

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION INTO)	
THE FINANCIAL AND OPERATING)	CASE NO.
CAPACITY OF MORGAN COUNTY)	2024-00325
WATER DISTRICT)	

**MORGAN COUNTY WATER DISTRICT'S VERIFIED RESPONSE
TO COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
ENTERED JANUARY 9, 2026**

Comes now Morgan County Water District (Morgan County), by counsel, and does hereby tender its Verified Response to Commission Staff's First Request for Information entered January 9, 2026.

Dated: February 23, 2026

MORGAN COUNTY WATER DISTRICT
CASE NO. 2024-00325
SECOND REQUEST FOR INFORMATION RESPONSE

Request 1. Refer to Request for Additional Time, 2 paragraph 3. Provide a final amortization schedule for the KIA loan.

Response 1: Please see Attachment 4-1. The rows with highlights are payments that have been made.

ATTACHMENT 4-1

KENTUCKY INFRASTRUCTURE AUTHORITY
 REPAYMENT SCHEDULE
 LOAN #F21-002
 MORGAN COUNTY WATER DISTRICT
 FINAL

Original Loan Amount \$ 3,262,000.00
 Principal Forgiveness \$ (1,000,000.00)
 Repayment Amount \$ 2,262,000.00

0.25% Interest
 \$39,287.86 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
								\$2,030,795.01		
12/01/24	\$32,614.34	\$3,278.32	0.25%	\$35,892.66	\$3,788.49	\$0.00	\$39,681.15	\$1,998,180.67	\$8,200.00	\$8,200.00
06/01/25	\$32,655.10	\$2,497.73	0.25%	\$35,152.83	\$2,497.73	\$0.00	\$37,650.56	\$2,196,730.56	\$0.00	\$8,200.00
12/01/25	\$36,541.94	\$2,575.68	0.25%	\$39,117.62	\$2,456.91	\$0.00	\$41,574.53	\$2,160,188.62	\$8,200.00	\$16,400.00
06/01/26	\$36,587.62	\$2,700.24	0.25%	\$39,287.86	\$2,700.24	\$0.00	\$41,988.10	\$2,123,601.00	\$0.00	\$16,400.00
12/01/26	\$36,633.35	\$2,654.51	0.25%	\$39,287.86	\$2,654.51	\$0.00	\$41,942.37	\$2,086,967.65	\$8,200.00	\$24,600.00
06/01/27	\$36,679.15	\$2,608.71	0.25%	\$39,287.86	\$2,608.71	\$0.00	\$41,896.57	\$2,050,288.50	\$0.00	\$24,600.00
12/01/27	\$36,725.00	\$2,562.86	0.25%	\$39,287.86	\$2,562.86	\$0.00	\$41,850.72	\$2,013,563.50	\$8,200.00	\$32,800.00
06/01/28	\$36,770.90	\$2,516.96	0.25%	\$39,287.86	\$2,516.96	\$0.00	\$41,804.82	\$1,976,792.60	\$0.00	\$32,800.00
12/01/28	\$36,816.87	\$2,470.99	0.25%	\$39,287.86	\$2,470.99	\$0.00	\$41,758.85	\$1,939,975.73	\$8,200.00	\$41,000.00
06/01/29	\$36,862.89	\$2,424.97	0.25%	\$39,287.86	\$2,424.97	\$0.00	\$41,712.83	\$1,903,112.84	\$0.00	\$41,000.00
12/01/29	\$36,908.97	\$2,378.89	0.25%	\$39,287.86	\$2,378.89	\$0.00	\$41,666.75	\$1,866,203.87	\$8,200.00	\$49,200.00
06/01/30	\$36,955.11	\$2,332.75	0.25%	\$39,287.86	\$2,332.75	\$0.00	\$41,620.61	\$1,829,248.76	\$0.00	\$49,200.00
12/01/30	\$37,001.30	\$2,286.56	0.25%	\$39,287.86	\$2,286.56	\$0.00	\$41,574.42	\$1,792,247.46	\$8,200.00	\$57,400.00
06/01/31	\$37,047.55	\$2,240.31	0.25%	\$39,287.86	\$2,240.31	\$0.00	\$41,528.17	\$1,755,199.91	\$0.00	\$57,400.00
12/01/31	\$37,093.86	\$2,194.00	0.25%	\$39,287.86	\$2,194.00	\$0.00	\$41,481.86	\$1,718,106.05	\$8,200.00	\$65,600.00
06/01/32	\$37,140.22	\$2,147.64	0.25%	\$39,287.86	\$2,147.64	\$0.00	\$41,435.50	\$1,680,965.83	\$0.00	\$65,600.00
