

- 2017 Audit should be completed by end of March (Submitted) (2018 and 2019 have been submitted to the board awaiting approval)
- Jim Doyle to calibrate test bench on 3/13/2020
- Alliance maintains an online Safety Manual for all employees to access. Had first safety meetings in January. (Water safety videos online for their monthly safety meetings)
- Utility stated every pump station needed either repairs or replacement of at least one pump or motor. Telemetry equipment is missing from at least 3 sites from either disrepair or theft. (One booster pump station is equipped with dual pumps (Big Lick) Working on High School Booster and getting Telemetry on lift stations)
- Alliance has removed only one employee since beginning operations. Gregg Scott is in a transition role as an advisor/public relations/meter reading capacity. Water plant and office staff has not changed. (A lot of personnel changes- see personnel chart)
- Tony Sneed (owner?) has moved to Martin County temporarily to get operations started. Craig Miller (Division Manager) has purchased residence in Martin County. Will be bringing in James Ford as Local Manager on April 13, 2020. John Horn is Distribution Supervisor and Katrina Sansom is Office Manager. (Alliance is sending an updated personnel chart.) (Tony Sneed is Director of Operations, John Horn and Katrina Samson are no longer employed with Martin County Water District)
- Alliance stated that Martin County Water District began working to address deficiencies that were noted in the October 9, 2019 inspection in January of 2020. (Deficiencies were addressed and submitted)
- Alliance stated that it is estimated that there are at least 3,000+ meters that are 10 years or older that have not been tested. Alliance has provided a meter profile sheet. (Still around 3,000 untested meters, all Oldham County meters have been installed- 338) One of the projects include 500 meters being replaced in the Warfield area.
- Alliance employees read meters. It currently takes one week to read. Employees are going to all meter boxes and reading all meters manually. High/low reads are being rechecked. (James Ford expressed the need for radio read meters due to pulling all distribution workers for 7 days to read meters and perform re-reads.)
- Board members: Jimmy Don Kerr
 - John Hensley Treasurer
 - B.J. Sloan new (coach)
 - Greg Crum new (teacher, coach)
 - Vacant (This has been filled- an updated list of board members is attached)
- Replacement of water plant master meter is funded in one of the grant project. Haven't found any records of successful meter test since installing in 1984. (Has not been completed yet)
- Raw water intake upgrade project is underway. Will have a floating intake with self-cleaning screen. Pumps will be on a rail system. Discharge line will tie into current raw water line. Martin County has not used river intake in 2 months because lake has been staying full. Existing building will not be used and a small control box will be added for controls of pumps and rail system. (VFD's, new pump, new intake piping has been completed, running intake pump 24/7 pumping at 1230gpm)
- Alliance feels one of its biggest needs is funding for system wide meter replacement. (Still biggest need) They are currently developing a five-year capital plan. (in progress)

- Initially appears that Martin County is sending out fewer bills than the number of customers they have receiving water. (Currently not true- got a handle on theft and non-metered homes)
- Kentucky Water Resources Institute/UK is developing a hydraulic model for Martin County Water District. Martin County is also using Bell Engineering to develop a model. (In progress)
- Debt service is still at approximately \$790,000. (Still true)
- Kermit, WV is not purchasing water at this time. The connection would have to be repaired before they could. (No change)
- Utility stated they are having issues with area agencies not using 811. Alliance participates in 811. They are creating policies to address excavation breaks and are creating invoices for agencies that damage water lines. Has a training scheduled with 811 in March and has also invited Martin County Road Department to participate. (relationships seem to be getting better and everyone is working together)
- Alliance plans to purchase new billing software soon. Current program is outdated and difficult to update, reports are hard to generate. Martin County will switch to read every 100 gallons of usage instead of every 1000 gallons after purchasing new billing software. (Billing software has been purchased and is currently being used) Encode is the name of the software.
- Water treatment plant still runs 24 hours/day at a reduced flow rate. Running at 90% capacity. AML grant will provide funds to demo Clarifier #1 and rebuild. Then Clarifier #3 will be updated. Martin County has not been able to shut down and spray off tube settlers since around 2010. (producing 1,800,000 gpd)
- Alliance is currently trying to identify types of and amount of theft occurring. They have talked with County Prosecutor, which has pledged assistance and cooperation to do what needs to be done to deter theft. Current plans are: 1) Public awareness 2) Identify and quantify theft and 3) develop board policy to address theft. Until a policy is written, any illegal hookups are being removed. (Theft of service policy has been written and implemented and theft of service is turned over to County Prosecutor)
- Martin County is still having problems selling water to the prison because they can't overcome the pressure from Prestonsburg's pump station. (?) (This has been fixed by fixing a leak. They have paid Prestonsburg's loan off and have started collecting revenue from Prestonsburg. Looking to get \$4,000-\$6,000 a month) Supplying 3,000,000 gallons a month to the prison.
- For the distribution system: 1st quarter goal is to develop a flushing program. Second quarter goal is to develop a valve exercise program. (Flushing will not be able to go forward until water loss is under control) (Valve exercising is done as needed with work orders and KRWA is helping with it as well)
- Still working with fire departments to assess actual usage. Will present findings to board to decide if fire departments will be billed for water usage not for firefighting purposes. (Fire Departments are submitted usage reports and a meter has been installed at Warfield Fire Dept.)
- Had 15 known leaks at first of year. All of those have been fixed and operators are looking for more. Are currently using pressure complaints from customers and visual observation from drive by and meter reading. Next steps are to identify zone meters and set a baseline. (Just fixed 1 substantial leak and 4 service line leaks this week) Water loss is 69.52% as of October (Have 22 zone meters)
- Alliance stated that they and the Board are working well together and sharing information. All Board meetings are videoed. Board Chairman has not had to spend as much time doing day to

