptcy proceedings initiated by or against me.

15. COMMISSIONS. I understand and agree that you (or your affiliate) will earn commissions or fees on any insurance products, and may earn such fees on other services that I buy through you or your affiliate.

16. WARRANTIES AND REPRESENTATIONS. I have the right and authority to enter into this Note. The execution and delivery of this Note will not violate any agreement governing me or to which I am a party.

17. INSURANCE. I agree to obtain the insurance described in this Loan Agreement.

A. Property Insurance. I will insure or retain insurance coverage on any tangible property that secures the Loan and abide by the insurance requirements of any security instrument securing the Loan.

B. Insurance Warranties. I agree to purchase any insurance coverages that are required, in the amounts you require, as described in this or any other documents I sign for the Loan. I will provide you with continuing proof of coverage. I will buy or provide insurance from a firm licensed to do business in the State where the property is located. If I buy or provide the insurance from someone other than you, the firm will be reasonably acceptable to you. I will have the insurance company name you as loss payee on any insurance policy. You will apply the insurance proceeds toward what I owe you on the outstanding balance. I agree that if the insurance proceeds do not cover the amounts I still owe you, I will pay the difference. I will keep the insurance until all debts under this agreement are paid. If I want to buy the insurance from you, I have signed a separate statement agreeing to this purchase.

18. CREDITOR-PLACED INSURANCE NOTICE. I am giving you a security interest in the Property described in the security instrument(s) securing the Loan. I am required to maintain insurance on the tangible property described in the security instrument(s) to protect your interest until all debts under this agreement are paid. If I fail to provide evidence of insurance on the tangible property to you, you may place insurance on the tangible property and I will be responsible to pay for the costs of that creditor-placed insurance.

19. APPLICABLE LAW. This Note is governed by the laws of Kentucky, the United States of America, and to the extent required, by the laws of the jurisdiction where the Property is located, except to the extent such state laws are preempted by federal law. In the event of a dispute, the exclusive forum, venue and place of jurisdiction will be in Kentucky, unless otherwise required by law.

20. JOINT AND SEVERAL LIABILITY AND SUCCESSORS. My obligation to pay the Loan is independent of the obligation of any other person who has also agreed to pay it. You may sue me alone, or anyone else who is obligated on the Loan, or any number of us together, to collect the Loan. Extending the Loan or new obligations under the Loan, will not affect my duty under the Loan and I will still be obligated to pay the Loan. This Note shall inure to the benefit of and be enforceable by you and your successors and assigns and shall be binding upon and enforceable against me and my successors and assigns.

21. AMENDMENT, INTEGRATION AND SEVERABILITY. This Note may not be amended or modified by oral agreement. No amendment or modification of this Note is effective unless made in writing. This Note and the other Loan Documents are the complete and final expression of the agreement. If any provision of this Note is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable. No present or future agreement securing any other debt I owe you will secure the payment of this Loan if, with respect to this loan, you fail to fulfill any necessary requirements or fail to conform to any limitations of the Truth in Lending Act (Regulation Z) or the Real Estate Settlement Procedures Act (Regulation X) that are required for loans secured by the Property or if, as a result, this Loan would become subject to Section 670 of the John Warner National Defense Authorization Act for Fiscal Year 2007.

22. INTERPRETATION. Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Note.

23. NOTICE, FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS. Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail or via a nationally recognized overnight courier to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one Borrower will be deemed to be notice to all Borrowers. I will inform you in writing of any change in my name, address or other application information. I will provide you any correct and complete financial statements or other information you request. I agree to sign, deliver, and file any additional documents or certifications that you may consider necessary to perfect, continue, and preserve my obligations under this Loan and to confirm your lien status on any Property. Time is of the essence.

24. CREDIT INFORMATION. I agree to supply you with whatever information you reasonably request. You will make requests for this information without undue frequency, and will give me reasonable time in which to supply the information.

25. ERRORS AND OMISSIONS. I agree, if requested by you, to fully cooperate in the correction, if necessary, in the reasonable discretion of you of any and all loan closing documents so that all documents accurately describe the loan between you and me. I agree to assume all costs including by way of illustration and not limitation, actual expenses, legal fees and marketing losses for failing to reasonably comply with your requests within thirty (30) days.

26. AGREEMENT TO ARBITRATE. You or I may submit to binding arbitration any dispute, claim or other matter in question between or among you and me that arises out of or relates to this Transaction (Dispute), except as otherwise indicated in this section or as you and I agree to in writing. For purposes of this section, this Transaction includes this Note and the other Loan Documents, and proposed loans or extensions of credit that relate to this Note. You or I will not arbitrate any Dispute within any "core proceedings" under the United States bankruptcy laws.

You and I must consent to arbitrate any Dispute concerning a debt secured by real estate at the time of the proposed arbitration. You may foreclose or exercise any powers of sale against real property securing a debt underlying any Dispute before, during or after any arbitration. You may also enforce a debt secured by this real property and underlying the Dispute before, during or after any arbitration.

You or I may, whether or not any arbitration has begun, pursue any self-help or similar remedies, including taking property or exercising other rights under the law; seek attachment, garnishment, receivership or other provisional remedies from a court having jurisdiction to preserve the rights of or to prevent irreparable injury to you or me, or foreclose against any property by any method or take legal action to recover any property. Foreclosing or exercising a power of sale, beginning and continuing a judicial action or pursuing self-help remedies will not constitute a waiver of the right to compel arbitration.

The arbitrator will determine whether a Dispute is arbitrable. A single arbitrator will resolve any Dispute, whether individual or joint in nature, or whether based on contract, tort, or any other matter at law or in equity. The arbitrator may consolidate any Dispute with any related disputes, claims or other matters in question not arising out of this Transaction. Any court having jurisdiction may enter a judgment or decree on the arbitrator's award. The judgment or decree will be enforced as any other judgment or decree.

You and I acknowledge that the agreements, transactions or the relationships which result from the agreements or transactions between and among you and me involve interstate commerce. The United States Arbitration Act will govern the interpretation and enforcement of this section.

The American Arbitration Association's Commercial Arbitration Rules, in effect on the date of this Note, will govern the selection of the arbitrator and the arbitration process, unless otherwise agreed to in this Note or another writing.

27. **WAIVER OF TRIAL FOR ARBITRATION.** You and I understand that the parties have the right or opportunity to litigate any Dispute through a trial by judge or jury, but that the parties prefer to resolve Disputes through arbitration instead of litigation. If any Dispute is arbitrated, you and I voluntarily and knowingly waive the right to have a trial by jury or judge during the arbitration.

28. **SIGNATURES.** By signing, I agree to the terms contained in this Note. I also acknowledge receipt of a copy of this Note.

BORROWER:

BLACK MTN UTILITY DISTRICT

By Raymond Cox Date 7-1-2020
RAYMOND COX, CHAIRMAN

LENDER:

Monticello Banking Co.

By Kevin W. Cavins Date 7/1/2020
KEVIN W. CAVINS, PERSONAL BANKER

SECURITY AGREEMENT

DATE AND PARTIES. The date of this Security Agreement (Agreement) is July 1, 2020. The parties and their addresses are:

SECURED PARTY:
MONTICELLO BANKING CO.
PO Box 421
Monticello, KY 42633

DEBTOR:
HARLAN COUNTY FISCAL COURT
PO BOX 956
HARLAN, KY 40831--0000

Definitions. For the purposes of this document, the following terms have the following meanings.

"Loan" refers to this transaction generally, including obligations and duties arising from the terms of all documents prepared or submitted for this transaction.

The pronouns "you" and "your" refer to the Secured Party. The pronouns "I," "me" and "my" refer to each person or entity signing this Agreement as Debtor and agreeing to give the Property described in this Agreement as security for the Secured Debts.

Where the owner of the Property is different from the obligor or guarantor whose obligation this Agreement secures, "Debtor" refers to each person or entity who is an owner of the Property and "Obligor" or "Guarantor," as applicable, refer to such parties as designated in the SECURED DEBTS section.

1. SECURED DEBTS. The term "Secured Debts" includes and this Agreement will secure each of the following:

A. Specific Debts. The following debts and all extensions, renewals, refinancings, modifications and replacements. A promissory note or other agreement, No. 180002495, dated July 1, 2020, from BLACK MTN UTILITY DISTRICT (Obligor) to you, in the amount of \$107,624.43.

B. All Debts. All present and future debts from Obligor to you, even if this Agreement is not specifically referenced, the future debts are also secured by other collateral, or if the future debt is unrelated to or of a different type than this debt. If more than one person signs this Agreement, each agrees that it will secure debts incurred either individually or with others who may not sign this Agreement. Nothing in this Agreement constitutes a commitment to make additional or future loans or advances. Any such commitment must be in writing.

This Agreement will not secure any debt which is also secured by real property or for which a non-possessory, non-purchase money security interest is created in "household goods" in connection with a "consumer loan," as those terms are defined by federal law governing unfair and deceptive credit practices. In addition, this Agreement will not secure any other debt if, with respect to such other debt, you fail to fulfill any necessary requirements or fail to conform to any limitations of the Truth in Lending Act (Regulation Z) or the Real Estate Settlement Procedures Act (Regulation X) that are required for loans secured by the Property or if, as a result, the other debt would become subject to Section 670 of the John Warner National Defense Authorization Act for Fiscal Year 2007.

C. Sums Advanced. All sums advanced and expenses incurred by you under the terms of this Agreement.

Loan Documents refer to all the documents executed in connection with the Secured Debts.

2. NON-OBLIGATED OWNER. Any one of us, who is not also identified as an Obligor in the Secured Debts section of this Agreement and who signs this Agreement, is referred to herein as a Non-Obligated Owner for purposes of subsection 7(d)(4) of 12 C.F.R. 1002 (Regulation B) which implements the Equal Credit Opportunity Act (ECOA). By signing this Agreement, I, as a Non-Obligated Owner, do grant a security interest, and assign my rights and interests, in the Property to secure payment of the Secured Debts, to create a valid lien, to pass clear title, to waive inchoate rights and to assign earnings or rights to payment under any lease or rent of the Property. However, I, as a Non-Obligated Owner, am not personally liable for the Secured Debts.

3. SECURITY INTEREST. To secure the payment and performance of the Secured Debts, I grant you a security interest in all of the Property described in this Agreement that I own or have sufficient rights in which to transfer an interest, now or in the future, wherever the Property is or will be located, and all proceeds and products from the Property (including, but not limited to, all parts, accessories, repairs, replacements, improvements, and accessions to the Property). Property is all the collateral given as security for the Secured Debts and described in this Agreement, and includes all obligations that support the payment or performance of the Property. "Proceeds" includes cash proceeds, non-cash proceeds and anything acquired upon the sale, lease, license, exchange, or other disposition of the Property; any rights and claims arising from the Property; and any collections and distributions on account of the Property.

This Agreement remains in effect until terminated in writing, even if the Secured Debts are paid and you are no longer obligated to advance funds to me under any loan or credit agreement.

4. PROPERTY DESCRIPTION. The Property is described as follows:

A. Specific Property. Certificate of Deposit/Share Certificate. Certificate Number 7100065501, with a face amount of \$107,624.43, issued on July 1, 2020 and issued by Monticello Banking Co. located at PO Box 421, Monticello, Kentucky 42633.

5. WARRANTIES AND REPRESENTATIONS. I have the right and authority to enter into this Agreement. The execution and delivery of this Agreement will not violate any agreement governing me or to which I am a party. I am located at the address indicated in the DATE AND PARTIES section. I will provide you with at least 30 days notice prior to any change in my name or principal residence location.

A. **Ownership of Property.** I represent that I own all of the Property. Your claim to the Property is ahead of the claims of any other creditor, except as disclosed in writing to you prior to any advance on the Secured Debts. I represent that I am the original owner of the Property and, if I am not, that I have provided you with a list of prior owners of the Property.

6. DUTIES TOWARD PROPERTY.

A. **Protection of Secured Party's Interest.** I will defend the Property against any other claim. I agree to do whatever you require to protect your security interest and to keep your claim in the Property ahead of the claims of other creditors. I will not do anything to harm your position.

I will keep books, records and accounts about the Property and my business in general. I will let you examine these and make copies at any reasonable time. I will prepare any report or accounting you request which deals with the Property.

B. **Use, Location, and Protection of the Property.** I will keep the Property in my possession and in good repair. I will use it only for commercial purposes. I will not change this specified use without your prior written consent. You have the right of reasonable access to inspect the Property and I will immediately inform you of any loss or damage to the Property. I will not cause or permit waste to the Property.

I will keep the Property at my address listed in the DATE AND PARTIES section unless we agree I may keep it at another location. If the Property is to be used in other states, I will give you a list of those states. The location of the Property is given to aid in the identification of the Property. It does not in any way limit the scope of the security interest granted to you. I will notify you in writing and obtain your prior written consent to any change in location of any of the Property. I will not use the Property in violation of any law. I will notify you in writing prior to any change in my name or address.

Until the Secured Debts are fully paid and this Agreement is terminated, I will not grant a security interest in any of the Property without your prior written consent. I will pay all taxes and assessments levied or assessed against me or the Property and provide timely proof of payment of these taxes and assessments upon request.

C. **Selling, Leasing or Encumbering the Property.** I will not sell, offer to sell, lease, or otherwise transfer or encumber the Property without your prior written permission. Any disposition of the Property contrary to this Agreement will violate your rights. Your permission to sell the Property may be reasonably withheld without regard to the creditworthiness of any buyer or transferee. I will not permit the Property to be the subject of any court order affecting my rights to the Property in any action by anyone other than you. If the Property includes chattel paper or instruments, either as original collateral or as proceeds of the Property, I will note your security interest on the face of the chattel paper or instruments.

7. AUTHORITY TO PERFORM. I authorize you to do anything you deem reasonably necessary to protect the Property, and perfect and continue your security interest in the Property. If I fail to perform any of my duties under this Agreement or any other Loan Document, you are authorized, without notice to me, to perform the duties or cause them to be performed.

These authorizations include, but are not limited to, permission to:

- A. pay and discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Property.
- B. pay any rents or other charges under any lease affecting the Property.
- C. order and pay for the repair, maintenance and preservation of the Property.
- D. file any financing statements on my behalf and pay for filing and recording fees pertaining to the Property.
- E. place a note on any chattel paper indicating your interest in the Property.
- F. take any action you feel necessary to realize on the Property, including performing any part of a contract or endorsing it in my name.
- G. handle any suits or other proceedings involving the Property in my name.
- H. prepare, file, and sign my name to any necessary reports or accountings.
- I. make an entry on my books and records showing the existence of this Agreement.

If you perform for me, you will use reasonable care. If you exercise the care and follow the procedures that you generally apply to the collection of obligations owed to you, you will be deemed to be using reasonable care. Reasonable care will not include: any steps necessary to preserve rights against prior parties; the duty to send notices, perform services or take any other action in connection with the management of the Property; or the duty to protect, preserve or maintain any security interest given to others by me or other parties. Your authorization to perform for me will not create an obligation to perform and your failure to perform will not preclude you from exercising any other rights under the law or this Loan Agreement. All cash and non-cash proceeds of the Property may be applied by you only upon your actual receipt of cash proceeds against such of the Secured Debts, matured or unmatured, as you determine in your sole discretion.