12/01/32	\$37,186.65	\$2,101.21	0.25%	\$39,287.86	\$2,101.21	\$0.00	\$41,389.07	\$1,643,779.18	\$8,200.00	\$73,800.00
06/01/33	\$37,233.13	\$2,054.73	0.25%	\$39,287.86	\$2,054.73	\$0.00	\$41,342.59	\$1,606,546.05	\$0.00	\$73,800.00
12/01/33	\$37,279.68	\$2,008.18	0.25%	\$39,287.86	\$2,008.18	\$0.00	\$41,296.04	\$1,569,266.37	\$8,200.00	\$82,000.00
06/01/34	\$37,326.27	\$1,961.59	0.25%	\$39,287.86	\$1,961.59	\$0.00	\$41,249.45	\$1,531,940.10	\$0.00	\$82,000.00
12/01/34	\$37,372.93	\$1,914.93	0.25%	\$39,287.86	\$1,914.93	\$0.00	\$41,202.79	\$1,494,567.17	\$8,200.00	\$90,200.00
06/01/35	\$37,419.65	\$1,868.21	0.25%	\$39,287.86	\$1,868.21	\$0.00	\$41,156.07	\$1,457,147.52	\$0.00	\$90,200.00
12/01/35	\$37,466.42	\$1,821.44	0.25%	\$39,287.86	\$1,821.44	\$0.00	\$41,109.30	\$1,419,681.10	\$8,200.00	\$98,400.00
06/01/36	\$37,513.25	\$1,774.61	0.25%	\$39,287.86	\$1,774.61	\$0.00	\$41,062.47	\$1,382,167.85	\$0.00	\$98,400.00
12/01/36	\$37,560.15	\$1,727.71	0.25%	\$39,287.86	\$1,727.71	\$0.00	\$41,015.57	\$1,344,607.70	\$8,200.00	\$106,600.00
06/01/37	\$37,607.10	\$1,680.76	0.25%	\$39,287.86	\$1,680.76	\$0.00	\$40,968.62	\$1,307,000.60	\$0.00	\$106,600.00
12/01/37	\$37,654.11	\$1,633.75	0.25%	\$39,287.86	\$1,633.75	\$0.00	\$40,921.61	\$1,269,346.49	\$8,200.00	\$114,800.00
06/01/38	\$37,701.17	\$1,586.69	0.25%	\$39,287.86	\$1,586.69	\$0.00	\$40,874.55	\$1,231,645.32	\$0.00	\$114,800.00
12/01/38	\$37,748.30	\$1,539.56	0.25%	\$39,287.86	\$1,539.56	\$0.00	\$40,827.42	\$1,193,897.02	\$8,200.00	\$123,000.00
06/01/39	\$37,795.49	\$1,492.37	0.25%	\$39,287.86	\$1,492.37	\$0.00	\$40,780.23	\$1,156,101.53	\$0.00	\$123,000.00
12/01/39	\$37,842.73	\$1,445.13	0.25%	\$39,287.86	\$1,445.13	\$0.00	\$40,732.99	\$1,118,258.80	\$8,200.00	\$131,200.00
06/01/40	\$37,890.04	\$1,397.82	0.25%	\$39,287.86	\$1,397.82	\$0.00	\$40,685.68	\$1,080,368.76	\$0.00	\$131,200.00
12/01/40	\$37,937.39	\$1,350.47	0.25%	\$39,287.86	\$1,350.47	\$0.00	\$40,638.33	\$1,042,431.37	\$8,200.00	\$139,400.00
06/01/41	\$37,984.83	\$1,303.03	0.25%	\$39,287.86	\$1,303.03	\$0.00	\$40,590.89	\$1,004,446.54	\$0.00	\$139,400.00
12/01/41	\$38,032.30	\$1,255.56	0.25%	\$39,287.86	\$1,255.56	\$0.00	\$40,543.42	\$966,414.24	\$8,200.00	\$147,600.00
06/01/42	\$38,079.85	\$1,208.01	0.25%	\$39,287.86	\$1,208.01	\$0.00	\$40,495.87	\$928,334.39	\$0.00	\$147,600.00
12/01/42	\$38,127.45	\$1,160.41	0.25%	\$39,287.86	\$1,160.41	\$0.00	\$40,448.27	\$890,206.94	\$8,200.00	\$155,800.00
06/01/43	\$38,175.10	\$1,112.76	0.25%	\$39,287.86	\$1,112.76	\$0.00	\$40,400.62	\$852,031.84	\$0.00	\$155,800.00
12/01/43	\$38,222.82	\$1,065.04	0.25%	\$39,287.86	\$1,065.04	\$0.00	\$40,352.90	\$813,809.02	\$8,200.00	\$164,000.00
06/01/44	\$38,270.60	\$1,017.26	0.25%	\$39,287.86	\$1,017.26	\$0.00	\$40,305.12	\$775,538.42	\$0.00	\$164,000.00
12/01/44	\$38,318.44	\$969.42	0.25%	\$39,287.86	\$969.42	\$0.00	\$40,257.28	\$737,219.98	\$0.00	\$164,000.00
06/01/45	\$38,366.34	\$921.52	0.25%	\$39,287.86	\$921.52	\$0.00	\$40,209.38	\$698,853.64	\$0.00	\$164,000.00