Martin County Notes 3/11/2020 (Updated 10/21/2020)

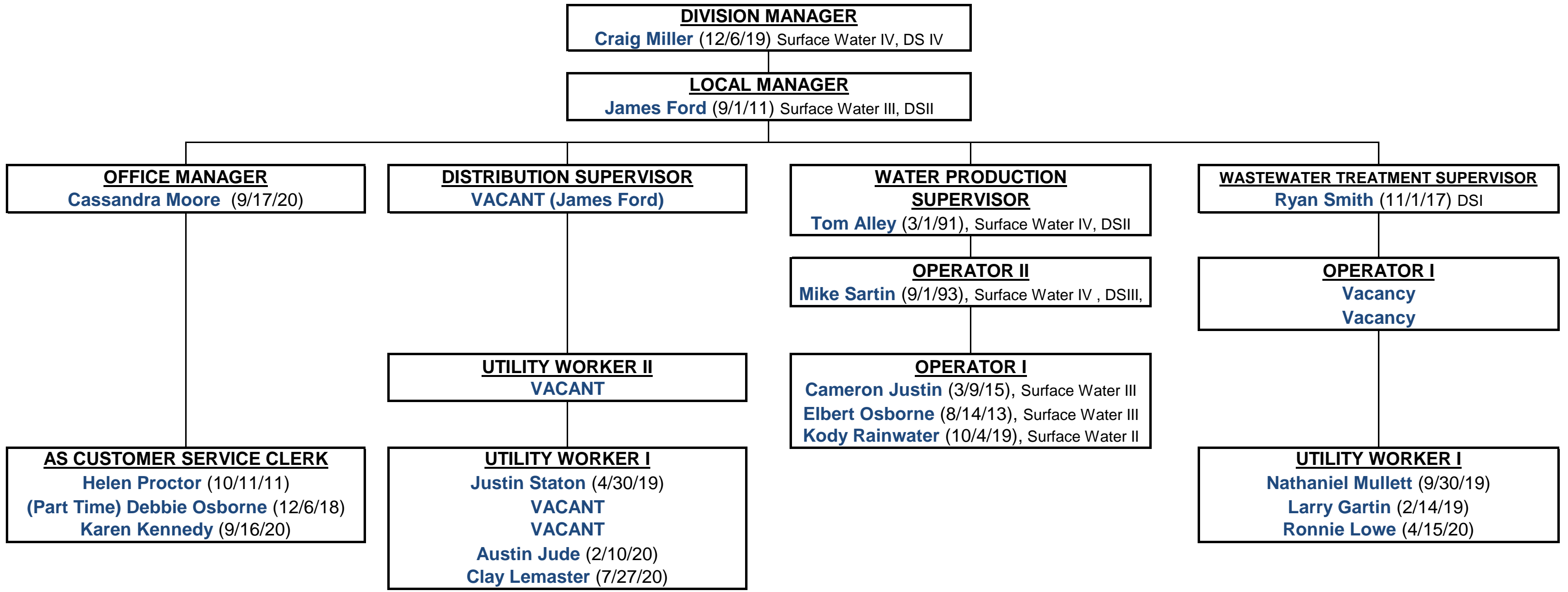
day managing of water district. Alliance has rented an office in Inez to serve as a Regional office for Alliance.

- From September 1, 2019 to now, approximately 83 of the used meters purchased from Oldham County have been put into service. Martin County bought a total of 338 meters from Oldham County. (All meters have been installed)
- Division of Water is determining storage capacity of lake. Current records show lake at 23 surface acres when full. Utility can draw water down 10 feet before they have to use a portable pump to put water into intake.
- Estimated revenue shortfall of \$30,000/ month currently. (still current shortfall) See attachment

Additional:

Have a roll off dumpster full of supplies from consolidated pipe. No longer use Evans Hardware. Consolidated pipe fill the dumpster weekly with supplies that are needed. One employee that has access to dumpster and Alliance is hoping that this will be a cost savings. (Estimating \$5,000-\$10,000 month)

Water Treatment plant has a 40 hr. schedule in place now which has cut overtime expenses estimating a couple thousand dollars.



Martin County Water District
387 E. Main St.

Phone (606) 298-3885 Inez, Kentucky 41224

Special Meeting, Tuesday, October 27, 2020 – 6:00 p.m.

Martin County Government Center (2nd Floor)

Online Zoom Platform

Will Be Streamed on Facebook Live

- 1) Call the meeting to order

- 2) Review and Consideration to Approve Minutes

- 3) Review and Consideration of Financial Reports
 - A. Review and Consideration to Approve Treasurer's Report
 - B. Review and Consideration to Approve Other Financials
 - C. Review and Consideration to Approve 2018 Audit Draft
 - D. Review and Consideration to Approve 2019 Audit Draft

- 4) Review and Consideration to Approve Bills

- 5) Operations
 - A. Alliance Operations Report
 - B. Meter Audit
 - C. Water Loss Report

- 6) Capital Projects Report
 - A. Project Updates

- 7) Other New Business
 - A. Discussion and Decision about Disconnects for Non-Payment
 - B. Vacation Owed Memo

- 8) Q/A with Customers via Facebook

- 9) Adjourn

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

**Martin County Water District
Special Meeting of the Board of Directors
October 12, 2020 Meeting Minutes**

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

The Special Meeting of the Martin County Water District was held on October 12, 2020 viz Zoom in Inez, Kentucky 41224. Mr. Kerr called the meeting to order at 11:59 a.m.