If you come into actual or constructive possession of the Property, you will preserve and protect the Property. For purposes of this paragraph, you will be in actual possession of the Property only when you have physical, immediate and exclusive control over the Property and you have affirmatively accepted that control. You will be in constructive possession of the Property only when you have both the power and the intent to exercise control over the Property.

8. DEFAULT. I will be in default if any of the following events (known separately and collectively as an Event of Default) occur:

- A. **Payments.** I or Obligor fail to make a payment in full when due.
- B. **Insolvency or Bankruptcy.** The death, dissolution or insolvency of, appointment of a receiver by or on behalf of, application of any debtor relief law, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against me, Obligor, or any co-signer, endorser, surety or guarantor of this Agreement or any other obligations Obligor has with you.
- C. **Failure to Perform.** I fail to perform any condition or to keep any promise or covenant of this Agreement.
- D. **Other Documents.** A default occurs under the terms of any other Loan Document.
- E. **Other Agreements.** I am in default on any other debt or agreement I have with you.

F. Misrepresentation. I make any verbal or written statement or provide any financial information that is untrue, inaccurate, or conceals a material fact at the time it is made or provided.

G. Judgment. I fail to satisfy or appeal any judgment against me.

H. Forfeiture. The Property is used in a manner or for a purpose that threatens confiscation by a legal authority.

I. Name Change. I change my name or assume an additional name without notifying you before making such a change.

J. Property Transfer. I transfer all or a substantial part of my money or property.

K. Property Value. You determine in good faith that the value of the Property has declined or is impaired.

L. Insecurity. You determine in good faith that a material adverse change has occurred in Borrower's financial condition from the conditions set forth in Borrower's most recent financial statement before the date of this Agreement or that the prospect for payment or performance of the Secured Debts is impaired for any reason.

9. DUE ON SALE OR ENCUMBRANCE. You may, at your option, declare the entire balance of this Agreement to be immediately due and payable upon the creation of, or contract for the creation of, any lien, encumbrance, transfer or sale of all or any part of the Property. This right is subject to the restrictions imposed by federal law, as applicable.

10. REMEDIES. After I default, you may at your option do any one or more of the following.

A. Acceleration. You may make all or any part of the amount owing by the terms of the Secured Debts immediately due.

B. Sources. You may use any and all remedies you have under state or federal law or in any Loan Document.

C. Insurance Benefits. You may make a claim for any and all insurance benefits or refunds that may be available on my default.

D. Payments Made On My Behalf. Amounts advanced on my behalf will be immediately due and may be added to the Secured Debts.

E. Assembly of Property. You may require me to gather the Property and make it available to you in a reasonable fashion.

F. Repossession. You may repossess the Property so long as the repossession does not involve a breach of the peace. You may sell, lease or otherwise dispose of the Property as provided by law. You may apply what you receive from the disposition of the Property to your expenses, your attorneys' fees and legal expenses (where not prohibited by law), and any debt I owe you. Subject to the NON-OBLIGATED OWNER section, if what you receive from the disposition of the Property does not satisfy the debt, I will be liable for the deficiency (where permitted by law). In some cases, you may keep the Property to satisfy the debt.

Where a notice is required, I agree that ten days prior written notice sent by first class mail or via a nationally recognized overnight courier to my address listed in this Agreement will be reasonable notice to me under the Kentucky Uniform Commercial Code. If the Property is perishable or threatens to decline speedily in value, you may, without notice to me, dispose of any or all of the Property in a commercially reasonable manner at my expense following any commercially reasonable preparation or processing (where permitted by law).

If any items not otherwise subject to this Agreement are contained in the Property when you take possession, you may hold these items for me at my risk and you will not be liable for taking possession of them (where permitted by law).

G. Use and Operation. You may enter upon my premises and take possession of all or any part of my property for the purpose of preserving the Property or its value, so long as you do not breach the peace. You may use and operate my property for the length of time you feel is necessary to protect your interest, all without payment or compensation to me.

H. Waiver. By choosing any one or more of these remedies you do not give up your right to use any other remedy. You do not waive a default if you choose not to use a remedy. By electing not to use any remedy, you do not waive your right to later consider the event a default and to use any remedies if the default continues or occurs again.

11. WAIVER OF CLAIMS. I waive all claims for loss or damage caused by your acts or omissions where you acted reasonably and in good faith.

12. PERFECTION OF SECURITY INTEREST AND COSTS. I authorize you to file a financing statement and/or security agreement, as appropriate, covering the Property. I will comply with, facilitate, and otherwise assist you in connection with obtaining perfection or control over the Property for purposes of perfecting your security interest under the Uniform Commercial Code. I agree to pay all taxes, fees and costs you pay or incur in connection with preparing, filing or recording any financing statements or other security interest filings on the Property. I agree to pay all actual costs of terminating your security interest.

13. APPLICABLE LAW. This Agreement is governed by the laws of Kentucky, the United States of America, and to the extent required, by the laws of the jurisdiction where the Property is located, except to the extent such state laws are preempted by federal law. In the event of a dispute, the exclusive forum, venue and place of jurisdiction will be in Kentucky, unless otherwise required by law.

14. JOINT AND SEVERAL LIABILITY AND SUCCESSORS. Each Debtor's obligations under this Agreement are independent of the obligations of any other Debtor. You may sue each Debtor individually or together with any other Debtor. You may release any part of the Property and I will still be obligated under this Agreement for the remaining Property. Debtor agrees that you and any party to this Agreement may extend, modify or make any change in the terms of this Agreement or any evidence of debt without Debtor's consent. Such a change will not release Debtor from the terms of this Agreement. If you assign any of the Secured Debts, you may assign all or any part of this Agreement without notice to me or my consent, and this Agreement will inure to the benefit of your assignee to the extent of such assignment. You will continue to have the unimpaired right to enforce this Agreement as to any of the Secured Debts that are not assigned. This Agreement shall inure to the benefit of and be enforceable by you and your successors and assigns and any other person to whom you may grant an interest in the Secured Debts and shall be binding upon and enforceable against me and my successors and assigns.

15. AMENDMENT, INTEGRATION AND SEVERABILITY. This Agreement may not be amended or modified by oral agreement. No amendment or modification of this Agreement is effective unless made in writing. This Agreement and the other Loan Documents are the complete and final expression of the understanding between you and me. If any provision of this Agreement is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable.

16. INTERPRETATION. Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Agreement.

17. NOTICE AND ADDITIONAL DOCUMENTS. Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail or via a nationally recognized overnight courier to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one Debtor will be deemed to be notice to all Debtors. I will inform you in writing of any change in my name, address or other application information. I will provide you any other, correct and complete information you request to effectively grant a security interest on the Property. I agree to sign, deliver, and file any additional documents or certifications that you may consider necessary to perfect, continue, and preserve my obligations under this Agreement and to confirm your lien status on any Property. Time is of the essence.

18. AGREEMENT TO ARBITRATE. You or I may submit to binding arbitration any dispute, claim or other matter in question between or among you and me that arises out of or relates to this Transaction (Dispute), except as otherwise indicated in this section or as you and I agree to in writing. For purposes of this section, this Transaction includes this Agreement and the other Loan Documents, and proposed loans or extensions of credit that relate to this Agreement. You or I will not arbitrate any Dispute within any "core proceedings" under the United States bankruptcy laws.

You or I may, whether or not any arbitration has begun, pursue any self-help or similar remedies, including taking property or exercising other rights under the law; seek attachment, garnishment, receivership or other provisional remedies from a court having jurisdiction to preserve the rights of or to prevent irreparable injury to you or me; or foreclose against any property by any method or take legal action to recover any property. Foreclosing or exercising a power of sale, beginning and continuing a judicial action or pursuing self-help remedies will not constitute a waiver of the right to compel arbitration.

The arbitrator will determine whether a Dispute is arbitrable. A single arbitrator will resolve any Dispute, whether individual or joint in nature, or whether based on contract, tort, or any other matter at law or in equity. The arbitrator may consolidate any Dispute with any related disputes, claims or other matters in question not arising out of this Transaction. Any court having jurisdiction may enter a judgment or decree on the arbitrator's award. The judgment or decree will be enforced as any other judgment or decree.

You and I acknowledge that the agreements, transactions or the relationships which result from the agreements or transactions between and among you and me involve interstate commerce. The United States Arbitration Act will govern the interpretation and enforcement of this section.

The American Arbitration Association's Commercial Arbitration Rules, in effect on the date of this Agreement, will govern the selection of the arbitrator and the arbitration process, unless otherwise agreed to in this Agreement or another writing.

19. WAIVER OF TRIAL FOR ARBITRATION. You and I understand that the parties have the right or opportunity to litigate any Dispute through a trial by judge or jury, but that the parties prefer to resolve Disputes through arbitration instead of litigation. If any Dispute is arbitrated, you and I voluntarily and knowingly waive the right to have a trial by jury or judge during the arbitration.

SIGNATURES. By signing, I agree to the terms contained in this Agreement. I also acknowledge receipt of a copy of this Agreement.

DEBTOR:

HARLAN COUNTY FISCAL COURT

By  Date 7-1-2020
DAN MOSLEY, JUDGE EXECUTIVE

By  Date 7/1/2020
RYAN CREECH, TREASURER

SECURED PARTY:

Monticello Banking Co.

By  Date 7/1/2020
KEVIN W CAVINS, PERSONAL BANKER

Regular Board Meeting

June 9, 2020

Present: Ray Metcalfe, Steve Sergent, Robert Simpson, Raymond Cox, Ken Taylor, Angela Noe and Cathy Green.
The meeting was called to order at 4:05 p.m. by Chairman Raymond Cox.

The minutes were mailed and each board member was given a copy at the meeting. Steve Sergent made a motion to accept the minutes as read. Robert Simpson seconded the motion. All in favor.

Steve Sergent made a motion to pay the monthly bills for the months of April, 2020 and May, 2020 as no board meetings were held for these months due to the Governor's orders regarding Covid-19 restrictions. Robert Simpson seconded the motion. All in favor.

Robert Simpson made a motion to pay the monthly bills for the current month. Steve Sergent seconded the motion. All in favor.

Customer complaints: Ray Metcalfe related that the progress regarding Justin White had been delayed due to Covid-19 restrictions but would be resumed as soon as possible.

*Nov
4/11/2020*

New business: Correspondence from Monticello Bank was discussed regarding extension or refinance of BMUD's loan #180018511 with Monticello Bank to update the collateral to the new CD opened by the Fiscal Court. The new loan will not be a revolving line of credit. The loan will have a monthly payment of interest only with a term to match the CD maturity.

Robert Simpson made a motion for Raymond Cox to sign the extension or refinance BMUD's loan with Monticello Bank. Steve Sergent seconded the motion. All in favor.

Robert Simpson made a motion to adjourn the meeting at 5:09 p.m. Steve Sergent seconded the motion. All in favor.

Minutes taken by Angela Noe.

Minutes typed by: Cathy Noe

Minutes accepted with correction: _____

Minutes accepted as read: Raymond Cox

ORDERS
REGULAR

HARLAN COUNTY FISCAL COURT
JUNE 25, 2020 (HYBRID MEETING
PURSUANT TO SB 150)

MOTION: JAMES HOWARD
TO AUTHORIZE JUDGE/EXECUTIVE AND TREASURER TO CLOSE THE EXISTING
CERTIFICATE OF DEPOSIT AT MONTICELLO BANKING COMPANY AND OPEN
A NEW CD IN THE AMOUNT OF \$107,624.43 TO STAND AS COLLATERAL FOR THE
BLACK MOUNTAIN UTILITY DISTRICT LINE OF CREDIT AND TRANSFER THE
EXCESS OF APPROXIMATELY \$44,338.40 TO OUR MONTICELLO BANKING
COMPANY CHECKING ACCOUNT.

*✓ Kuc
7/1/2020*

ALL YES

MOTION: JAMES HOWARD
TO APPROVE CASH TRANSFERS.

SECOND: JIM RODDY

ALL YES

MOTION: JAMES HOWARD
TO APPROVE BUDGET TRANSFERS AS PRESENTED.

SECOND: BILL MOORE

ALL YES

MOTION: JAMES HOWARD
TO APPROVE INTERFUND TRANSFERS AS NEEDED.

SECOND: BILL MOORE

ALL YES

MOTION: BILL MOORE
TO PAY BILLS AND ADD-ONS EXCEPT AS NOTED.

SECOND: PAUL BROWNING

ALL YES

REFLECT THAT BIDS FOR READY MIX CONCRETE WERE RECEIVED ON JUNE 16,
2020 IN THE HARLAN COUNTY JUDGE/EXECUTIVE'S OFFICE.

MOTION: JAMES HOWARD
TO ACCEPT THE ONE AND ONLY BID FROM MOUNTAIN CONSTRUCTION FOR
READY-MIX CONCRETE.

SECOND: JIM RODDY

ALL YES

REFLECT THAT ONLINE AUCTION WAS HELD (REVERSE BID - KACO) AT
WWW.ORBISONLINE.COM/KACO ON FRIDAY, JUNE 12, 2020 AT 2:00 PM.

MOTION: PAUL BROWNING
TO ACCEPT LOW BID FROM CARGILL DEICING TECHNOLOGY IN THE AMOUNT OF
\$86.50 PER TON.

SECOND: CLARK MIDDLETON

ALL YES

MOTION: PAUL BROWNING
TO APPROVE AFFILIATION AGREEMENT WITH HARLAN COUNTY RESCUE SQUAD,
AUTHORIZE JUDGE/EXECUTIVE TO SIGN ANY AND ALL DOCUMENTS.

SECOND: BILL MOORE

ALL YES

MOTION: PAUL BROWNING
TO GIVE APPROVAL TO APPLY FOR AML PILOT PROJECT GRANT FOR NATURAL
GAS LINE TO THE HARLAN COUNTY BUSINESS PARK, AUTHORIZE
JUDGE/EXECUTIVE TO SIGN ANY AND ALL DOCUMENTS, COLBY KIRK.

SECOND: JAMES HOWARD

ALL YES

291102

18000241S



REMITTER: MBC/BLACK MTN UTILITY DISTRICT

DATE 7/01/20

MBC

EXACTLY **107,624 AND 43/100 DOLLARS

\$

\$107,624.43

CUSTOMER - FILE COPY

CASHIER'S CHECK

AUTHORIZED SIGNATURE

NOT NEGOTIABLE

DISBURSEMENT AUTHORIZATION

DATE AND PARTIES. The date of this Disbursement Authorization is July 01, 2020. The parties and their addresses are:

LENDER:

MONTICELLO BANKING CO.
PO Box 421
Monticello, KY 42633
Telephone: 606-348-8411

BORROWER:

BLACK MTN UTILITY DISTRICT
609 FOUR MILE RD
BAXTER, KY 40806

Loan Number: 180002495

1. DEFINITIONS. As used in this Disbursement Authorization, the terms have the following meanings:

- A. Pronouns. The pronouns "I", "me" and "my" refer to all Borrowers signing this Disbursement Authorization, individually and together. "You" and "Your" refer to the Lender.
- B. Loan. "Loan" refers to this transaction generally, including obligations and duties arising from the terms of all documents prepared or submitted for this transaction such as applications, security agreements, disclosures or notes, and this Disbursement Authorization.