12/01/45	\$38,414.30	\$873.56	0.25%	\$39,287.86	\$873.56	\$0.00	\$40,161.42	\$660,439.34	\$0.00	\$164,000.00
06/01/46	\$38,462.31	\$825.55	0.25%	\$39,287.86	\$825.55	\$0.00	\$40,113.41	\$621,977.03	\$0.00	\$164,000.00
12/01/46	\$38,510.39	\$777.47	0.25%	\$39,287.86	\$777.47	\$0.00	\$40,065.33	\$583,466.64	\$0.00	\$164,000.00
06/01/47	\$38,558.53	\$729.33	0.25%	\$39,287.86	\$729.33	\$0.00	\$40,017.19	\$544,908.11	\$0.00	\$164,000.00
12/01/47	\$38,606.72	\$681.14	0.25%	\$39,287.86	\$681.14	\$0.00	\$39,969.00	\$506,301.39	\$0.00	\$164,000.00
06/01/48	\$38,654.98	\$632.88	0.25%	\$39,287.86	\$632.88	\$0.00	\$39,920.74	\$467,646.41	\$0.00	\$164,000.00
12/01/48	\$38,703.31	\$584.55	0.25%	\$39,287.86	\$584.55	\$0.00	\$39,872.41	\$428,943.10	\$0.00	\$164,000.00
06/01/49	\$38,751.68	\$536.18	0.25%	\$39,287.86	\$536.18	\$0.00	\$39,824.04	\$390,191.42	\$0.00	\$164,000.00
12/01/49	\$38,800.13	\$487.73	0.25%	\$39,287.86	\$487.73	\$0.00	\$39,775.59	\$351,391.29	\$0.00	\$164,000.00
06/01/50	\$38,848.62	\$439.24	0.25%	\$39,287.86	\$439.24	\$0.00	\$39,727.10	\$312,542.67	\$0.00	\$164,000.00
12/01/50	\$38,897.18	\$390.68	0.25%	\$39,287.86	\$390.68	\$0.00	\$39,678.54	\$273,645.49	\$0.00	\$164,000.00
06/01/51	\$38,945.80	\$342.06	0.25%	\$39,287.86	\$342.06	\$0.00	\$39,629.92	\$234,699.69	\$0.00	\$164,000.00
12/01/51	\$38,994.48	\$293.38	0.25%	\$39,287.86	\$293.38	\$0.00	\$39,581.24	\$195,705.21	\$0.00	\$164,000.00
06/01/52	\$39,043.23	\$244.63	0.25%	\$39,287.86	\$244.63	\$0.00	\$39,532.49	\$156,661.98	\$0.00	\$164,000.00
12/01/52	\$39,092.03	\$195.83	0.25%	\$39,287.86	\$195.83	\$0.00	\$39,483.69	\$117,569.95	\$0.00	\$164,000.00
06/01/53	\$39,140.90	\$146.96	0.25%	\$39,287.86	\$146.96	\$0.00	\$39,434.82	\$78,429.05	\$0.00	\$164,000.00
12/01/53	\$39,189.82	\$98.04	0.25%	\$39,287.86	\$98.04	\$0.00	\$39,385.90	\$39,239.23	\$0.00	\$164,000.00
06/01/54	\$39,239.23	\$48.63	0.25%	\$39,287.86	\$49.05	\$0.00	\$39,336.91	\$0.00	\$0.00	\$164,000.00
Totals	\$2,262,000.00	\$87,571.13		\$2,349,571.13	\$87,962.95	\$0.00	\$2,437,534.08		\$164,000.00	