Mr. Kerr called for a review of the September 24, 2020, Special Board Meeting minutes. Having no questions or further discussions, Mr. Crum motioned to accept the September 24, 2020 Special Board Meeting minutes. Mr. Mueller seconded. All ayes. Motion carried.

Having no further items for discussion, Mr. Kerr requested a motion to adjourn. Mr. Mueller motioned to adjourn the meeting. Mr. Crum seconded. All ayes, Motion carried. Meeting adjourned at 12:03 p.m.

Minutes approved this _____ day of _____, 2020.

James Kerr, Chairman

Cassandra Moore, Clerk

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

Martin County Water District
Balance Sheet
September 30, 2020

9/30/2020

ASSETS

CURRENT ASSETS

Checking Account - Operations	\$159,970.04
Revenue Fund-EFT	53,259.84
Cash on Hand	900.00

Total Cash	214,129.88
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Accounts Receivable	526,481.36
Allowance for Doubtful Accts	(7,764.27)
Unbilled Accounts Receivable	90,632.07
Accounts Receivable-Other	52,954.62
Inventory	8,376.76
Prepaid Expenses	(1,429.74)

Total Current Assets	883,380.68
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PROPERTY, PLANT & EQUIPMENT

Land	214,713.83
Water Supply & Distribution System	28,197,113.19
Buildings	500,263.89
Equipment & Furniture	5,629,715.77
Vehicles	344,794.47
Construction Work in Progress	63,345.00
Less: Accumulated Depreciation	(17,123,414.05)

Net Property, Plant & Equipment	17,826,532.10
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RESTRICTED CASH

Security Deposits	161,626.68
Grant Fund	13,060.30
Sinking Fund - RD	4,279.66
Regions Sinking Fund	69,247.63
KIA Sinking Fund	4,531.17
KACO Sinking Fund	7,066.70
Debt Service Surcharge Fund	9,425.05
Management Infrastructure Surcharge Fund	1,000.16
Depreciation Fund	1,021.74
Accrued Interest Receivable	4.00

Total Restricted Cash	271,263.09
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OTHER ASSETS

Deferred Outflows of Resources Related to Pensions	504,402.00
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Total Other Assets	504,402.00
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Total Assets	\$19,485,577.87
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Martin County Water District
Balance Sheet
September 30, 2020

9/30/2020

LIABILITIES AND DISTRICT'S EQUITY

CURRENT LIABILITIES

Accounts Payable	\$1,103,643.72
Sales Tax Payable	3,502.21
School Tax Payable	8,750.16
Accrued Wages Payable	88.92
Accrued Vacation	12,861.81
Accrued Payroll Taxes	12,307.80
Accrued Retirement	(44,569.09)
Accrued 401(k)	60.00
Accrued Health Insurance	2,649.17
Long Term Debt-Current	129,619.70
Accrued Interest Payable	12,500.38
Customer Deposits	152,660.53
Total Current Liabilities	1,394,075.31

LONG-TERM DEBT

Notes Payable - KIA	411,666.82
Lease Payable - KACO	71,221.96
Bonds Payable - 2015 E Current Refunding	1,765,000.00
Bonds Premium-2015E	22,363.00
A/Amort Bond Premium-2015E	(4,045.87)
Less: Current Portion of L-Term Debt	(129,619.70)
Net Pension Liability	1,072,039.00
Other Inflow Resources-Pension	220,865.00
Other Deferred Credits	46,453.94
Total Long-Term Debt	3,475,944.15

Total Liabilities

4,870,019.46

DISTRICT'S EQUITY

Contributed Capital-Grants	13,197,146.17
Contributed Capital-Government Grants	14,439,514.29
Contributed Capital	1,800,797.77
Retained Earnings	(14,392,695.70)
YTD Net Income	(429,204.12)
Total District's Equity	14,615,558.41

Total Liabilities and District's Equity

\$19,485,577.87

Martin County Water District
Statements of Revenues and Expenses
For the Nine Months Ending September 30, 2020
Actual vs Budget

<u>September</u>			<u>YTD</u>		
<u>Actual</u>	<u>Budget</u>		<u>Actual</u>	<u>Budget</u>	<u>Annual Budget</u>
		Operating Revenues			
\$153,483	\$148,829	Water Sales-Residential	\$1,385,972	\$1,339,459	\$1,785,946
19,850	32,082	Water Sales-Commercial	221,228	288,734	384,979
6,435	539	Water Sales-Public Authorities	64,446	4,848	6,464
0	12	Bulk Water Sales	35	105	140
1,000	0	Connection Fees - Tap	17,672	0	0
0	0	Late Charge Fees	13,416	0	0
928	9,215	Reconnect/Meter Sets/Other Fees	16,499	82,931	110,575
9,079	8,333	Debt Service Surcharge	80,231	75,000	100,000
16,299	15,844	Management Infrastructure Surcharge	144,342	142,597	190,129
0	0	Miscellaneous Income	3,925	0	0
207,074	214,854	Total Operating Revenues	1,947,766	1,933,674	2,578,233
		Operating Expenses			
0	0	Employee Benefits	21,367	0	0
0	4,167	Water Purchased	0	37,500	50,000
164,446	164,446	Management & Operations Contract	1,480,010	1,480,010	1,973,346
23,199	25,715	Utilities	193,728	231,438	308,584
3,413	3,958	Insurance	30,720	35,625	47,500
161	0	Repairs & Maintenance	1,475	0	0
0	417	Materials & Supplies	0	3,750	5,000
69	0	Outside Services	16,452	0	0
663	2,083	Legal Expenses	5,450	18,750	25,000
0	15,000	Audit	0	15,000	30,000
4,583	0	Bad Debts	41,250	0	0
0	0	Bond Trustee Fees	450	0	0
0	0	Dues	1,850	0	0
646	0	Office Expense	2,334	0	0
1,224	752	Rent Expense	6,532	6,765	9,020
(2,220)	417	Regulatory Assess Fees	5,983	3,750	5,000
0	0	Miscellaneous Expense	1,040	0	0
196,184	216,955	Total Operating Expenses	1,808,641	1,832,588	2,453,450
10,890	(2,101)	Net Income B/4 Other (Inc) & Exp	139,125	101,086	124,783
		Other Income (Expenses)			
12,971	334,125	Capital Contributions	76,316	3,007,125	4,009,500
8	0	Interest Income	362	0	0
(7,074)	(8,119)	Interest Expense	(64,322)	(73,075)	(97,433)
63	63	Amortization	565	565	753
(64,583)	(64,583)	Depreciation	(581,250)	(581,250)	(775,000)
(58,615)	261,486	Total Other Income (Expenses)	(568,329)	2,353,365	3,137,820
(\$47,725)	\$259,385	Net Income(Loss)	(\$429,204)	\$2,454,451	\$3,262,603