2. DISBURSEMENT SUMMARY. The following summarizes the disbursements from the Loan.

Loan		\$107,624.43
Cash Paid In	\$0.00	
Amount Contributed by Borrower	\$0.00	
Total Cash Received		\$0.00
Disbursed to Borrowers	\$0.00	
Disbursed to Lender	\$107,624.43	
Disbursed to Other Payees	\$0.00	
Total Amounts Disbursed		\$107,624.43
Amount Remaining To Be Disbursed		\$0.00
Undisbursed Fees/Charges		\$0.00

3. DISBURSEMENT AUTHORIZATION. I authorize you to disburse the following amounts from my Loan.

DISBURSED TO:	DATE:	AMOUNT DISBURSED:
Disbursements to Borrower:		\$0.00
Disbursements to Lender:		\$107,624.43
Loan Proceeds	07/01/2020	\$107,624.43
Disbursements to third parties:		\$0.00
TOTAL DISBURSED:		\$107,624.43

Amount remaining to be disbursed, if any: \$0.00

I acknowledge receipt of a copy of this Disbursement Authorization on July 01, 2020.

BORROWER:

BLACK MTN UTILITY DISTRICT

By Raymond Cox
RAYMOND COX, CHAIRMAN

Date 7-1-2020

COLLATERAL RECEIPT

Date: 07/01/2020

Received From: HARLAN COUNTY FISCAL COURT
PO BOX 956
HARLAN, KY 40831--0000

Lender: Monticello Banking Co.
PO Box 421
Monticello, KY 42633

 - C Y

The collateral listed as security is for payment of:

Note No: 180002495

Dated: 07/01/2020

Principal Of \$107,624.43

Doc. No.	Description of Collateral	Maturity (if any)	Market Value (on date received)	Memo
7100065501	MBC Certificate of Deposit	08/01/2021	\$107,624.43	7/10/2020 rd

I hereby acknowledge initial delivery to lender on the above date of all collateral described herein.

Grantor 

Lender acknowledges receipt of all collateral described above.

1800 TREASURER

Lender Monticello Banking Co.

By 
Signature
KEVIN W CAVINS

I hereby acknowledge return and receipt of all collateral described herein.

Grantor _____
Signature Date

NOTE: This receipt is not negotiable, and is subject to all subsequent substitutions for, or additions to, the herein described collateral, which may hereafter be made according to the terms and conditions contained in any loan document related to the note herein described. This receipt should be presented upon withdrawal of, substitutions for, or additions to the herein described collateral.

PRIOR OBLIGATION INFORMATION	LOAN NUMBER	ACCT. NUMBER	NOTE DATE	NOTE AMOUNT	MATURITY DATE
	180002495	BAA4895	07/01/20	\$107,624.43	08/01/21
AMENDED OBLIGATION INFORMATION	LOAN NUMBER	ACCT. NUMBER	MODIFICATION DATE	NOTE AMOUNT	
	180002495	BAA4895	August 1, 2021	\$101,400.00	
	MATURITY DATE	INDEX (w/margin)	INTEREST RATE	INITIALS	
	09/01/22	Not Applicable	2.250%	KWC	
Creditor Use Only					

DEBT MODIFICATION AGREEMENT

DATE AND PARTIES. The date of this Debt Modification Agreement (Modification) is August 1, 2021. The parties and their addresses are:

LENDER:
MONTICELLO BANKING CO.
PO Box 421
Monticello, KY 42633
Telephone: 606-348-8411

COPY

BAM
9.29.21

BORROWER:
BLACK MTN UTILITY DISTRICT
609 FOUR MILE RD
BAXTER, KY 40806-8437

1. DEFINITIONS. In this Modification, these terms have the following meanings:

- A. **Pronouns.** The pronouns "I," "me," and "my" refer to each Borrower signing this Modification and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this Loan. "You" and "your" refer to the Lender, with its participants or syndicators, successors and assigns, or any person or entity that acquires an interest in the Modification or the Prior Obligation.
- B. **Amended Obligation.** Amended Obligation is the resulting agreement that is created when the Modification amends the Prior Obligation. It is described above in the AMENDED OBLIGATION INFORMATION section.
- C. **Loan.** Loan refers to this transaction generally. It includes the obligations and duties arising from the terms of all documents prepared or submitted in association with the Prior Obligation and this modification, such as applications, security agreements, disclosures, notes, agreements, and this Modification.
- D. **Modification.** Modification refers to this Debt Modification Agreement.
- E. **Prior Obligation.** Prior Obligation refers to my original agreement described above in the PRIOR OBLIGATION INFORMATION section, and any subsequent extensions, renewals, modifications or substitutions of it.

2. BACKGROUND. You and I have previously entered into a Prior Obligation. As of the date of this Modification, the outstanding, unpaid balance of the Prior Obligation is \$101,400.00. Conditions have changed since the execution of the Prior Obligation Instruments. In response, and for value received, you and I agree to modify the terms of the Prior Obligation, as provided for in this Modification.

3. CONTINUATION OF TERMS. I agree and understand that all other terms and provisions in the Prior Obligation survive and continue in full force and effect, except to the extent that they are specifically and expressly amended by this Modification. The express amendment of a term does not amend related or other terms - even if the related or other terms are contained in the same section or paragraph of the Prior Obligation. For illustration purposes only, a modification of the interest rate to be paid during the term of the loan would not modify the default rate of interest even though both of those terms are described in the Prior Obligation in a common section titled "Interest". The term "Prior Obligation" includes the original instrument and any modifications prior to this Modification.

4. TERMS. The Prior Obligation is modified as follows:

A. **Interest.** Our agreement for the payment of interest is modified to read:

(1) **INTEREST.** Interest will accrue on the unpaid Principal balance of the Loan at the rate of 2.250 percent (Interest Rate).

(a) **Post-Maturity Interest.** After maturity or acceleration, interest will accrue on the unpaid Principal balance of the Loan at the Interest Rate in effect from time to time, until paid in full.

B. Maturity and Payments. The maturity and payment provisions are modified to read:

(1) **PAYMENT.** I agree to pay the Loan in installments of accrued interest beginning September 1, 2021, and then on the 1st day of each month thereafter. I agree to pay the entire unpaid Principal and any accrued but unpaid interest on September 1, 2022.

Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.

C. Fees and Charges. As additional consideration for your consent to enter into this Modification, I agree to pay, or have paid these additional fees and charges:

(1) **Late Charge.** If a payment is more than 10 days late, I will be charged 5.000 percent of the Amount of Payment or \$5.00, whichever is greater. However, this charge will not be greater than \$100.00. I will pay this late charge promptly but only once for each late payment.

5. WAIVER. I waive all claims, defenses, setoffs, or counterclaims relating to the Prior Obligation, or any document securing the Prior Obligation, that I may have. Any party to the Prior Obligation that does not sign this Modification, shall remain liable under the terms of the Prior Obligation unless released in writing by you.

6. REASON(S) FOR MODIFICATION. RENEWAL

7. ADDITIONAL TERMS. Secured by a S/A dated 7/01/2020 on MBC CD #7100065501 i/n/o Harlan Fiscal Court.

8. SIGNATURES. By signing, I agree to the terms contained in this Modification. I also acknowledge receipt of a copy of this Modification.

BORROWER:

BLACK MTN UTILITY DISTRICT

By 
CHAD BROCK, CHAIRMAN

LENDER:

Monticello Banking Co.

By 
KEVIN W. CAVINS, PERSONAL BANKER

RESCHUELED REGULAR BOARD MEETING
September 23, 2021

Present: Chad Brock, Brandon Shepherd, Shawn Miller (by phone), Shirley Leitch, Grant Cooper.

The meeting was called to order by Chairman Chad Brock.

Chad Brock made a motion to accept the August 19, 2021 board minutes. Shawn Miller seconded the motion. All in favor.

Chad Brock made a motion to sign the renewal Bank loan through Monticello Banking. Shawn Miller seconded the motion. All in favor. Chad Brock is the acting Chairman of the Board for Black Mountain Utility District and has the authority to sign this bank loan. The original board member that had signed the loan is no longer on the board.

Grant discussed the water loss, he said it was down to 28.5% lowest it has been in a while. He said they have fixed leaks in the Dayhoit area and it will make the water loss go up next month. He also said they were working on leaks in Kenvir and Coxton. He said the Wallins tank is holding right at 30-32 PSI.

The board discussed the sale of the trucks. They talked about fixing one but not spending too much money on it and then get the others ready for sale.

They discussed getting part time help in the office. They will discuss this at the next board meeting when everyone is there.

Grant said there is a possible \$500,000 grant that BMUD can get for the Wallins and Green Hills area.

Chad Brock made a motion to pay the auditor Mr. C. Kelly for the 2019 audit. Brandon Shepherd seconded the motion. All in favor.

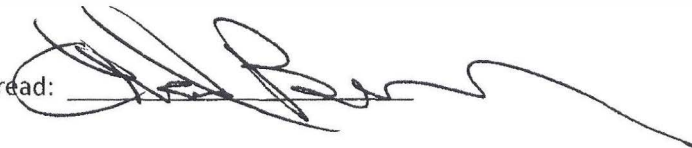
Grant discussed with the board about the division of water inspection that was done today. He said there was an issue with paper work but everything else looks good.

Shawn Miller made a motion to pay the monthly bills. Brandon Shepherd seconded the motion. All in favor.

Customer complaint: Veronica Hensley called a board member over her payment. She thinks her payment is being applied to trash instead of water. The board told Grant to make sure the clerks apply the payments the way the customer writes in on their checks. The board all agreed we are a water company and the water should be paid first when applicable.

Chad Brock made a motion to adjourn the meeting at 6:50 p.m. Shawn Miller seconded the motion. All in favor.

Minutes accepted as read:



CONSENT TO CONTACT YOU BY TELEPHONE, TEXT AND EMAIL

Date: 09/29/2021

CREDITOR:

MONTICELLO BANKING CO.
PO Box 421
Monticello, KY 42633
Telephone: 606-348-8411
Organized and existing under the laws of Kentucky

CONSUMER:

BLACK MTN UTILITY DISTRICT
609 FOUR MILE RD
BAXTER, KY 40806-8437

Application or Loan Number: 180002495

The pronoun "you" means Creditor, agents and assignees. The pronouns "I", "my", and "me" mean the Consumer.

In order for you to service the account referenced above and all other accounts and services ("My Account") in my name solely, jointly or as a representative of others, you may need to contact me from time to time by telephone, text messaging or email about My Account. However, you first obtain my consent to contact me about My Account in compliance with applicable consumer protection provisions in the federal Telephone Consumer Protection Act of 1991 (TCPA), CAN-SPAM Act and associated federal regulations and orders issued by the Federal Communications Commission (FCC).

- My consent is limited to My Accounts.
- My consent is voluntary, and any purchase of products or services from you is not conditioned on my consent.

With the above understandings and by signing below, I authorize you to contact me regarding My Account throughout its existence using any telephone numbers or email addresses that:

- I have previously provided to you by virtue of an existing business relationship;
- I have provided below; and
- I may subsequently provide to you.

This consent is regardless of whether the number you use to contact me is assigned to a landline, a paging service, a cellular wireless service, a specialized mobile radio service, other radio common carrier service or any other service for which I may be charged for the call. I further authorize you to contact me through the use of voice, voice mail and text messaging, including the use of pre-recorded or artificial voice messages and an automated dialing device.

If necessary, I may change or remove any of the telephone numbers or email addresses at any time using any reasonable means to notify you.

This consent updates any previous consent and further supersedes previous revocations of consent, if any, by me.

BLACK MTN UTILITY DISTRICT

By 
CHAD BROCK, CHAIRMAN

Date 9/29/21

Cell Phone: 606-273-3388

Business Phone: 606-573-1277

Email: chadbrock5@gmail.com

PRIOR OBLIGATION INFORMATION	LOAN NUMBER	ACCT. NUMBER	NOTE DATE	NOTE AMOUNT	MATURITY DATE
	180002495	BAA4895	07/01/20	\$107,624.43	09/01/22
AMENDED OBLIGATION INFORMATION	LOAN NUMBER	ACCT. NUMBER	MODIFICATION DATE	NOTE AMOUNT	
	180002495	BAA4895	September 1, 2022	\$101,196.54	
	MATURITY DATE	INDEX (w/margin)	INTEREST RATE	INITIALS	
	10/01/23 ✓	Not Applicable	2.250% ✓	KWC	
Creditor Use Only					

DEBT MODIFICATION AGREEMENT

DATE AND PARTIES. The date of this Debt Modification Agreement (Modification) is September 1, 2022. The parties and their addresses are:

LENDER:
MONTICELLO BANKING CO.
PO Box 421
Monticello, KY 42633
Telephone: 606-348-8411

*MJB
9-28-22*

BORROWER:
BLACK MTN UTILITY DISTRICT
a Kentucky
PO BOX 310
HARLAN, KY 40831-0310

1. DEFINITIONS. In this Modification, these terms have the following meanings:

- A. Pronouns.** The pronouns "I," "me," and "my" refer to each Borrower signing this Modification and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this Loan. "You" and "your" refer to the Lender, with its participants or syndicators, successors and assigns, or any person or entity that acquires an interest in the Modification or the Prior Obligation.
- B. Amended Obligation.** Amended Obligation is the resulting agreement that is created when the Modification amends the Prior Obligation. It is described above in the AMENDED OBLIGATION INFORMATION section.
- C. Loan.** Loan refers to this transaction generally. It includes the obligations and duties arising from the terms of all documents prepared or submitted in association with the Prior Obligation and this modification, such as applications, security agreements, disclosures, notes, agreements, and this Modification.
- D. Modification.** Modification refers to this Debt Modification Agreement.
- E. Prior Obligation.** Prior Obligation refers to my original agreement described above in the PRIOR OBLIGATION INFORMATION section, and any subsequent extensions, renewals, modifications or substitutions of it.

2. BACKGROUND. You and I have previously entered into a Prior Obligation. As of the date of this Modification, the outstanding, unpaid balance of the Prior Obligation is \$101,196.54. Conditions have changed since the execution of the Prior Obligation Instruments. In response, and for value received, you and I agree to modify the terms of the Prior Obligation, as provided for in this Modification.

A. Previous Modifications. RENEWAL DATED 08/01/2021

3. CONTINUATION OF TERMS. I agree and understand that all other terms and provisions in the Prior Obligation survive and continue in full force and effect, except to the extent that they are specifically and expressly amended by this Modification. The express amendment of a term does not amend related or other terms - even if the related or other terms are contained in the same section or paragraph of the Prior Obligation. For illustration purposes only, a modification of the interest rate to be paid during the term of the loan would not modify the default rate of interest even though both of those terms are described in the Prior Obligation in a common section titled "Interest". The term "Prior Obligation" includes the original instrument and any Previous Modifications.

4. TERMS. The Prior Obligation is modified as follows:

A. Maturity and Payments. The maturity and payment provisions are modified to read:

(1) **PAYMENT.** I agree to pay the Loan in installments of accrued interest beginning November 1, 2022, and then on the 1st day of each month hereafter. I agree to pay the entire unpaid Principal and any accrued but unpaid interest on October 1, 2023.

Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.