Created by KIA on 09/22/2025

The principal balance of the loan increased by \$231,204.99 on 06/01/25 to include an additional draw

MORGAN COUNTY WATER DISTRICT
CASE NO. 2024-00325
SECOND REQUEST FOR INFORMATION RESPONSE

- Request 2.** Refer to Request for Additional Time, paragraph 4.
- a. Explain whether Morgan District still utilizes the vehicle purchased with the loan. If so, explain the current uses of the vehicle.
 - b. Explain what Morgan District's policies are regarding personal use of vehicles.

Response 2(a): No.

Response 2(b): Some employees are assigned a vehicle by Morgan District for transportation between the employees' residence, Morgan District's office, or work sites. This allows quicker response to customers homes or areas where repairs are needed. Morgan District's policy does not allow the personal use of the vehicle other than commuting to and from work.

MORGAN COUNTY WATER DISTRICT
CASE NO. 2024-00325
SECOND REQUEST FOR INFORMATION RESPONSE

Request 3: Provide a copy of the contract between RFA Accounting and Morgan District.

Response 3: Please see Attachment 4-3.

ATTACHMENT 4-3



December 9, 2025

To Board of Commissioners and Andy Legg
Morgan County Water District
1009 Highway 172
West Liberty, KY 41472

We are pleased to confirm our understanding of the services we are to provide Morgan County Water District for the year ended December 31, 2025.

Audit Scope and Objectives

We will audit the financial statements and the disclosures, which collectively comprise the basic financial statements of Morgan County Water District as of and for the year ended December 31, 2025. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Morgan County Water District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Morgan County Water District's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance. We understand that you will not include your MD&A, and our report will disclose its absence. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

1) Pension and Other Post Employment Benefit Schedules

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of your accounting records of Morgan County Water District and other procedures we consider

necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We have identified the following significant risk(s) of material misstatement as part of our audit planning:

1. New debt issues are a significant risk of material misstatement due to the complexity of the accounting requirements. In addition, internal control findings related to bond covenants in the prior year is a significant risk.
2. The net pension and OPEB liabilities and related outflows/inflows from the county employee retirement system are a significant risk due to the complexity of the accounting requirements.
3. Expenditures pose an additional risk of fraud because of the possibility of management override of controls as well as state mandated bidding requirements.
4. Cash, disbursements, and debt, pose an additional risk due to prior year internal control findings.
5. Subscription-Based Information Technology Arrangements and leases pose a significant risk of material misstatement because of the complexity of the requirements.
6. GAAS assumes revenue recognition is a significant risk.
7. GAAS assumes management override of control is a significant risk.