**Martin County Water District
Inez, KY**

Treasury Report

Billing Charges For the Month of:	Sep-20	
Water Revenue		\$ 153,032.95
Water Revenue-Commercial		19,850.17
Water Revenue-Commercial Exempt		6,435.49
Late Charges		-
Sales Taxes		1,191.08
Debt Service Surcharge		9,079.08
School Tax		5,383.05
Management Infrastructure Surcharge		16,298.78
Returned Check		430.14
Connection Fees		1,000.00
Other Miscellaneous Fees		928.00
Deposits Applied		(315.00)
Refund Checks Paid		401.01
Total Billing Charges		\$ 213,714.75

Gallons Billed	12,276,467
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Customers Billed	3,490
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Accounts Receivable	Sep-20	
Beginning Balance		371,856.81
Billing Charges		213,714.75
Bad Debt (Write Offs) Recoveries		171.08
Accounts Receivable Collections		(188,022.14)
End of Month Accounts Receivable		397,720.50

Operations Account		
Beginning Balance	\$	73,952.04
Deposits		
Accounts Receivable Collections		188,022.14
Sewer Billing Collections in Water Bank Acct - Due to MCS		19,975.72
Transfers from Other District Accts		9,118.60
Other		4,321.75
Total Deposits		221,438.21
Disbursements:		
Checks Written		(68,917.55)
Transfers to Other District Accts		(45,243.58)
Auto Drafted Utilities		(20,885.70)
Returned Checks		(306.71)
Nextbillpay Fees		(66.67)
End of Month Balance		\$ 159,970.04

**Martin County Water District
Inez, KY
Treasury Report
Summary of Cash & Investments
September 30, 2020**

Bank Account	Beginning Balance	Deposits	Interest Earned, Net of Fees	Payments	Ending Balance
Operations Account	\$ 73,952.04	221,438.21	-	(135,420.21)	\$ 159,970.04
Revenue EFT Account	5,127.49	55,633.61	-	(7,501.26)	53,259.84
Cash on Hand	900.00	-	-	-	900.00
Total Unrestricted Cash	<u>79,979.53</u>	<u>277,071.82</u>	-	<u>(142,921.47)</u>	214,129.88
Restricted Cash					
Security Deposits	161,749.52	-	6.67	(129.51)	161,626.68
ARC Grant	89.30	12,971.00	-	-	13,060.30
Rockhouse Project	4,428.31	10,500.00	-	(10,648.65)	4,279.66
Regions Bank-KY 2015E Martin County	58,598.20	10,648.65	0.78	-	69,247.63
KIA Bond & Interest	10,221.03	10,500.00	0.09	(16,189.95)	4,531.17
KY Assoc of Counties Leasing Trust	7,451.19	-	0.09	(384.58)	7,066.70
Debt Service Surcharge	1,916.57	18,613.68	0.05	(11,105.25)	9,425.05
Management Infrastructure Surcharge	1,000.06	16,129.90	0.10	(16,129.90)	1,000.16
Depreciation Reserve	1,021.73	-	0.01	-	1,021.74
Total Restricted Cash	<u>246,475.91</u>	<u>79,363.23</u>	<u>7.79</u>	<u>(54,587.84)</u>	271,259.09
Total Cash & Investments	<u>\$ 326,455.44</u>	<u>356,435.05</u>	<u>7.79</u>	<u>(197,509.31)</u>	<u>\$ 485,388.97</u>

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

**Martin County Water District
Billing Summary**

Date	Billed		Gallons (000'S)	Billed # of Customers	Payments Received
	Revenue	YTD Total			
Sep-20	181,546	1,880,884	12,276	3,490	188,022
Aug-20	182,051	1,699,338	13,603	3,481	237,043
Jul-20	223,267	1,517,287	18,702	3,463	207,448
Jun-20	372,931	1,294,020	27,388	3,424	195,535
May-20	194,835	921,089	14,811	3,390	221,999
Apr-20	178,101	726,254	12,528	3,370	199,144
Mar-20	170,339	548,153	11,629	3,386	193,963
Feb-20	187,025	377,814	12,846	3,369	207,246
Jan-20	190,788	190,788	14,830	3,388	234,262
Dec-19	180,925	2,257,333	13,238	3,384	225,180
Nov-19	189,850	2,076,408	14,344	3,411	212,517
Oct-19	200,717	1,886,558	15,772	3,408	213,508
Sep-19	203,526	1,685,841	16,068	3,384	229,365