B. Fees and Charges. As additional consideration for your consent to enter into this Modification, I agree to pay, or have paid these additional fees and charges:

(1) Late Charge. If a payment is more than 10 days late, I will be charged 5.000 percent of the Amount of Payment or \$5.00, whichever is greater. However, this charge will not be greater than \$100.00. I will pay this late charge promptly but only once for each late payment.

C. Insurance. I agree to obtain the Insurance described in this Modification.

(1) Property Insurance. I will insure or retain insurance coverage on any tangible property that secures the Loan and abide by the Insurance requirements of any security instrument securing the Loan.

(2) Insurance Warranties. I agree to purchase any Insurance coverages that are required, in the amounts you require, as described in this or any other documents I sign for the Loan. I will provide you with continuing proof of coverage. I will buy or provide insurance from a firm licensed to do business in the State where the property is located. If I buy or provide the Insurance from someone other than you, the firm will be reasonably acceptable to you. I will have the insurance company name you as loss payee on any Insurance policy. You will apply the Insurance proceeds toward what I owe you on the outstanding balance. I agree that if the Insurance proceeds do not cover the amounts I still owe you, I will pay the difference. I will keep the insurance until all debts under this agreement are paid. If I want to buy the insurance from you, I have signed a separate statement agreeing to this purchase.

5. CREDITOR-PLACED INSURANCE NOTICE. I am giving you a security interest in the Property described in the security instrument(s) securing the Loan. I am required to maintain insurance on the tangible property described in the security instrument(s) to protect your interest until all debts under this agreement are paid. If I fail to provide evidence of insurance on the tangible property to you, you may place insurance on the tangible property and I will be responsible to pay for the costs of that creditor-placed insurance.

6. WAIVER. I waive all claims, defenses, setoffs, or counterclaims relating to the Prior Obligation, or any document securing the Prior Obligation, that I may have. Any party to the Prior Obligation that does not sign this Modification, shall remain liable under the terms of the Prior Obligation unless released in writing by you.

7. REASON(S) FOR MODIFICATION. RENEWAL ✓

8. ADDITIONAL TERMS. Secured by a S/A dated 07/01/2020 on MBC CD #7100065501 In/o Harlan Fiscal Court

9. SIGNATURES. By signing, I agree to the terms contained in this Modification. I also acknowledge receipt of a copy of this Modification.

BORROWER:

BLACK MTN UTILITY DISTRICT

By 
CHAD BROCK, CHAIRMAN

Date 9/28/22

LENDER:

Monticello Banking Co.

By 
KEVIN W. CAVINS, PERSONAL BANKER

Date 9/28/22

BOARD MEETING
SEPTEMBER 13, 2022

Present: Brandon Shepherd, Chad Brock, Shawn Miller, Dwayne Williams, Bill Clem, Grant Cooper, Ken Taylor and Marcella Fuson.

The meeting was called to order by Chairman Chad Brock at 6:00 p.m.

Customer Complaints:

-Johnny/Snobia Brock, Snobia Brock was present. She said she didn't get any credit for what she paid and she was tired of getting these high bills. She was showed that she did get credit for her payments, and she also got credit for her zero reads. She just got real low bills the for a few months then the reads showed what she really used. After discussion, Dwayne Williams made a motion to give her a leak adjustment and she understands, she cannot get another leak adjustment for one year. This would make her balance \$239.79, taking of \$333.38 for the leak adjustment. Brandon Shepherd seconded the motion. All in favor.

-Paul Gross wasn't present but he did send a letter and a copy was given to each board member. Mr. Gross stated in the letter that he did not use that much water and he wanted it adjusted off his bill in the amount of \$43.78. He also was concerned about the read dates of 2/9, 3/9, 4/8, 5/10, and 6/25.

The reason the June bill was so much later was because we had his read on 6/9 but when we get a high read we send the men out to get a re-read. On 6/9 he had used 5,340 gallon and on 6/25 he had used 6,590. His meter was profiled and he was given a copy that showed the date and time the water was in high use. The board said all they can do is give him a leak adjustment which would take off \$18.13, and He couldn't get another leak adjustment for one year.

-Clark Middleton was not present at the meeting, his issue was resolved before the meeting.

The August 9, 2022 board minutes were given to each board member. Brandon Shepherd made a motion to accept the minutes as read, with Bill Moore being changed to Bill Clem. Bill Clem seconded the motion. All in favor.

Bill Clem asked about the Board members appointment, he thought his ran out in March but after calling the County Judge Executive's office they had reappointed Bill Clem till 03-20-26 and Brandon Shepherd till 12-1-25, those were the two that we didn't have their terms extended.

The sewer station at Closplint was discussed. Ken Taylor said as it is right now even when they get it changed around it will fall under the responsibility of BMUD unless they can give it back to the county. After discussion Chad Brock asked why it would have to be anyone's responsibility except for the home owner because they were going to turn it over to them once they get them one their own instead of the current sewer plant. Ken Taylor said he will change the application where the home owners will be responsible for it, then BMUD will have to run bids for the project.

Ken Taylor said the cleaner water money will be for all the utilities. It's for \$1,630,000. He said the last time BMUD got 1/3, Cawood got 1/3 Harlan got 1/3 then it got moved to BMUD. Everts is wanting some of the money and the City of Loyall and he's not sure about Tri City. Ken said he sent the Judge a message to call in about the money and when the meeting will be. He also asked him to check on Lynch/Benham and all the utilities.

Ken said we may need to have a special called meeting to get the bid going on the sewer system, and we will need signatures on all the home owners on that system.

Shawn Miller made a motion for Chad Brock the chairman to make all discissions and sign any documents pertaining to the Louellen/Closplint sewer plant. Bill Clem seconded the motion. All in favor.

Grant reported on the water loss. The lines were really deep he said they have a hard time finding leaks. Grant said we possibility can get about 720 more meters in grant money and telemetry across the mountain, which is needed. The board discussed having a Burst valve that will close itself and not let a lot of water come out at once, water can go through it but not all at once. Grant said we lost Kenvir tank twice. He said we lost about 9 million gallons of water on the ground last month.

Dwayne Williams made a motion to pay the monthly bills. Shawn Miller seconded the motion. All in favor.

Dwayne asked why the insurance was so much higher this time, Grant told him it was for two months.

Dwayne Williams made a motion to buy the excavator bucket for \$703. Shawn Miller seconded the motion. All in favor.

Grant said he checked on the trucks we only ordered two not four. The board said order four and we can turn the two old ones in on two of the new ones and get the payments down.

Shawn Miller made a motion for Chairman Chad Brock to sign all documents for the Promissory Note at the bank. Brandon Shepherd seconded the motion. All in favor.

Dwayne Williams made a motion to adjourn the meeting at 8:03 p.m. Shawn Miller seconded the motion. All in favor.

Minutes taken and typed by: Marcella Fuson

Minutes accepted as read: [Signature]

PRIOR OBLIGATION INFORMATION	LOAN NUMBER	ACCT. NUMBER	NOTE DATE	NOTE AMOUNT	MATURITY DATE
	180002495	BAA4895	07/01/20	\$107,624.43	10/01/23
AMENDED OBLIGATION INFORMATION	LOAN NUMBER	ACCT. NUMBER	MODIFICATION DATE	NOTE AMOUNT	
	180002495	BAA4895	10/1/2023	\$85,000.00	
	MATURITY DATE	INDEX (w/margin)	INTEREST RATE	INITIALS	
	09/01/24	Not Applicable	2.400%	KWC	
Creditor Use Only					

DEBT MODIFICATION AGREEMENT

DATE AND PARTIES. The date of this Debt Modification Agreement (Modification) is 10/1/2023. The parties and their addresses are:

LENDER:
MONTICELLO BANKING CO.
 PO Box 421
 Monticello, KY 42633
 Telephone: 606-348-8411

BORROWER:
BLACK MTN UTILITY DISTRICT
 PO BOX 310
 HARLAN, KY 40831-0310

BAB
10.31.23

1. DEFINITIONS. In this Modification, these terms have the following meanings:

- A. Pronouns.** The pronouns "I," "me," and "my" refer to each Borrower signing this Modification and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this Loan. "You" and "your" refer to the Lender, with its participants or syndicators, successors and assigns, or any person or entity that acquires an interest in the Modification or the Prior Obligation.
- B. Amended Obligation.** Amended Obligation is the resulting agreement that is created when the Modification amends the Prior Obligation. It is described above in the AMENDED OBLIGATION INFORMATION section.
- C. Loan.** Loan refers to this transaction generally. It includes the obligations and duties arising from the terms of all documents prepared or submitted in association with the Prior Obligation and this modification, such as applications, security agreements, disclosures, notes, agreements, and this Modification.
- D. Modification.** Modification refers to this Debt Modification Agreement.
- E. Prior Obligation.** Prior Obligation refers to my original agreement described above in the PRIOR OBLIGATION INFORMATION section, and any subsequent extensions, renewals, modifications or substitutions of it.

2. BACKGROUND. You and I have previously entered into a Prior Obligation. As of the date of this Modification, the outstanding, unpaid balance of the Prior Obligation is \$85,000.00. Conditions have changed since the execution of the Prior Obligation instruments. In response, and for value received, you and I agree to modify the terms of the Prior Obligation, as provided for in this Modification.

3. CONTINUATION OF TERMS. I agree and understand that all other terms and provisions in the Prior Obligation survive and continue in full force and effect, except to the extent that they are specifically and expressly amended by this Modification. The express amendment of a term does not amend related or other terms - even if the related or other terms are contained in the same section or paragraph of the Prior Obligation. For illustration purposes only, a modification of the interest rate to be paid during the term of the loan would not modify the default rate of interest even though both of those terms are described in the Prior Obligation in a common section titled "Interest". The term "Prior Obligation" includes the original instrument and any modifications prior to this Modification.

4. TERMS. The Prior Obligation is modified as follows:

- A. Interest.** Our agreement for the payment of interest is modified to read:
 - (1) INTEREST** Interest will accrue on the unpaid Principal balance of the Loan at the rate of **2.400 percent (Interest Rate)**.
 - (a) Post-Maturity Interest.** After maturity or acceleration, interest will accrue on the unpaid Principal balance of the Loan at the Interest Rate in effect from time to time, until paid in full.

B. Maturity and Payments. The maturity and payment provisions are modified to read:

(1) **PAYMENT.** I agree to pay the Loan in installments of accrued interest beginning November 1, 2023, and then on the 1st day of each month thereafter. I agree to pay the entire unpaid Principal and any accrued but unpaid interest on September 1, 2024.

Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.

C. Fees and Charges. As additional consideration for your consent to enter into this Modification, I agree to pay, or have paid these additional fees and charges:

(1) **Late Charge.** If a payment is more than 10 days late, I will be charged 5.000 percent of the Amount of Payment or \$5.00, whichever is greater. However, this charge will not be greater than \$100.00. I will pay this late charge promptly but only once for each late payment.

D. Insurance. I agree to obtain the insurance described in this Modification.

(1) **Property Insurance.** I will insure or retain insurance coverage on any tangible property that secures the Loan and abide by the insurance requirements of any security instrument securing the Loan

(2) **Insurance Warranties.** I agree to purchase any insurance coverages that are required, in the amounts you require, as described in this or any other documents I sign for the Loan. I will provide you with continuing proof of coverage. I will buy or provide insurance from a firm licensed to do business in the State where the property is located. If I buy or provide the insurance from someone other than you, the firm will be reasonably acceptable to you. I will have the insurance company name you as loss payee on any insurance policy. You will apply the insurance proceeds toward what I owe you on the outstanding balance. I agree that if the insurance proceeds do not cover the amounts I still owe you, I will pay the difference. I will keep the insurance until all debts under this agreement are paid. If I want to buy the insurance from you, I have signed a separate statement agreeing to this purchase.

5. CREDITOR-PLACED INSURANCE NOTICE. I am giving you a security interest in the Property described in the security instrument(s) securing the Loan. I am required to maintain insurance on the tangible property described in the security instrument(s) to protect your interest until all debts under this agreement are paid. If I fail to provide evidence of insurance on the tangible property to you, you may place insurance on the tangible property and I will be responsible to pay for the costs of that creditor-placed insurance.

6. WAIVER. I waive all claims, defenses, setoffs, or counterclaims relating to the Prior Obligation, or any document securing the Prior Obligation, that I may have. Any party to the Prior Obligation that does not sign this Modification, shall remain liable under the terms of the Prior Obligation unless released in writing by you.

7. REASON(S) FOR MODIFICATION. RENEWAL

8. ADDITIONAL TERMS. Secured by a S/A dated 07/01/2020 on MBC CD #7100065501 i/n/o Harlan Fiscal Court

9. SIGNATURES. By signing, I agree to the terms contained in this Modification. I also acknowledge receipt of a copy of this Modification.

BORROWER:

BLACK MTN UTILITY DISTRICT

By 
Shawn Miller, CHAIRMAN

Date 10-31-23

LENDER:

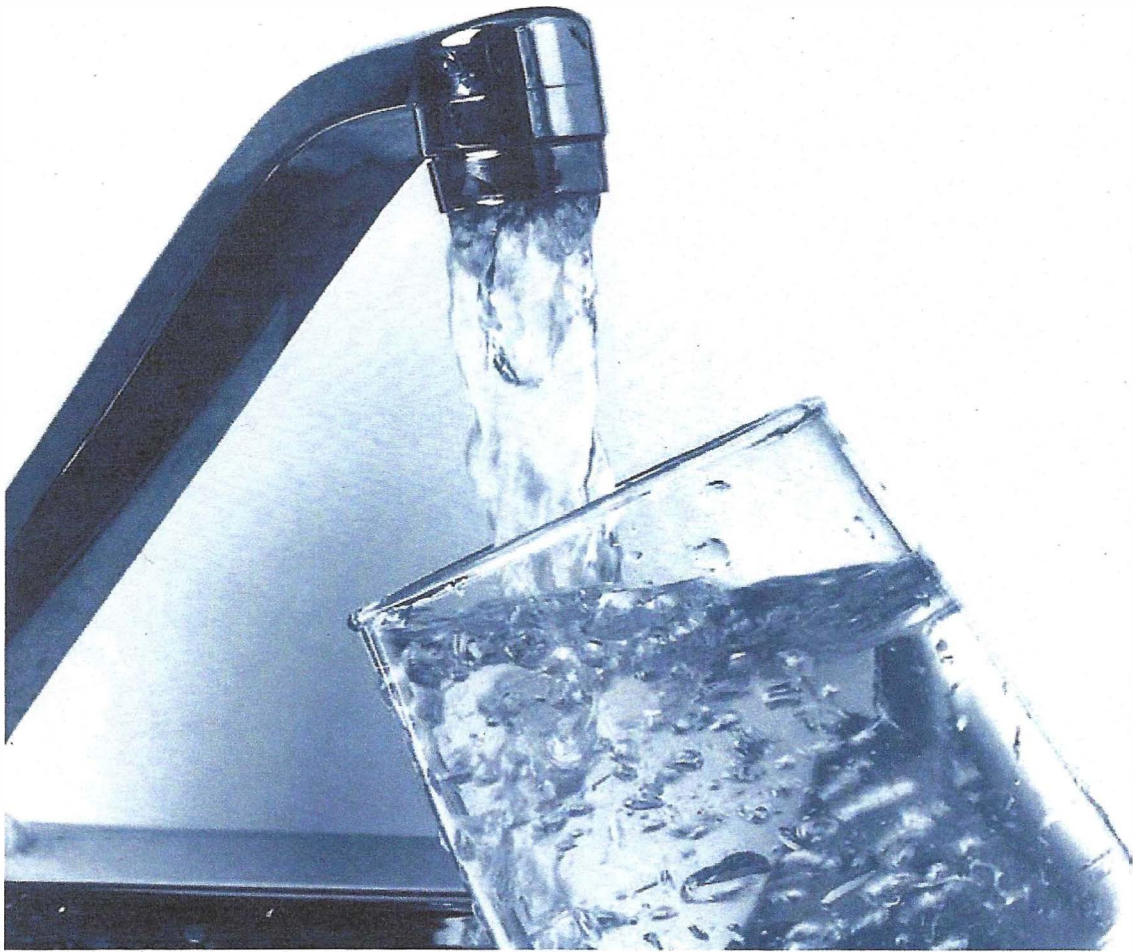
Monticello Banking Co.