8. Internal control findings in the prior year related to missing documentation and failures of internal controls presents a significant risk.

If additional significant risks arise during planning or audit procedures, we will communicate those risks to you timely.

Our audit of financial statements does not relieve you of your responsibilities.

Audit Procedures—Internal Control

We will obtain an understanding of the government and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Morgan County Water District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us; for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for the 12 months after the financial statements date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion

of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Other Services

We will also assist in preparing the financial statements and related notes of Morgan County Water District in conformity with accounting principles generally accepted in the United States of America based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to Morgan County Water District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of RFH, PLLC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate

individuals will be made available upon request and in a timely manner to appropriate regulatory agencies or their designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of RFH, PLLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the appropriate regulatory agencies. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Heather R Cochran, CPA is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit at a mutually agreed upon date and to issue our reports no later than March 31, 2026. The issuance of reports is contingent upon receiving the CERS pension reports prior to March 1, 2026.

Our fee for services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, confirmation service provider fees, etc.) except that we agree that our fee will not exceed \$18,000 - \$21,000 for the audit and preparation of the financial statements. Our fee for drafting the PSC report will be between \$1,200 - \$1,900. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered periodically and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Additional fees will be charged if the audit is subject to federal single audit requirements under the Uniform Guidance. We estimate those fees will not exceed \$6,900.

Reporting

We will issue a written report upon completion of our audit of Morgan County Water District's financial statements. Our report will be addressed to the Board of Commissioners of Morgan County Water District. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will state (1) that the purpose of the report is solely to describe the scope of 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 on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during our audit we become aware that Morgan County Water District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

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

Very truly yours,

Heather R. Cochran

Heather R Cochran, CPA
RFH, PLLC

RESPONSE:

This letter correctly sets forth the understanding of Morgan County Water District.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: Board Member _____

Date: _____

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

Very truly yours,

Heather R. Cochran

Heather R Cochran, CPA
RFH, PLLC

RESPONSE:

This letter correctly sets forth the understanding of Morgan County Water District.

Management signature: *Andy Legg*

Title: *General Manager*

Date: *2-11-26*

Governance signature: *Chris Adam*

Title: *Board Member*

Date: *2-11-2026*

MORGAN COUNTY WATER DISTRICT
CASE NO. 2024-00325
SECOND REQUEST FOR INFORMATION RESPONSE

Request 4: Explain in detail what duties RFA Accounting will provide Morgan District.

Response 4: RFH Accounting (“RFH”) will audit the basic financial statements of Morgan District for the year ended December 31, 2025. RFH will then obtain assurance are whole and free from misstatement. RFH will then issue an Auditor’s Report that includes whether Morgan District’s financial statements are fairly presented. RFH will use this information to also conduct an audit for the Commission.

This audit will include evaluating the appropriateness of accounting policies used and evaluating the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions. RFH will test the documentary evidence supporting the transactions recorded in the accounts, test of the physical existence of inventories, and direct conformation of receivable and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. RFH will also include an opinion, based on the audit evidence obtained, that raise substantial doubt about Morgan District’s ability to continue as a going concern. The audit will be conducted in accordance with GAAS and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

MORGAN COUNTY WATER DISTRICT
CASE NO. 2024-00325
SECOND REQUEST FOR INFORMATION RESPONSE

Request 5: Refer to the 2024 Audit Report.

- a. As to each bond, explain whether the five bonds listed in Notes to Financial Statements, Note 5. Long-Term Debt are still outstanding.
- b. Explain whether there is any additional long-term debt not listed in the 2024 Audit Report.

Response 5(a): All bonds are still outstanding. Monthly payments are being made according to schedule.

Response 5(b): No. There is no additional long-term debt.