Notes:

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

Martin County Water District

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

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

Notes:

- 1: **Payments Received** are those received for the full month
- 2: **Expenses** are those planned and presented in the Board Packet for the referenced month
- 3: **Payment Plans** are payments towards outstanding debt not funded by DSS **Current balance= \$277,383 (Some fin charges forgiven & Prestonburg City decreased)**
- 4: **Operations Account Includes** the estimated DSS and MIS transfers (See list of Bills in Board Packet)
- 5: **MIS EXP** estimated funds applied to AWR Invoice (An Operations Account Expense) estimated DSS and MIS transfers
- 6: MIS fund beginning balance January 2020-of \$12,244 applied to AWR fee in June
7. Balance of debt -payments to be funded with unused DSS= **\$502,572**
- 8: **Based on the requirements there will be deposits and subsequent withdrawals in DSS/MIS accounts with a likely sum of zero monthly**

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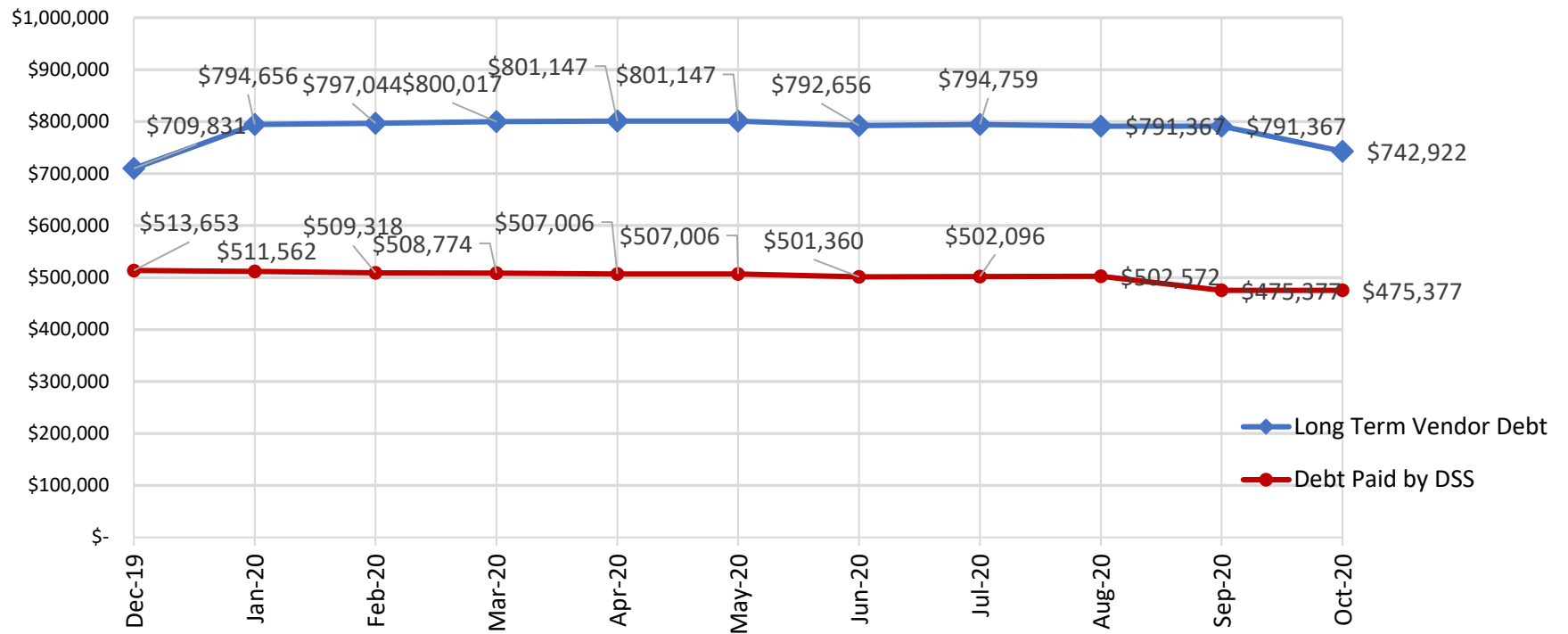
10/24/20

**Martin County Water District
Vendor Balance Summary
As of September 30, 2020**

	<u>Sep 30, 20</u>
All Pumps Sales & Services	8,411.90
Brian Cumbo	33,534.10
CI Thornburg	36,345.26
CI Thornburg-VFD#1	1,252.28
CI Thornburg-VFD#2	12,071.32
Evans Hardware	30,362.72
Evans Hardware #2	18,820.64
Fast Change	4,155.33
Linda F Sumpter, CPA	151,942.35
Prestonsburg City's Utilities	4,254.16
Service Pumps & Supply	21,282.99
Soles Electric	13,300.00
United Rentals	56,722.94
Xylem	93,739.10
Zip Zone Express	256,726.95
	<hr/>
TOTAL	742,922.04
	<hr/> <hr/>