By 
KEVIN W CAVINS, PERSONAL BANKER

Date 10/31/23

2

BLACK MOUNTAIN UTILITY DISTRICT



WATER SHORTAGE / EMERGENCY RESPONSE PLAN

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Section 2. Chain of Command – Lines of Authority

The first response step in any emergency is to inform the person at the top of this list, who is responsible for managing the emergency and making key decisions.

Chain of command – lines of authority

Name and Title	Responsibilities During an Emergency	Contact Numbers
Grant Cooper Manager	Responsible for the overall management of the water system. The Administrator is the lead for managing the emergency, providing information to regulatory agencies and coordinating with support agencies.	Office: (606) 573-1277
Grant Cooper Distribution	In charge of operating the distribution system, performing inspections, maintenance and sampling and relaying critical information, assessing facilities and providing recommendations to the Administrator.	Office: (606) 573-1277
Daniel Smith Dwayne Blevins O & M Workers	Assists the Distribution Supervisor and Distribution Operator with maintenance of the distribution system.	Office: (606) 573-1277 Daniel Cell: (606) 505-8051 Dwayne Cell: (606) 505-6255
Shirley Leitch Marry Hatmaker Marcella fusson	Responsible for administrative functions in the office including receiving phone calls and maintaining a log of events.	Office: (606) 573-1277

Section 3. Events that Cause Emergencies

The events listed below may cause water system emergencies. They are arranged from highest to lowest probable risk.

Events that cause emergencies

Type of Event	Probability or Risk (High-Med-Low)	Comments
Water Line Break/Rupture	High	
Drought	Low	
Vandalism	High	
Pandemic	Med	

Section 4. Emergency Notification

Notification call-up lists - Use these lists to notify first responders of an emergency.

Emergency Notification List				
Organization or Department	Name & Position	Telephone	Night or Cell Phone	Email
Water District Commissioners	Chad Brock, Chair Shaun Miller Dewayn Williams Bill Clem	573-1277		N/A
Government Officials	Dan Mosley, Harlan Co. Judge-Exec. Clark Middleton, Magistrate Dist. 1 Bill Moore, Magistrate Dist. 2 Paul Browning, Magistrate Dist. 3 Jim Roddy, Magistrate Dist. 4 James Howard, Magistrate Dist. 5	573-2600 573-6780 837-3026 589-5963 573-7058 573-3020		N/A
Local Law Enforcement	Leslie Smith, Sheriff	573-1313	N/A	N/A
Fire Department	Harlan City Fire Dept	573-4130	N/A	N/A
Emergency Medical Services	Harlan Co. EMS	573-2721	N/A	N/A
Emergency Mgmt. Dept.	Harlan Co. Emergency Management	573-6082	634-7856	
County Health Dept.	Harlan Co. Health Dept	573-4820	N/A	N/A
Water Operator (if contractor)	N/A	N/A	N/A	N/A
Primacy Agency Contact	Ryan Wilson (London Office)	(606) 330-2080	N/A	N/A
PSC Contact	Erin Donges	(502) 782-2627		
Hazmat Hotline	24 Hour Hotline	(800) 255-2587	(800) 255-2587	

National Spill Response Center	24 Hour Hotline	(800) 424-8802	(800) 424-8802	
Interconnected Water System	Harlan Municipal Water	573-1540		N/A
Neighboring Water System (not connected)	N/A	N/A		
RCAP Contacts	Chris Wells	(502) 230-8915		cwells@capky.org

Priority Customers

Organization or Department	Name & Position	Telephone	Night or Cell Phone	Email
Hospitals or Clinic(s)	N/A	N/A	N/A	N/A
Public or Private Schools	N/A	N/A	N/A	N/A
Wastewater Treatment Plant	N/A	N/A	N/A	N/A
Adult Care Facility	N/A	N/A	N/A	N/A
Community Centers/Senior Centers	N/A	N/A	N/A	N/A

State, Federal or Tribal Notification List

Organization or Department	Name & Position	Telephone	Night or Cell Phone	Email
State or Tribal Police	KSP Post 10 Harlan, KY	(606) 573-3131	(606) 573-3131	N/A
Regulatory Agency State/Federal/Tribal	KY Division of Water	(502) 564-3410	(800) 928-2380	N/A
	KY Public Service Commission	(502) 564-3940	N/A	N/A
Authorized Testing Laboratory	Pace Analytical Laboratories	(606) 432-3104	N/A	N/A

Service / Repair Notifications				
Organization or Department	Name & Position	Telephone	Night or Cell Phone	Email
Electric Utility Co.	Kentucky Utilities	(606) 573-4590	N/A	N/A
Electrician	Harry Gibson	(606) 273-0617	N/A	N/A
Water Testing Lab.	Pace Analytical Laboratories	(606) 432-3104	N/A	N/A
Sewer Utility Co.	N/A	N/A	N/A	N/A
Telephone Co.	Bell South	(803) 401-2100	N/A	N/A
Plumber	N/A	N/A	N/A	N/A
Pump Supplier	Straeffer	(859) 333-3365	N/A	N/A
"Call Before You Dig"	N/A	N/A	N/A	N/A
Soil Excavator/Backhoe Operator	N/A	N/A	N/A	N/A
Rental Equipment Supplier (Generators)	N/A	N/A	N/A	N/A
Equipment Repair	N/A	N/A	N/A	N/A
Radio/Telemetry Repair Service	C I Thornburg	(859) 457-0127	N/A	N/A
Well Drilling Co.	N/A	N/A	N/A	N/A
Pipe Supplier	Consolidated Pipe	(606) 305-7343	N/A	N/A

Media Notification List

Organization or Department	Name & Position	Telephone	Night or Cell Phone	Email
Designated Water System Spokesperson	Grant Cooper Manager	573-1277		
Newspaper - Local	Harlan Daily Enterprise	573-4510		
Newspaper – Regional/State/Tribal	The Lexington Herald-Leader	(800) 933-7355		
Radio	WHLN (Harlan)	573-1051		
TV Station	WYMT (Hazard)	436-3673		

Section 5. Effective Communication

Communication with customers, the news media, and the general public is a critical part of emergency response.

Designated public spokesperson

Designate a spokesperson (and alternate) and contact your local primacy agency for delivering messages to the news media and the public.

Designate a spokesperson and alternates

Spokesperson	Alternate
Grant Cooper Manager	Dwayne Blevins Distribution Supervisor

Section 6. The Vulnerability Assessment

This is an evaluation of each water system component to identify weaknesses or deficiencies that may make them susceptible to damage or failure during an emergency. It also assesses facilities for security enhancements that may guard against unauthorized entry, vandalism, or terrorism.

Facility vulnerability assessment and improvements identification

System Component	Description and Condition	Vulnerability	Improvements or Mitigating Actions	Security Improvements
Source Water Type	Source water is purchased from Harlan Municipal, Evarts, Pineville and passes through 1 master meter. This master meter is submerged in a secured underground vault.	The master meter is locked. No need for fence or signage.	Maintain strict key controls. Encourage residents in the area to report any suspicious activity.	
Distribution System	The distribution system has 3- inch, 4-inch, 6-inch and 8-inch PVC & ductile iron waterline, 89 valves, and 32 blow-offs. The system utilizes pump station – The pump station is locked and has a generator hookup. The pump station is not fenced and does not have external lighting or signage.		Maintain strict key controls. Encourage residents in the area to report any suspicious activity.	As funding allows, look at the feasibility of adding fencing, external lighting, and signage to the pump station as needed.
Storage	The system utilizes 16 water storage		Maintain strict key controls.	As funding allows, look at

System Component	Description and Condition	Vulnerability	Improvements or Mitigating Actions	Security Improvements
	The tank is locked, fenced, and has external lighting. The tank does not have signage.		Encourage residents in the area to report any suspicious activity.	the feasibility of adding some signage for the tank as needed.
Computer Billing	Computer in utility district office is utilized for system billing.	The system billing is backed up and the computer is password protected.		
District Staff	All employees have keys to the office and once an employee quits or is terminated, they are to turn in their keys.	An employee who quits or is terminated may have made additional keys off the original.	It is a good practice to change the locks once an employee quits or is terminated.	Check on the feasibility of changing locks once an employee quits or is terminated.

Section 7. Response Actions for Specific Events

In any event, there are a series of general steps to take:

1. Analyze the type and severity of the emergency;
2. Take immediate actions to save lives;
3. Take action to reduce injuries and system damage;
4. Make repairs based on priority demand, and
5. Return the system to normal operation.

The following tables identify the assessment, set forth immediate response actions, define what notifications need to be made, and describe important follow-up actions.

A. Waterline Break/Rupture

Assessment	The Black Mountain Utility District deals with waterline breaks/ruptures in their distribution system. In the case of a waterline break, the system will respond with the following procedures:
Immediate Actions	<ol style="list-style-type: none"> 1. Isolate the break/rupture. 2. Contact the local Kentucky Division of Water (KDOW) office. If the break/rupture occurs after hours or on a weekend, utilize 1-800-928-2380. 3. Contact the local radio station, TV station, local newspaper and utilize the BMUD Facebook page regarding the boil water advisory. 4. Notify all critical water users 5. Fix the line break/rupture. 6. Collect three bacteriological samples, one as close to the break/rupture as practical and one just upstream and one just downstream of the break/rupture and submit them immediately to our testing laboratory. If the bacteriological sample results are clean, then KDOW will give the District permission to lift the boil water advisory.
Notifications	<ol style="list-style-type: none"> 1. Ryan Wilson, KY DOW, local Office, 606-330-2080 or, if on a weekend, utilize 800-928-2380 2. WHLN Radio – 573-1051 3. WYMT-TV (Hazard) – 436-3673 4. Harlan Daily Enterprise – 573-4510

	5. Mineral Labs 606-349-6145
Follow-up Actions	<ol style="list-style-type: none"> 1. Contact radio station, television station, newspaper, and utilize the BMUD Facebook page to notify public that boil water advisory has been lifted. 2. Follow-up with critical water users by phone to let them know that the boil water advisory has been lifted.

B. Drought

Assessment	The Black Mountain Utility District monitors source water levels on a continuous basis to prepare for and mitigate possible water shortage due to drought conditions. When drought conditions occur, the following procedures are utilized:
Immediate Actions	<ol style="list-style-type: none"> 1. Administrator notifies the District Chairman, who will notify the other Commissioners. 2. The District's Water Shortage Response Plan will be implemented to inform customers to reduce their water usage until water levels improve. 3. Notify KDOW and Kentucky PSC. 4. Contact the local radio station, TV station, newspaper and utilize the BMUD Facebook page to provide notice of appropriate water shortage stage. 5. The District may implement additional water restrictions, or lessen the water restrictions, depending on water levels and demand <p>Any water shortage declaration shall remain in effect until water supplies or service conditions have returned to normal. A final determination as to terminating a water shortage declaration shall be made by the District.</p>
Notifications	<ol style="list-style-type: none"> 1. Shawn Miller, Chairman of the District – 573-1277 2. Ryan Wilson, KY DOW, local Office, 606-330-2080 or, if on a weekend, utilize 800-928-2380 3. Erin Donges, Kentucky PSC – Water & Sewer Branch 502-782-2627 4. WHLN Radio – 573-1051 5. WYMT-TV (Hazard) – 436-3673

	6. Harlan Daily Enterprise – 573-4510
Follow-up Actions	<ol style="list-style-type: none"> 1. The District determines that the water shortage declaration should be terminated. 2. Contact KDOW and Kentucky PSC to notify that restrictions have been lifted. 3. Contact all of the media and utilize the BMUD Facebook page to notify public that restrictions have been lifted. 4. Administrator and District personnel continue to monitor water levels.

C. Vandalism

Assessment	The Black Mountain Utility District deals with vandalism attempts on parts of their water system. If a vandal were to destroy or disable redundant items, the system will respond with the following procedures:
Immediate Actions	<ol style="list-style-type: none"> 1. Determine if the scene in question is a crime scene by the damage done. If so, notify the Sheriff's Dept. and/or the Kentucky State Police. 2. Notify the Kentucky Division of Water if necessary. 3. Notify the District Chairman of the incident. He will notify the remaining Water Commissioners. 4. Contact KACO, the District's insurance provider, regarding the incident. 5. Investigate and assess the damage. 6. Isolate and fix the damage. 7. Monitor and restore damage to normal conditions.
Notifications	<ol style="list-style-type: none"> 1. Sheriff's Dept., 573-1313 2. Kentucky State Police Post #10, 606-573-3131 3. Chairman Chad Brock, 573-1277 4. Ryan Wilson, KY DOW Local Office, 606-330-2080, or if on a weekend, 800-928-2380 5. Michelle Barrett, KACO - 859-296-4580

Follow-up Actions	<ol style="list-style-type: none"> 1. Return system to safety. 2. Report findings to the Kentucky Division of Water if necessary.

D. Pandemic

Assessment	<p>As essential workers, Black Mountain Utility District has continually provided safe drinking water to its customers throughout the 2020 COVID-19 pandemic. The District has obeyed and will continue to obey the following procedures with regard to the COVID-19 pandemic:</p>
Immediate Actions	<ol style="list-style-type: none"> 1. Stay in close contact with the Kentucky Division of Water to coordinate on any issues that arise (lack of certified operators, access to sample locations, etc.) 2. Close water office to the public, communicate with customers via phone, email, and social media, and offer payment options via mail or through drop box. 3. Follow the Kentucky Public Service Commission's mandate to temporarily suspend drinking water shut-offs due to non-payment and late fees to maintain essential water services to customers. 4. Limit or cease all in-person meetings, gathering of people in the same location, and travel. 5. Increase the frequency of cleaning and disinfecting all surfaces and equipment. 6. Implement minimum staffing plans and set-up shift rotations. 7. Follow social distancing guidelines and hand washing procedures and utilize appropriate personal protective equipment. 8. Communicate often with our laboratory, Pace Analytical Laboratories, to ensure they are available to receive and analyze our samples. 9. Stay in close contact with our suppliers of equipment and materials.
Notifications	<ol style="list-style-type: none"> 1. Chairman Shawn Miller – 573-1277 2. Ryan Wilson, Kentucky Division of Water, London Office, 606-330-2080 or if after hours or on a weekend, utilize 800-928-2380 3. Erin Donges, Kentucky Public Service Commission- Water & Sewer Branch, 502-782-2627 4. Pace Analytical Laboratories – 606-432-3104

	<ol style="list-style-type: none">5. Straeffer – 859-333-33656. Consolidated Pipe – 606-305-73437. Harlan Co. Emergency Management Dept. - 573-6082
Follow Up Actions	<ol style="list-style-type: none">1. Continue providing updates to customers.2. Work with suppliers to return to normal service.