Martin County Water District

Outstanding Vendor Debt



Martin County Water District, Inez KY
List of Bills for Consideration
27-Oct-20

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Operations Account		
1 AEP	Electric (26 bills) Estimated	\$ 34,820.53
2 Big Sandy RECC	Electric (9 bills) Estimated	\$ 2,079.27
3 Paintsville Utilities	Electric for token (10/8/20 to 11/8/20) Estimated	\$ 29.78
4 Roy F Collier Comm. Center	Rent (November)	\$ 773.51
5 IPFS	Insurance (November)	\$ 3,244.39
6 Martin County Water District	Sanitation October	\$ 131.90
7 Sales tax	10/2020 (estimated)	\$ 1,236.77
8 School tax	10/2020 (estimated)	\$ 5,696.14
9 Alliance Water Resources	11/1-20-11/15/20 O&M services	\$ 82,222.75
10 Alliance Water Resources	11/16/20-11/31/20 O&M services	\$ 82,222.75
11 Alliance Water Resources	10/20 Suddenlink Reimbursement (estimated)	\$ 74.14
12 Alliance Water Resources	10/20 Suddenlink Reimbursement (estimated)	\$ 34.95
13 Management Inf. Surcharge	Estimated (actual collected will be paid)	\$ 16,711.52
14 Debt Service Surcharge	Estimated (actual collected will be paid)	\$ 9,304.64
15 Walker Communications	Phone maintenance (October)	\$ 89.00
16 Tommy Maynard	Payment on truck	\$ 500.00
17 Cumbo Law Office	Legal Services (October)	\$ 437.50
TOTAL		\$ 239,609.54

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

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

Operations Account - Debt Service Funding

Transfer Amounts

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

TOTAL OPERATIONS

\$ 257,425.43

Martin County Water District, Inez KY
List of Bills for Consideration
27-Oct-20

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
PAST DUE ACCOUNTS		8/31/2020
<u>(Based on cash availability)</u>		
1 CI Thornburg VFD # 1	VFD	\$ 1,252.28
2 CI Thornburg VFD # 2	VFD	\$ 12,071.32
3 Xylem	Pump rental	\$ 93,739.10
4 Soles Electric	Pump service	\$ 13,300.00
5 Service Pump & Supply	Pump service	\$ 21,282.99
6 All Pumps Sales & Services	Pump service	\$ 8,411.90
7 Cumbo Law Office	Legal service	\$ 33,534.10
8 Evans Hardware #2	Parts & supplies	\$ 18,820.64
9 Fast Change	Vehicle Maintenance	\$ 4,155.33
10 United Rentals	Pump Rental	\$ 56,722.94
11 Prestonsburg City's Utilities	Purchased water	\$ 4,254.16
TOTAL		\$ 267,544.76
 DSS Account		
<u>(Based on cash availability)</u>		
1 Evans Hardware	Parts & supplies	\$ 30,362.72
2 CI Thornburg	Parts & supplies	\$ 36,345.26
3 Linda Sumpter CPA	Accounting fees	\$ 151,942.35
4 Zip Zone	Fuel	\$ 256,726.95
TOTAL		\$ 475,377.28
 Total Past Due Accounts		 \$ 742,922.04

Martin County Water District, Inez KY
List of Bills for Consideration
27-Oct-20

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Security Deposit Account		
Customer		
1 Gabrielle Blevins	Deposit refund due to customer	\$ 44.29
TOTAL		\$ 44.29

October 27th, 2020

TO: Martin County Water District
Board of Directors

INFORMATION & DECISION

FROM: Staff

RE: 2018 Audit Draft

Staff is recommending the Board review the 2018 Audit Draft.

Attached is the 2018 Audit Draft from Wade Stables P.C.

In the draft you will find an attached letter needing a signature. After review of the draft, If the Board agrees, we are respectfully seeking a motion to approve the 2018 Audit Draft.

Martin County Water District

Inez, Kentucky

Annual Financial Report

Year Ended December 31, 2018

	<u>Page</u>
<i>Financial Section:</i>	
Independent Auditor's Report	1 - 2
<i>Basic Financial Statements:</i>	
Statement of Net Position	3 - 4
Statement of Revenues and Expenses and Changes in Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 15
<i>Required Supplementary Information:</i>	
Schedule of the District's Proportionate Share of the Net Pension Liability	16
Schedule of Contributions	17
<i>Compliance Section:</i>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with <i>Government Auditing Standards</i>	18 - 19
Schedule of Findings and Responses	20 - 22

Financial Section

DRAFT

Independent Auditor's Report

The Board of Directors
Martin County Water District
Inez, Kentucky

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Basis for Disclaimer of Opinion

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

Disclaimer of Opinion

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

Independent Auditor's Report (Concluded)

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of Martin County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Martin County Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Martin County Water District's internal control over financial reporting and compliance.

Wade Stables P.C.

Certified Public Accountants

September 30, 2020
Hannibal, Missouri

Basic Financial Statements

DRAFT

Martin County Water District

Statement of Net Position

December 31, 2018

	<u>2018</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 105,427
Accounts receivable (net)	201,201
Unbilled revenue	292,715
Prepaid expenses	27,243
Inventory	8,377
Total Current Assets	<u>634,963</u>
Restricted Assets	
Cash - Customer deposits	152,790
Cash - Debt service	141,558
Cash - Grants	8,299
Total Restricted Assets	<u>302,647</u>
Capital Assets	
Transmission & distrib. mains	20,273,944
Water Treatment Equipment	4,929,868
Reservoirs & standpipes	4,361,724
Lakes, rivers & intakes	2,173,720
Other plant, equipment & tools	1,435,381
Meters & hydrants	516,766
Structures	500,264
Transportation equipment	329,570
Office furniture & equipment	177,296
Land	214,714
Less: Accumulated depreciation	(15,775,689)
Total Capital Assets	<u>19,137,558</u>
TOTAL ASSETS	<u>20,075,168</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	261,494
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>261,494</u>

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

Martin County Water District

Statement of Net Position

December 31, 2018

	<u>2018</u>
LIABILITIES	
Current Liabilities	
Accounts payable	1,083,414
Payroll tax liabilities	36,189
Accrued interest	35,597
Sales tax payable	6,428
Customer deposits	137,155
Current portion of long-term debt	118,007
Total Current Liabilities	<u>1,416,790</u>
Long-Term Liabilities	
Long-term portion of debt (net)	2,378,335
Net pension liability	1,459,298
TOTAL LIABILITIES	<u>5,254,423</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	151,042
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>151,042</u>
NET POSITION	
Net investment in capital assets	16,641,216
Restricted for customer deposits	152,790
Restricted for debt service	141,558
Restricted for capital projects	8,299
Unrestricted	(2,012,666)
TOTAL NET POSITION	<u><u>\$ 14,931,197</u></u>

DRAFT

Martin County Water District
Statement of Revenues and Expenses and Changes in Net Position
Year Ended December 31, 2018

	2018
Operating Revenues	
Water sales	\$ 2,013,260
Other sales	47,867
Penalties	70,747
Water surcharge	150,162
Total Operating Revenues	2,282,036
Operating Expenses	
Salaries and wages	580,849
Employee benefits	587,491
Purchased water	464,330
Chemicals	161,897
Materials & supplies	263,840
Contractual services	233,504
Rental	126,166
Transportation	63,986
Insurance	75,931
Payroll taxes	44,598
Regulatory assess fees	4,071
Depreciation	780,131
Miscellaneous	39,442
Total Operating Expenses	3,426,236
Operating Income	(1,144,200)
Non-operating Income (Expenses)	
Interest expense	(108,055)
Interest income	898
Total Non-operating Income (Expenses)	(107,157)
Change in Net Position Before Contributions	(1,251,357)
Capital grants and contributions	76,350
Change in Net Position	(1,175,007)
Net Position - Beginning	16,106,204
Net Position - Ending	\$ 14,931,197

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

Martin County Water DistrictStatement of Cash Flows
Year Ended December 31, 2018

	<u>2018</u>
Cash Flows From Operating Activities	
Cash received from customers	\$ 2,297,927
Cash payments for goods and services	(1,163,419)
Cash payments for employees and benefits	(817,252)
Net Cash Provided by Operating Activities	<u>317,256</u>
Cash Flows From Capital and Related Financing Activities	
Payments for capital assets	(146,484)
Principal repayments	(116,443)
Interest and other charges paid	(108,630)
Capital grants	76,350
Net Cash Provided By Capital and Related Financing Activities	<u>(295,207)</u>
Cash Flows From Investing Activities	
Interest received	898
Net Cash Provided By Investing Activities	<u>898</u>
Net Increase (Decrease) In Cash and Cash Equivalents	22,947
Cash and Cash Equivalents - Beginning of Year	<u>385,127</u>
Cash and Cash Equivalents - End of Year	<u>\$ 408,074</u>
Reconciliation of Cash and Cash Equivalents	
Cash and cash equivalents	\$ 105,427
Restricted cash and cash equivalents	
Cash - Customer deposits	152,790
Cash - Debt service	141,558
Cash - Grants	8,299
Total Cash and Cash Equivalents	<u>\$ 408,074</u>
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities	
Operating income	\$ (1,144,200)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	780,131
Change in assets and liabilities:	
Accounts receivable	69,361
Unbilled receivables	(53,470)
Prepaid expenses	(17,713)
Accounts payable	313,228
Customer deposits	(25,076)
Payroll liabilities	(15,349)
Sales tax payable	(691)
Net pension obligation	411,035
Net Cash Provided By Operating Activities	<u>\$ 317,256</u>

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

**Notes to the
Financial Statements**

DRAFT

1) Summary of Significant Accounting Policies

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

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

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

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

A) Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of the District constitute the equivalent of enterprise funds, and therefore, only these funds are presented. These funds consist of a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses.

B) Capital Assets and Long-Term Liabilities

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

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net position) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

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

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

1) Significant Accounting Policies (Concluded)

C) Basis of Accounting

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

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

D) Budgets and Budgetary Accounting

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

E) Restricted Assets

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

F) Inventory

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

G) Cash and Cash Equivalents

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

H) Reserves for net position

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

I) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value.

2) Use of Estimates in the Preparation of Financial Statements

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

3) Accounts Receivable

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

4) Long-Term Debt

KIA

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

KACO

The District purchased vehicles and equipment by obtaining \$200,000 of funding from the Kentucky Association of Counties (KACO). Payments accrue monthly, with a maturity date of 2025 and interest rate of 1.85%. The collateral for the loan is service revenue.

KRW Bond Refunding

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

Series 2015E Current Refunding

RD loans of \$2,008,100 were refunded on May 12, 2015 by \$2,010,000 par amount public project fund bond from the Kentucky Rural Water Finance Corporation. The new debt bears interest from 2.10 – 4.10% maturing on February 1, 2044. The premium on the refunding, totaling \$22,363 is presented as an increase in the face amount of the long-term debt payable and is being amortized using the straight-line method over the term of the debt. Amortization for the year ended December 31, 2018 amounted to \$753.