Section 8. Alternative Water Sources

Adjacent water supply systems

Water Systems Connected to Black Mountain Utility District/Sukey Ridge	Contact Phone Number
Harlan Municipal Water	(606) 573-1540
City of Everts	606-573-2477
Pinville Water	606-337-6613

Section 9. Returning to Normal Operation


Returning to normal operations

Action	Description and Actions
Inspect, flush, and disinfect the system	Distribution Supervisor and support staff inspects all system facilities, ensure all water quality tests have been done and the system has been flushed and disinfected if necessary. Administrator makes decision on current condition of system.
Verify water quality	Administrator verifies water quality sampling results.
Coordinate with local primacy agency	Administrator coordinates with local primacy agency on system condition and water quality results.
Notify customers	Administrator leads communications with media to notify customers that operations are back to normal. Administrator notifies all critical customers that operations are back to normal.

Section 10. Plan Approval

Plan approval

This updated plan is officially in effect when reviewed, approved, and signed by the following people:

Name/Title	Signature	Date
Grant Cooper Manager for Black Mountain Utility District		11/15/2023



609 Four Mile Road

Baxter KY 40806

Cell (606)505-6254

Office (606)573-1277

Fax (606)573-1276

Grant.blackmountain@gmail.com

This letter is in response to the Periodic Wastewater inspection from December 1, 2022. There were three deficiencies that were identified:

1. The utility is not furnishing the rate schedule to the customers as per 807 KAR 5:006, Section 7(1)(b).

Since the last inspection the notice board has been changed and the rate schedule wasn't replaced on the board at the office. We have put the rate schedule on the board for all that come in can clearly see .

2. The utility employees CPR license has expired. This is contrary to 807 KAR 5:006, Section 25(3).

The expired CPR was a over sight I hadn't realized that they had expired. We have a class scheduled for March 25, 2023, with Health Connection.

3. The utility is not conducting daily inspections of all mechanical equipment as per 807 KAR 5:071, Section 7(4).

We done monthly inspections in the past, but as of January 26, 2023 we have been conducting daily inspections and will continue to do so.

If there is any question please contact me at the numbers below

Sincerely,

A handwritten signature in black ink that reads "Grant Cooper". The signature is stylized and cursive.

Grant Cooper

Black Mountain Utility District



Black Mountain Utility District
Baxter, Kentucky

Independent Auditors' Report
And Financial Statements
For the Year Ended
December 31, 2018

Black Mountain Utility District
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Independent Auditors' Report

To the Commissioners
Black Mountain Utility District
Baxter, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Black Mountain Utility District (the District) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Black Mountain Utility District, as of December 31,

2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021 on our consideration of Black Mountain Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Black Mountain Utility District's internal control over financial reporting and compliance.

Abner & Cox, PSC

Abner & Cox, PSC
London, Kentucky

March 31, 2021

Black Mountain Utility District
Statement of Net Position
December 31, 2018

Assets

Current Assets

Cash and cash equivalents	\$ 57,779
Receivable, less allowance for doubtful accounts of \$64,000	186,250
Unbilled accounts receivable	83,000
Prepaid expenses	13,332
Total Current Assets	<u>340,361</u>

Noncurrent Assets

Restricted Assets

Customer deposits	36,282
Debt and interest funds	1,839
Total Restricted Assets	<u>38,121</u>

Capital Assets

Land and improvements	29,112
Buildings and improvements	254,288
Source of supply and pumping	1,460,855
Water treatment equipment	141,978
Transmission and distribution plant	18,598,070
Vehicles and other equipment	569,235
Sewer lines	130,311
Less: accumulated depreciation	<u>(6,717,665)</u>
Net Capital Assets	<u>14,466,184</u>

Total Noncurrent Assets

14,504,305

Total Assets

\$ 14,844,666

Black Mountain Utility District
Statement of Net Position (Continued)
December 31, 2018

Liabilities

Current Liabilities	
Current portion of long-term debt	\$ 137,877
Note payable - line of credit	137,116
Accounts payable	356,326
Accrued interest payable	29,403
Accrued salaries and taxes payable	14,621
Customer deposits	74,401
Other current liabilities	29,884
Total Current Liabilities	<u>779,628</u>
Noncurrent Assets	
Long-term debt, less current portion included in current liabilities	<u>1,257,698</u>
Total Noncurrent Liabilities	<u>1,257,698</u>
Total Liabilities	<u>2,037,326</u>
Net Position	
Net investment in capital assets	12,933,493
Restricted	38,121
Unrestricted	<u>(164,274)</u>
Total Net Position	<u>\$ 12,807,340</u>

Black Mountain Utility District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018

Operating Revenues	
Water sales	\$ 1,700,265
Sewer sales	984
Other revenues	<u>280,517</u>
Total Operating Revenues	<u>1,981,766</u>
Operating Expenses	
Salaries and wages	344,194
Employee benefits	131,614
Purchased water	858,950
Utilities	120,123
Chemicals	13,181
Materials and supplies	81,916
Contracted services	33,500
Vehicle and equipment expenses	106,477
Insurance	25,813
Office expenses	52,653
Bad debt expense, net of recoveries	78,192
Depreciation	508,619
Other operating expenses	<u>82,336</u>
Total Operating Expenses	<u>2,437,568</u>
Operating Income	<u>(455,802)</u>
Non-operating Revenues (Expenses)	
Interest income	5
Interest expense	<u>(60,338)</u>
Total Non-operating Revenues (Expenses)	<u>(60,333)</u>
Change in Net Position	(516,135)
Net Position, Beginning of Year	<u>13,323,475</u>
Net Position, End of Year	<u><u>\$ 12,807,340</u></u>

Black Mountain Utility District
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash Flows From Operating Activities	
Receipts from customers	\$ 1,981,486
Payments to employees	(474,335)
Payments to suppliers	<u>(1,415,863)</u>
Net Cash Provided by Operating Activities	<u>91,288</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of property, plant and equipment	(20,990)
Principal payments on debt	(16,923)
Interest payments on debt	<u>(32,447)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(70,360)</u>
Cash Flows From Investing Activities	
Interest income	<u>5</u>
Net Cash Provided by Investing Activities	<u>5</u>
Net Increase (Decrease) in Cash and Cash Equivalents	20,933
Cash and Cash Equivalents at Beginning of Year	<u>74,967</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 95,900</u></u>
Reconciliation of cash per Statement of Net Position to cash per Statement of Cash Flows:	
Cash and cash equivalents	\$ 57,779
Customer deposits	36,282
Debt and interest funds	<u>1,839</u>
Cash and cash equivalents per Statement of Cash Flows	<u><u>\$ 95,900</u></u>

Black Mountain Utility District
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2018

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:

Operating income (loss)	\$ (455,802)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	508,618
Bad debt expense	78,192
Loss on disposal of assets	369
(Increase) Decrease in operating assets	
Accounts receivable	(82,230)
Unbilled receivables	-
Prepaid expenses	10,176
Increase (Decrease) in operating liabilities	
Accounts payable	37,533
Accrued salaries and taxes payable	1,473
Customer deposits	3,759
Other current liabilities	<u>(10,800)</u>
Net Cash Provided by Operating Activities	<u>\$ 91,288</u>

Black Mountain Utility District
Notes to Financial Statements
December 31, 2018

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Black Mountain Utility District, of Harlan County, Kentucky (“District”) was created in 1983 under Chapter 74 of the Kentucky Revised Statutes. The District is governed by a five person board of Commissioners which is appointed by the Harlan County Fiscal Court. The District is regulated by the Kentucky Public Service Commission.

The District is a rural water utility system whose purpose is to establish, develop and operate a water supply and distribution system, including limited sewer services, for its members and customers in Harlan County, Kentucky. The District’s primary source of revenue is from water sales to its customers, including public bodies and local businesses in its service area.

Basis of Accounting, Financial Presentation and Measurement Focus

The basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The District applies all relevant Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails. In addition, the District applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position display information about the District as a whole. These statements include all funds of the District.

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported by the District includes revenues and expenses related to the continuing operation of water service for its customers. Principal operating revenues are charges to customers for services. Principal operating expenses are the costs of providing the services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Cash and Cash Equivalents

The District considers demand deposits and certificates of deposit with maturities of less than three months to be cash equivalents.

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Receivables include amounts due from customers for water and sewer services. These receivables are due at the time the services are billed and are considered past due on the sixteenth day of the following month. Accounts receivable are presented net of uncollectible accounts. The allowance amount is estimated using a percentage of accounts past due more than 30 days. At December 31, 2018, the allowance for doubtful accounts was \$64,000.

Unbilled Accounts Receivable

Estimated unbilled revenues from water sales are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billing during the month following the close of the fiscal year.

Prepaid Expenses

Prepaid expenses include payments to vendors that benefit future reporting periods and are reported on the consumption basis.

Capital Assets

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Asset Classification	Range of Lives
Structures and improvements	10-40 years
Transmission distribution mains	25-50 years
Plant equipment	10-25 years
Meters and services	25 years
Other equipment and vehicles	5-10 years

Customer Deposits

The District collects and holds in escrow a \$75 deposit from customers to ensure collection of its water charges. Interest at an annual rate of 1.25% is paid on these deposits.

Net Position

The District has adopted accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Net position is comprised of the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of restricted assets less liabilities and deferred inflows of resources related to those assets. Restricted assets are those with limits on their use that are externally imposed constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net amounts of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or the restricted component of net position.

Use of Estimates

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.

Note 2 – Restricted Assets

Under the terms of all loan resolutions, the District is required to maintain certain accounts and funds for the benefit and protection of the creditors. In addition, the District is also required to collect reasonable and sufficient rates and charges for services rendered, prohibited from selling, leasing or mortgaging any part of the system without prior approval, required to maintain the operating system in good condition and to carry adequate insurance on all properties to protect against loss or damage.

The resolutions require the District to establish a depreciation fund or reserve to be used to finance the cost of unusual repairs, renewals and replacements not included in the annual budget and to pay for future system extensions. The balance of these accounts at December 31, 2018 was \$1,839. Restricted assets at December 31, 2018 also included customer deposits of \$36,282.

Note 3 – Kentucky Revised Statute

At December 31, 2018, \$105,278 of the cash of the District was covered by federal depository insurance. In accordance with Kentucky Revised Statute (KRS) 91A.060, the deposits are to be insured by the Federal Depository Insurance Corporation or collateralized to the extent uninsured by any obligations permitted by KRS 41.240(4). According to KRS 41.240(4), financial institutions shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. According to KRS 66.480, the District is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, interest bearing deposits of insured savings and loans, or interest bearing deposits of insured national or state banks. For additional cash descriptive information, see Note 1.

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2018

Note 4 – Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2018, none of the District's total deposits at banks of \$105,278 were exposed to custodial credit risk.

Note 5 – Capital Assets

The following is a summary of capital asset transactions for the year ended December 31, 2018:

	Balance <u>Dec. 31, 2017</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>Dec. 31, 2018</u>
Land and improvements	\$ 29,112	\$ -	\$ -	\$ 29,112
Building and improvements	254,288			254,288
Source of supply and pumping	1,460,855			1,460,855
Water treatment equipment	141,978			141,978
Transmission and distribution plant	18,598,070			18,598,070
Vehicles and other equipment	549,633	20,990	1,388	569,235
Sewer lines	130,311	-	-	130,311
Totals at historical cost	<u>21,164,247</u>	<u>20,990</u>	<u>1,388</u>	<u>21,183,849</u>
Less accumulated depreciation for:				
Building and improvements	99,862	7,804		107,666
Source of supply and pumping	513,871	72,086		585,957
Water treatment equipment	104,111	5,679		109,790
Transmission and distribution plant	5,073,599	378,876		5,452,475
Vehicles and other equipment	350,436	38,386	1,019	387,803
Sewer lines	68,187	5,787	-	73,974
Total accumulated depreciation	<u>6,210,066</u>	<u>508,618</u>	<u>1,019</u>	<u>6,717,665</u>
Capital assets - net	<u>\$ 14,954,181</u>	<u>\$ (487,628)</u>	<u>\$ 369</u>	<u>\$ 14,466,184</u>

Note 6 – Line of Credit

The District has a line of credit with a local bank for \$144,000 maturing May 27, 2019, with interest payable monthly at 2.3% per annum. The line of credit is secured by a certificate of deposit. The outstanding balance at December 31, 2018 is \$137,116.

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2018

Note 7 – Long-Term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2018:

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Due Within</u> <u>One Year</u>
Loan payable to Kentucky Infrastructure Authority, principal and interest, at the rate of 3%, payable on a semi-annual basis, with final payment due June 1, 2026	\$ 124,580	\$ -	\$ 6,488	\$ 118,092	\$ 13,469
Loan payable to Kentucky Infrastructure Authority, principal and interest, at the rate of 1%, payable on a semi-annual basis, with final payment due June 1, 2031	160,034	-	5,551	154,483	10,740
Various loans payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payments due January 1, 2026 to January 1, 2038; interest payable on a semi-annual basis at the rate of 4.5% to 5%	<u>1,123,000</u>	<u>-</u>	<u>-</u>	<u>1,123,000</u>	<u>102,000</u>
	<u>\$ 1,407,614</u>	<u>\$ -</u>	<u>\$ 12,039</u>	<u>\$ 1,395,575</u>	<u>\$ 126,209</u>

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2018

Note 7 – Long-Term Debt

The aggregate annual repayments on long-term debt are summarized as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 137,877	\$ 53,807	\$ 191,684
2020	80,624	50,876	131,500
2021	82,352	50,876	133,228
2022	85,994	47,730	133,724
2023	88,650	44,502	133,152
2024-2028	426,660	152,621	579,281
2029-2033	374,418	73,302	447,720
2034-2037	119,000	12,060	131,060
	<u>\$ 1,395,575</u>	<u>\$ 485,774</u>	<u>\$ 1,881,349</u>

Note 8 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years.

Note 9 - Subsequent Events

Date of Management Evaluation

The COVID-19 pandemic has developed rapidly in 2020 and measures taken by various governments to contain the virus have affected economic activity significantly. Management has taken various measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for employees, including social distancing and enabling employees to work from home. The District will continue to follow the various government policies and advice and will do its utmost to continue operations in the best and safest way possible. It is uncertain what effect, if any, future developments in the pandemic will have on the District's financial position.

Management of the District has evaluated subsequent events through March 31, 2021, the date on which the financial statements were available to be issued.

Independent Auditors' 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 Commissioners
Black Mountain Utility District
Baxter, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Black Mountain Utility District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Black Mountain Utility District's basic financial statements, and have issued our report thereon dated March 31, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Black Mountain Utility 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 Black Mountain Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (See items 2018-1 and 2018-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Black Mountain Utility 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 item 2018-3.

Black Mountain Utility District's Response to Findings

Black Mountain Utility District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Black Mountain Utility District's response was 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 entity's internal control or on compliance. This report is an integral part on 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.

Abner & Cox, PSC

Abner & Cox, PSC
London, Kentucky

March 31, 2021

Black Mountain Utility District
Schedule of Findings and Responses
December 31, 2018

Findings – Financial Statements

2018-1

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

The District's limited internal resources prevent the preparation of financial statements and related note disclosures in accordance with generally accepted accounting principles.

Effect:

The District was unable to prepare their financial statements and related note disclosures in accordance with generally accepted accounting principles.

Views of responsible officials and planned corrective actions:

The District feels that it would not be cost beneficial to hire the personnel required to complete these tasks.

2018-2

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

The size of the District's office staff does not allow proper segregation of duties with regard to bank reconciliations, cash collections, billings, postings to the accounts receivable ledger, and expenditures for goods or services.

Effect:

This condition creates a weakness in internal controls which could result in unauthorized transactions being processed.

Views of responsible officials and planned corrective actions:

The District feels that it would not be cost beneficial to hire the personnel required to complete these tasks.

Black Mountain Utility District
Schedule of Findings and Responses
December 31, 2018

2018-3

Criteria:

The bonding agreements entered into with Rural Development for construction of water lines state that the District is to maintain a certain percentage of the operating income in a depreciation account for its upkeep and replacement. The District should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, it was noted that the District is not maintaining the depreciation reserve funds as required by the bonding contracts.

Cause:

The lack of funds available to the District prevents the ability for reservation in a depreciation account.

Effect:

This condition causes the District to be in violation of its bonding agreements and could result in the bonds being called prematurely.

Views of responsible officials and planned corrective actions:

The District currently does not have funds available to maintain an adequate depreciation reserve account. The District will consider requesting a rate increase which will help fund the depreciation reserve account.

Black Mountain Utility District
Baxter, Kentucky

Independent Auditors' Report
And Financial Statements
For the Year Ended
December 31, 2019

Black Mountain Utility District
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Independent Auditors' Report

To the Commissioners
Black Mountain Utility District
Baxter, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Black Mountain Utility District (the 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Black Mountain Utility District, as of December 31,

2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2021 on our consideration of Black Mountain Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Black Mountain Utility District's internal control over financial reporting and compliance.

Abner & Cox, PSC

Abner & Cox, PLLC
London, Kentucky

August 30, 2021

Black Mountain Utility District
Statement of Net Position
December 31, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 56,181
Receivable, less allowance for doubtful accounts of \$64,000 and \$64,000, respectively	243,723
Unbilled accounts receivable	83,000
Prepaid expenses	17,026
Total Current Assets	<u>399,930</u>

Noncurrent Assets

Restricted Assets

Customer deposits	34,821
Debt and interest funds	4,495
Total Restricted Assets	<u>39,316</u>

Capital Assets

Land and improvements	29,112
Buildings and improvements	254,288
Source of supply and pumping	1,460,855
Water treatment equipment	141,978
Transmission and distribution plant	18,598,070
Vehicles and other equipment	573,235
Sewer lines	130,311
Less: accumulated depreciation	<u>(7,226,069)</u>
Net Capital Assets	<u>13,961,780</u>

Total Noncurrent Assets	<u>14,001,096</u>
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Total Assets	<u>\$ 14,401,026</u>
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Black Mountain Utility District
Statement of Net Position (Continued)
December 31, 2019

Liabilities

Current Liabilities

Current portion of long-term debt	\$ 80,624
Note payable - line of credit	121,378
Accounts payable	386,094
Accrued interest payable	1,156
Accrued salaries and taxes payable	14,856
Customer deposits	77,046
Other current liabilities	40,684
Total Current Liabilities	<u>721,838</u>

Noncurrent Assets

Long-term debt, less current portion included in current liabilities	<u>1,227,877</u>
Total Noncurrent Liabilities	<u>1,227,877</u>

Total Liabilities	<u>1,949,715</u>
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Net Position

Net investment in capital assets	12,531,901
Restricted	39,316
Unrestricted	<u>(119,906)</u>
Total Net Position	<u>\$ 12,451,311</u>

Black Mountain Utility District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2019

Operating Revenues	
Water sales	\$ 1,683,193
Sewer sales	1,198
Other revenues	<u>339,180</u>
Total Operating Revenues	<u>2,023,571</u>
Operating Expenses	
Salaries and wages	361,868
Employee benefits	162,793
Purchased water	855,515
Utilities	123,832
Chemicals	1,346
Materials and supplies	84,905
Contracted services	22,721
Vehicle and equipment expenses	102,801
Insurance	17,210
Office expenses	53,747
Bad debt expense, net of recoveries	28,770
Depreciation	508,404
Other operating expenses	<u>97,562</u>
Total Operating Expenses	<u>2,421,474</u>
Operating Income	<u>(397,903)</u>
Non-operating Revenues (Expenses)	
Interest income	1
Grant income	100,000
Interest expense	<u>(58,127)</u>
Total Non-operating Revenues (Expenses)	<u>41,874</u>
Change in Net Position	(356,029)
Net Position, Beginning of Year	<u>12,807,340</u>
Net Position, End of Year	<u><u>\$ 12,451,311</u></u>

Black Mountain Utility District
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash Flows From Operating Activities	
Receipts from customers	\$ 1,939,973
Payments to employees	(524,426)
Payments to suppliers	<u>(1,322,765)</u>
Net Cash Provided by Operating Activities	<u>92,782</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of property, plant and equipment	(4,000)
Grant income	100,000
Principal payments on debt	(102,812)
Interest payments on debt	<u>(86,374)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(93,186)</u>
Cash Flows From Investing Activities	
Interest income	<u>1</u>
Net Cash Provided by Investing Activities	<u>1</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(403)
Cash and Cash Equivalents at Beginning of Year	<u>95,900</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 95,497</u></u>
Reconciliation of cash per Statement of Net Position to cash per Statement of Cash Flows:	
Cash and cash equivalents	\$ 56,181
Customer deposits	34,821
Debt and interest funds	<u>4,495</u>
Cash and cash equivalents per Statement of Cash Flows	<u><u>\$ 95,497</u></u>

Black Mountain Utility District
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2019

Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income (loss)	\$ (397,903)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	508,404
Bad debt expense	28,770
(Increase) Decrease in operating assets	
Accounts receivable	(86,243)
Prepaid expenses	(3,694)
Increase (Decrease) in operating liabilities	
Accounts payable	29,768
Accrued salaries and taxes payable	235
Customer deposits	2,645
Other current liabilities	<u>10,800</u>
Net Cash Provided by Operating Activities	<u><u>\$ 92,782</u></u>

Black Mountain Utility District
Notes to Financial Statements
December 31, 2019

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Black Mountain Utility District, of Harlan County, Kentucky (“District”) was created in 1983 under Chapter 74 of the Kentucky Revised Statutes. The District is governed by a five person board of Commissioners which is appointed by the Harlan County Fiscal Court. The District is regulated by the Kentucky Public Service Commission.

The District is a rural water utility system whose purpose is to establish, develop and operate a water supply and distribution system, including limited sewer services, for its members and customers in Harlan County, Kentucky. The District’s primary source of revenue is from water sales to its customers, including public bodies and local businesses in its service area.

Basis of Accounting, Financial Presentation and Measurement Focus

The basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The District applies all relevant Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails. In addition, the District applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position display information about the District as a whole. These statements include all funds of the District.

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported by the District includes revenues and expenses related to the continuing operation of water service for its customers. Principal operating revenues are charges to customers for services. Principal operating expenses are the costs of providing the services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Cash and Cash Equivalents

The District considers demand deposits and certificates of deposit with maturities of less than three months to be cash equivalents.

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Receivables include amounts due from customers for water and sewer services. These receivables are due at the time the services are billed and are considered past due on the sixteenth day of the following month. Accounts receivable are presented net of uncollectible accounts. The allowance amount is estimated using a percentage of accounts past due more than 30 days. At December 31, 2019, the allowance for doubtful accounts was \$64,000.

Unbilled Accounts Receivable

Estimated unbilled revenues from water sales are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billing during the month following the close of the fiscal year.

Prepaid Expenses

Prepaid expenses include payments to vendors that benefit future reporting periods and are reported on the consumption basis.

Capital Assets

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Asset Classification	Range of Lives
Structures and improvements	10-40 years
Transmission distribution mains	25-50 years
Plant equipment	10-25 years
Meters and services	25 years
Other equipment and vehicles	5-10 years

Customer Deposits

The District collects and holds in escrow a \$75 deposit from customers to ensure collection of its water charges. Interest at an annual rate of 1.25% is paid on these deposits.

Net Position

The District has adopted accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Net position is comprised of the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of restricted assets less liabilities and deferred inflows of resources related to those assets. Restricted assets are those with limits on their use that are externally imposed constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net amounts of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or the restricted component of net position.

Use of Estimates

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.

Note 2 – Restricted Assets

Under the terms of all loan resolutions, the District is required to maintain certain accounts and funds for the benefit and protection of the creditors. In addition, the District is also required to collect reasonable and sufficient rates and charges for services rendered, prohibited from selling, leasing or mortgaging any part of the system without prior approval, required to maintain the operating system in good condition and to carry adequate insurance on all properties to protect against loss or damage.

The resolutions require the District to establish a depreciation fund or reserve to be used to finance the cost of unusual repairs, renewals and replacements not included in the annual budget and to pay for future system extensions. The balance of these accounts at December 31, 2019 was \$4,495. Restricted assets at December 31, 2019 also included customer deposits of \$34,821.

Note 3 – Kentucky Revised Statute

At December 31, 2019, \$172,969 of the cash of the District was covered by federal depository insurance. In accordance with Kentucky Revised Statute (KRS) 91A.060, the deposits are to be insured by the Federal Depository Insurance Corporation or collateralized to the extent uninsured by any obligations permitted by KRS 41.240(4). According to KRS 41.240(4), financial institutions shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. According to KRS 66.480, the District is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, interest bearing deposits of insured savings and loans, or interest bearing deposits of insured national or state banks. For additional cash descriptive information, see Note 1.

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2019

Note 4 – Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2019, none of the District's total deposits at banks of \$172,969 were exposed to custodial credit risk.

Note 5 – Capital Assets

The following is a summary of capital asset transactions for the year ended December 31, 2019:

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Land and improvements	\$ 29,112	\$ -	\$ -	\$ 29,112
Building and improvements	254,288	-	-	254,288
Source of supply and pumping	1,460,855	-	-	1,460,855
Water treatment equipment	141,978	-	-	141,978
Transmission and distribution plant	18,598,070	-	-	18,598,070
Vehicles and other equipment	569,235	4,000	-	573,235
Sewer lines	130,311	-	-	130,311
Totals at historical cost	<u>21,183,849</u>	<u>4,000</u>	<u>-</u>	<u>21,187,849</u>
Less accumulated depreciation for:				
Building and improvements	107,666	7,632	-	115,298
Source of supply and pumping	585,957	72,086	-	658,043
Water treatment equipment	109,790	5,679	-	115,469
Transmission and distribution plant	5,452,475	378,876	-	5,831,351
Vehicles and other equipment	387,803	38,344	-	426,147
Sewer lines	73,974	5,787	-	79,761
Total accumulated depreciation	<u>6,717,665</u>	<u>508,404</u>	<u>-</u>	<u>7,226,069</u>
Capital assets - net	<u>\$ 14,466,184</u>	<u>\$ (504,404)</u>	<u>\$ -</u>	<u>\$ 13,961,780</u>

Note 6 – Line of Credit

The District has a line of credit with a local bank for \$144,000 maturing May 27,2020, with interest payable monthly at 2.3% per annum. The line of credit is secured by a certificate of deposit. The outstanding balance at December 31, 2019 is \$121,378.

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2019

Note 7 – Long-Term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2019:

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>Dec. 31, 2019</u>	<u>Due Within</u> <u>One Year</u>
Loan payable to Kentucky Infrastructure Authority, principal and interest, at the rate of 3%, payable on a semi-annual basis, with final payment due June 1, 2026	\$ 118,092	\$ -	\$ 20,054	\$ 98,038	\$ 13,876
Loan payable to Kentucky Infrastructure Authority, principal and interest, at the rate of 1%, payable on a semi-annual basis, with final payment due June 1, 2031	154,483	-	16,820	137,663	10,848
Various loans payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payments due January 1, 2026 to January 1, 2038; interest payable on a semi-annual basis at the rate of 4.5% to 5%	<u>1,123,000</u>	<u>-</u>	<u>50,200</u>	<u>1,072,800</u>	<u>55,900</u>
	<u>\$ 1,395,575</u>	<u>\$ -</u>	<u>\$ 87,074</u>	<u>\$ 1,308,501</u>	<u>\$ 80,624</u>

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2019

Note 7 – Long-Term Debt

The aggregate annual repayments on long-term debt are summarized as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 80,624	\$ 50,876	\$ 131,500
2021	82,352	50,876	133,228
2022	85,994	47,730	133,724
2023	88,650	44,502	133,152
2024	93,421	37,750	131,171
2025-2029	415,043	129,794	544,837
2030-2034	287,665	43,136	330,801
2035-2037	50,000	3,420	53,420
	<u>\$ 1,183,749</u>	<u>\$ 408,084</u>	<u>\$ 1,591,833</u>

Note 8 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years.

Note 9 - Subsequent Events

Date of Management Evaluation

The COVID-19 pandemic has developed rapidly in 2020 and measures taken by various governments to contain the virus have affected economic activity significantly. Management has taken various measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for employees, including social distancing and enabling employees to work from home. The District will continue to follow the various government policies and advice and will do its utmost to continue operations in the best and safest way possible. It is uncertain what effect, if any, future developments in the pandemic will have on the District's financial position.

Management of the District has evaluated subsequent events through August 30, 2021, the date on which the financial statements were available to be issued.

Independent Auditors' 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 Commissioners
Black Mountain Utility District
Baxter, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Black Mountain Utility District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Black Mountain Utility District's basic financial statements, and have issued our report thereon dated August 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Black Mountain Utility 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 Black Mountain Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (See items 2019-1 and 2019-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Black Mountain Utility 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 item 2019-3.

Black Mountain Utility District's Response to Findings

Black Mountain Utility District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Black Mountain Utility District's response was 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 entity's internal control or on compliance. This report is an integral part on 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.

Abner & Cox, PSC

Abner & Cox, PSC
London, Kentucky

August 30, 2021

Black Mountain Utility District
Schedule of Findings and Responses
December 31, 2019

Findings – Financial Statements

2019-1

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

The District's limited internal resources prevent the preparation of financial statements and related note disclosures in accordance with generally accepted accounting principles.

Effect:

The District was unable to prepare their financial statements and related note disclosures in accordance with generally accepted accounting principles.

Views of responsible officials and planned corrective actions:

The District feels that it would not be cost beneficial to hire the personnel required to complete these tasks.

2019-2

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

The size of the District's office staff does not allow proper segregation of duties with regard to bank reconciliations, cash collections, billings, postings to the accounts receivable ledger, and expenditures for goods or services.

Effect:

This condition creates a weakness in internal controls which could result in unauthorized transactions being processed.

Views of responsible officials and planned corrective actions:

The District feels that it would not be cost beneficial to hire the personnel required to complete these tasks.

Black Mountain Utility District
Schedule of Findings and Responses
December 31, 2019

2019-3

Criteria:

The bonding agreements entered into with Rural Development for construction of water lines state that the District is to maintain a certain percentage of the operating income in a depreciation account for its upkeep and replacement. The District should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, it was noted that the District is not maintaining the depreciation reserve funds as required by the bonding contracts.

Cause:

The lack of funds available to the District prevents the ability for reservation in a depreciation account.

Effect:

This condition causes the District to be in violation of its bonding agreements and could result in the bonds being called prematurely.

Views of responsible officials and planned corrective actions:

The District currently does not have funds available to maintain an adequate depreciation reserve account. The District will consider requesting a rate increase which will help fund the depreciation reserve account.

Black Mountain Utility District
Baxter, Kentucky

Independent Auditors' Report
And Financial Statements
For the Year Ended
December 31, 2020

Black Mountain Utility District
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Independent Auditors' Report

To the Commissioners
Black Mountain Utility District
Baxter, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Black Mountain Utility District (the District) as of and for the year ended December 31, 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.

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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Black Mountain Utility District, as of December 31,

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.

Other Matters

Required Supplementary Information

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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2022 on our consideration of Black Mountain Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Black Mountain Utility District's internal control over financial reporting and compliance.

Abner & Cox, PSC

Abner & Cox, PLLC
London, Kentucky

May 26, 2022

Black Mountain Utility District
Statement of Net Position
December 31, 2020

Assets

Current Assets

Cash and cash equivalents	\$ 68,580
Receivable, less allowance for doubtful accounts of \$64,000 and \$64,000, respectively	276,106
Unbilled accounts receivable	83,000
Prepaid expenses	19,287
Total Current Assets	<u>446,973</u>

Noncurrent Assets

Restricted Assets

Customer deposits	35,062
Debt and interest funds	4,497
Total Restricted Assets	<u>39,559</u>

Capital Assets

Land and improvements	29,112
Buildings and improvements	254,288
Source of supply and pumping	1,460,855
Water treatment equipment	141,978
Transmission and distribution plant	18,598,070
Vehicles and other equipment	586,533
Sewer lines	130,311
Less: accumulated depreciation	<u>(7,736,646)</u>
Net Capital Assets	<u>13,464,501</u>

Total Noncurrent Assets

13,504,060

Total Assets

\$ 13,951,033

Black Mountain Utility District
Statement of Net Position (Continued)
December 31, 2020

Liabilities

Current Liabilities	
Current portion of long-term debt	\$ 82,352
Note payable - line of credit	103,196
Accounts payable	400,591
Accrued interest payable	534
Accrued salaries and taxes payable	13,064
Customer deposits	83,709
Other current liabilities	29,884
Total Current Liabilities	<u>713,330</u>
Noncurrent Assets	
Long-term debt, less current portion included in current liabilities	<u>1,093,220</u>
Total Noncurrent Liabilities	<u>1,093,220</u>
Total Liabilities	<u>1,806,550</u>
Net Position	
Net investment in capital assets	12,185,733
Restricted	39,559
Unrestricted	<u>(80,809)</u>
Total Net Position	<u>\$ 12,144,483</u>

Black Mountain Utility District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2020

Operating Revenues	
Water sales	\$ 1,636,589
Other revenues	<u>278,697</u>
Total Operating Revenues	<u>1,915,286</u>
Operating Expenses	
Salaries and wages	327,922
Employee benefits	145,538
Purchased water	851,385
Utilities	126,591
Chemicals	6,223
Materials and supplies	51,521
Contracted services	28,782
Vehicle and equipment expenses	72,081
Insurance	20,309
Office expenses	61,901
Bad debt expense, net of recoveries	-
Depreciation	510,577
Other operating expenses	<u>65,616</u>
Total Operating Expenses	<u>2,268,446</u>
Operating Income	<u>(353,160)</u>
Non-operating Revenues (Expenses)	
Interest income	2
Grant income	100,000
Interest expense	<u>(53,670)</u>
Total Non-operating Revenues (Expenses)	<u>46,332</u>
Change in Net Position	(306,828)
Net Position, Beginning of Year	<u>12,451,311</u>
Net Position, End of Year	<u><u>\$ 12,144,483</u></u>

Black Mountain Utility District
Statement of Cash Flows
For the Year Ended December 31, 2020

Cash Flows From Operating Activities	
Receipts from customers	\$ 1,889,566
Payments to employees	(475,252)
Payments to suppliers	<u>(1,282,973)</u>
Net Cash Provided by Operating Activities	<u>131,341</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of property, plant and equipment	(13,298)
Grant income	100,000
Principal payments on debt	(151,110)
Interest payments on debt	<u>(54,293)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(118,701)</u>
Cash Flows From Investing Activities	
Interest income	<u>2</u>
Net Cash Provided by Investing Activities	<u>2</u>
Net Increase in Cash and Cash Equivalents	12,642
Cash and Cash Equivalents at Beginning of Year	<u>95,497</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 108,139</u></u>
Reconciliation of cash per Statement of Net Position to cash per Statement of Cash Flows:	
Cash and cash equivalents	\$ 68,580
Customer deposits	35,062
Debt and interest funds	<u>4,497</u>
Cash and cash equivalents per Statement of Cash Flows	<u><u>\$ 108,139</u></u>

Black Mountain Utility District
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2020

Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income (loss)	\$ (353,160)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	510,946
(Increase) Decrease in operating assets	
Accounts receivable	(32,383)
Prepaid expenses	(2,261)
Increase (Decrease) in operating liabilities	
Accounts payable	14,497
Accrued salaries and taxes payable	(1,792)
Customer deposits	6,663
Other current liabilities	<u>(10,800)</u>
Net Cash Provided by Operating Activities	<u>\$ 131,710</u>

Black Mountain Utility District
Notes to Financial Statements
December 31, 2020

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Black Mountain Utility District, of Harlan County, Kentucky (“District”) was created in 1983 under Chapter 74 of the Kentucky Revised Statutes. The District is governed by a five person board of Commissioners which is appointed by the Harlan County Fiscal Court. The District is regulated by the Kentucky Public Service Commission.

The District is a rural water utility system whose purpose is to establish, develop and operate a water supply and distribution system, including limited sewer services, for its members and customers in Harlan County, Kentucky. The District’s primary source of revenue is from water sales to its customers, including public bodies and local businesses in its service area.

Basis of Accounting, Financial Presentation and Measurement Focus

The basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The District applies all relevant Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails. In addition, the District applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position display information about the District as a whole. These statements include all funds of the District.

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported by the District includes revenues and expenses related to the continuing operation of water service for its customers. Principal operating revenues are charges to customers for services. Principal operating expenses are the costs of providing the services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Cash and Cash Equivalents

The District considers demand deposits and certificates of deposit with maturities of less than three months to be cash equivalents.

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Receivables include amounts due from customers for water and sewer services. These receivables are due at the time the services are billed and are considered past due on the sixteenth day of the following month. Accounts receivable are presented net of uncollectible accounts. The allowance amount is estimated using a percentage of accounts past due more than 30 days. At December 31, 2020, the allowance for doubtful accounts was \$64,000.

Unbilled Accounts Receivable

Estimated unbilled revenues from water sales are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billing during the month following the close of the fiscal year.

Prepaid Expenses

Prepaid expenses include payments to vendors that benefit future reporting periods and are reported on the consumption basis.

Capital Assets

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Asset Classification	Range of Lives
Structures and improvements	10-40 years
Transmission distribution mains	25-50 years
Plant equipment	10-25 years
Meters and services	25 years
Other equipment and vehicles	5-10 years

Customer Deposits

The District collects and holds in escrow a \$75 deposit from customers to ensure collection of its water charges. Interest at an annual rate of 1.25% is paid on these deposits.

Net Position

The District has adopted accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Net position is comprised of the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of restricted assets less liabilities and deferred inflows of resources related to those assets. Restricted assets are those with limits on their use that are externally imposed constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net amounts of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or the restricted component of net position.

Use of Estimates

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.

Note 2 – Restricted Assets

Under the terms of all loan resolutions, the District is required to maintain certain accounts and funds for the benefit and protection of the creditors. In addition, the District is also required to collect reasonable and sufficient rates and charges for services rendered, prohibited from selling, leasing or mortgaging any part of the system without prior approval, required to maintain the operating system in good condition and to carry adequate insurance on all properties to protect against loss or damage.

The resolutions require the District to establish a depreciation fund or reserve to be used to finance the cost of unusual repairs, renewals and replacements not included in the annual budget and to pay for future system extensions. The balance of these accounts at December 31, 2020 was \$4,497. Restricted assets at December 31, 2020 also included customer deposits of \$35,062.

Note 3 – Kentucky Revised Statute

At December 31, 2020, \$165,633 of the cash of the District was covered by federal depository insurance. In accordance with Kentucky Revised Statute (KRS) 91A.060, the deposits are to be insured by the Federal Depository Insurance Corporation or collateralized to the extent uninsured by any obligations permitted by KRS 41.240(4). According to KRS 41.240(4), financial institutions shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. According to KRS 66.480, the District is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, interest bearing deposits of insured savings and loans, or interest bearing deposits of insured national or state banks. For additional cash descriptive information, see Note 1.

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2020

Note 4 – Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2020, none of the District's total deposits at banks of \$165,633 were exposed to custodial credit risk.

Note 5 – Capital Assets

The following is a summary of capital asset transactions for the year ended December 31, 2020:

	Balance <u>Dec. 31, 2019</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>Dec. 31, 2020</u>
Land and improvements	\$ 29,112	\$ -	\$ -	\$ 29,112
Building and improvements	254,288			254,288
Source of supply and pumping	1,460,855			1,460,855
Water treatment equipment	141,978			141,978
Transmission and distribution plant	18,598,070			18,598,070
Vehicles and other equipment	573,235	13,298		586,533
Sewer lines	130,311	-	-	130,311
Totals at historical cost	<u>21,187,849</u>	<u>13,298</u>	<u>-</u>	<u>21,201,147</u>
Less accumulated depreciation for:				
Building and improvements	115,298	7,632		122,930
Source of supply and pumping	658,043	70,326		728,369
Water treatment equipment	115,469	5,679		121,148
Transmission and distribution plant	5,831,351	378,876		6,210,227
Vehicles and other equipment	426,147	42,646		468,793
Sewer lines	79,761	5,787	-	85,548
Total accumulated depreciation	<u>7,226,069</u>	<u>510,946</u>	<u>-</u>	<u>7,737,015</u>
Capital assets - net	<u>\$ 13,961,780</u>	<u>\$ (497,648)</u>	<u>\$ -</u>	<u>\$ 13,464,132</u>

Depreciation expense for the year ended December 31, 2020 was \$510,946.

Note 6 – Line of Credit

The District has a line of credit with a local bank for \$107,624 maturing August 1, 2021, with interest payable monthly at 2.4% per annum. The line of credit is secured by a certificate of deposit. The outstanding balance at December 31, 2020 is \$103,196. The line of credit has been subsequently renewed with a maturity date of September 1, 2022, with interest payable monthly at 2.25%.

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2020

Note 7 – Long-Term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2020:

	<u>Balance</u> <u>Dec. 31, 2019</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>Dec. 31, 2020</u>	<u>Due Within</u> <u>One Year</u>
Loan payable to Kentucky Infrastructure Authority, principal and interest, at the rate of 3%, payable on a semi-annual basis, with final payment due June 1, 2026	\$ 98,038	\$ -	\$ 13,876	\$ 84,162	\$ 14,295
Loan payable to Kentucky Infrastructure Authority, principal and interest, at the rate of 1%, payable on a semi-annual basis, with final payment due June 1, 2031	137,663	-	11,353	126,310	10,957
Various loans payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payments due January 1, 2026 to January 1, 2038; interest payable on a semi-annual basis at the rate of 4.5% to 5%	<u>1,072,800</u>	<u>-</u>	<u>107,700</u>	<u>965,100</u>	<u>57,100</u>
	<u>\$ 1,308,501</u>	<u>\$ -</u>	<u>\$ 132,929</u>	<u>\$ 1,175,572</u>	<u>\$ 82,352</u>

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2020

Note 7 – Long-Term Debt

The aggregate annual repayments on long-term debt are summarized as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 82,352	\$ 50,876	\$ 133,228
2022	85,994	47,730	133,724
2023	88,650	44,502	133,152
2024	93,421	37,750	131,171
2025	96,606	34,063	130,669
2026-2030	392,386	119,614	512,000
2031-2035	286,163	43,136	329,299
2036-2040	50,000	3,420	53,420
	<u>\$ 1,175,572</u>	<u>\$ 381,091</u>	<u>\$ 1,556,663</u>

Note 8 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years.

Note 9 - Subsequent Events

Date of Management Evaluation

The COVID-19 pandemic has developed rapidly in 2020 and 2021, and measures taken by various governments to contain the virus have affected economic activity significantly. Management has taken various measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for employees, including social distancing and enabling employees to work from home. The District will continue to follow the various government policies and advice and will do its utmost to continue operations in the best and safest way possible. It is uncertain what effect, if any, future developments in the pandemic will have on the District's financial position.

Management of the District has evaluated subsequent events through May 26, 2022, the date on which the financial statements were available to be issued.

Independent Auditors' 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 Commissioners
Black Mountain Utility District
Baxter, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Black Mountain Utility District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Black Mountain Utility District's basic financial statements, and have issued our report thereon dated May 26, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Black Mountain Utility 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 Black Mountain Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (See items 2020-1 and 2020-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Black Mountain Utility 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 item 2020-3.

Black Mountain Utility District's Response to Findings

Black Mountain Utility District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Black Mountain Utility District's response was 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 entity's internal control or on compliance. This report is an integral part on 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.

Abner & Cox, PSC

Abner & Cox, PSC
London, Kentucky

May 26, 2022

Black Mountain Utility District
Schedule of Findings and Responses
December 31, 2020

Findings – Financial Statements

2020-1

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

The District's limited internal resources prevent the preparation of financial statements and related note disclosures in accordance with generally accepted accounting principles.

Effect:

The District was unable to prepare their financial statements and related note disclosures in accordance with generally accepted accounting principles.

Views of responsible officials and planned corrective actions:

The District feels that it would not be cost beneficial to hire the personnel required to complete these tasks.

2020-2

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

The size of the District's office staff does not allow proper segregation of duties with regard to bank reconciliations, cash collections, billings, postings to the accounts receivable ledger, and expenditures for goods or services.

Effect:

This condition creates a weakness in internal controls which could result in unauthorized transactions being processed.

Views of responsible officials and planned corrective actions:

The District feels that it would not be cost beneficial to hire the personnel required to complete these tasks.

Black Mountain Utility District
Schedule of Findings and Responses
December 31, 2020

2020-3

Criteria:

The bonding agreements entered into with Rural Development for construction of water lines state that the District is to maintain a certain percentage of the operating income in a depreciation account for its upkeep and replacement. The District should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, it was noted that the District is not maintaining the depreciation reserve funds as required by the bonding contracts.

Cause:

The lack of funds available to the District prevents the ability for reservation in a depreciation account.

Effect:

This condition causes the District to be in violation of its bonding agreements and could result in the bonds being called prematurely.

Views of responsible officials and planned corrective actions:

The District currently does not have funds available to maintain an adequate depreciation reserve account. The District will consider requesting a rate increase which will help fund the depreciation reserve account.