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

4) Long-Term Debt (Continued)

The following is a summary of outstanding debt as of December 31, 2018:

	<u>2018</u>
Series 2015 E Revenue Bonds	
\$2,010,000 Revenue Bonds due in yearly installments of \$30,000 to \$55,000 from January 2016 through June 2045, interest rates at 2.10% to 4.10%.	\$ 1,875,000
Kentucky Infrastructure Authority Loan	
\$1,329,826.43 loan due in monthly installments of \$5,620.58 from 1991 through June 2027, interest rate is 3.00%.	505,485
Kentucky Association of Counties Equipment Lease	
\$200,000 variable rate lease due in annual installments of \$5,000 to \$15,000 from March 20, 2006 through 2025, base rental interest of 4.25%.	<u>96,222</u>
Total Debt Payable	2,476,707
Add: Unamortized Premium	19,635
Less: Current Portion	<u>(118,007)</u>
Long-Term Portion of Debt Payable	<u><u>\$ 2,378,335</u></u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 118,007	\$ 86,143	\$ 204,150
2020	124,620	82,577	207,197
2021	131,281	78,829	210,110
2022	132,993	74,382	207,375
2023	134,757	69,887	204,644
2024-2028	595,049	285,769	880,818
2029-2033	405,000	207,855	612,855
2034-2038	415,000	125,729	540,729
2039-2043	310,000	51,453	361,453
2044-2048	110,000	4,509	114,509
Totals	<u>\$ 2,476,707</u>	<u>\$ 1,067,133</u>	<u>\$ 3,543,840</u>

The changes in long-term debt for the year ended December 31, 2018 are as follows:

	<u>2018</u>
Balance, Beginning	\$ 2,593,150
Additions	-
Retirements	<u>(116,443)</u>
Balance, Ending	<u><u>\$ 2,476,707</u></u>

5) Cash and Investments

The carrying amount of the District's deposits was \$408,074 at year end December 31, 2018, and the bank balances totaled \$422,928. As of December 31, 2018, \$250,000 was covered by federal depository insurance and \$76,560 was collateralized with securities held by the financial institution in the District's name and \$96,368 was deposited in institutional liquidity funds.

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

6) Litigation

At December 31, 2018, there were no claims or lawsuits pending against the District.

7) Concentration of Credit Risk

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

8) Capital Assets

Capital assets during the year ended December 31, 2018 consisted of the following:

	<u>Balance at January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at December 31</u>
Transmission & Distrib. Mains	\$ 20,199,357	\$ 74,587	\$ -	\$ 20,273,944
Water Treatment Equipment	4,929,868	-	-	4,929,868
Reservoirs & Standpipes	4,359,705	2,019	-	4,361,724
Lakes, rivers & intakes	2,173,720	-	-	2,173,720
Other plant, equipment & tools	1,371,703	63,678	-	1,435,381
Meters & hydrants	515,566	1,200	-	516,766
Structures	500,264	-	-	500,264
Transportation Equipment	324,570	5,000	-	329,570
Office Furniture & Equipment	177,296	-	-	177,296
	<u>34,552,049</u>	<u>146,484</u>	<u>-</u>	<u>34,698,533</u>
Accumulated Depreciation	(14,995,558)	(780,131)	-	(15,775,689)
Construction in Progress	-	-	-	-
Land	214,714	-	-	214,714
Total Capital Assets	<u>\$ 19,771,205</u>	<u>\$ (633,647)</u>	<u>\$ -</u>	<u>\$ 19,137,558</u>

Depreciation expense for the year ended December 31, 2018 amounted to \$780,131.

9) Related Party Transactions

There were no related party transactions during the year ended December 31, 2018.

10) Pension Plan:

Plan Description:

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

Benefits Provided:

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

Contributions:

Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending December 31, 2018 employers were required to contribute 14.58% of the member's salary. During the year ended December 31, 2018, the District contributed \$85,993 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At December 31, 2018, the District reported a \$1,459,298 liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended December 31, 2018. At December 31, 2018 the District's proportion was .023961%.

For the year ended December 31, 2018, the District recognized pension expense of \$233,503 related to CERS. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,598	\$ 21,361
Changes in assumptions	142,616	-
Net difference between projected and actual earnings on pension plan investments	67,858	85,356
Changes in proportion and differences between District contributions and proportionate share of contributions	3,422	44,325
Total	<u>\$ 261,494</u>	<u>\$ 151,042</u>

10) Pension Plan (Continued)

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

<u>Year Ended</u>	
2019	\$ 100,881
2020	41,134
2021	(23,731)
2022	(7,832)
2023	-
	<u>\$ 110,452</u>

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

The total pension liability, net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2018:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	27 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00% average
Investment Rate of Return	7.50%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disables Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

10) Pension Plan (Concluded)

Long-Term Expected Rate of Return

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	4.50-5.50%
Non US Equity	17.50%	6.50-7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	3.75-8.5%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate:

The discount rate used to measure the total pension liability was 5.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 1,837,105	\$ 1,459,298	\$ 1,142,762

Pension Plan Fiduciary Net Position:

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

Payables to the Pension Plan:

There are no payables to CERS at December 31, 2018.

11) Grants

In August 2018, the District received a grant from the Appalachian Regional Commissioner (ARC) in the amount of \$1,200,000. The District intends to use the proceeds from this grant to improve the Martin County Water System. As of December 31, 2018, the District has used \$76,350 of these funds.

12) Subsequent Events

Beginning January 1, 2020, the District will be utilizing the expertise of an outside management company to aid in operations of the District. Subsequent events have been considered through September 30, 2020, the date the financial statements were available to be issued.

DRAFT

Required Supplementary Information

DRAFT

Martin County Water District

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability

December 31, 2018

	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
County Employee's Retirement System:				
District's proportion of the net pension liability	0.02%	0.03%	0.02%	0.02%
District's proportionate share of the net pension liability	\$ 1,459,298	\$ 1,255,723	\$ 1,065,280	\$ 750,000
State's proportionate share of the net pension liability associated with the District	-	-	-	-
Total	<u>\$ 1,459,298</u>	<u>\$ 1,255,723</u>	<u>\$ 1,065,280</u>	<u>\$ 750,000</u>
District's covered-employee payroll	\$ 588,225	\$ 693,688	\$ 593,711	\$ 559,494
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	248.08%	181.02%	179.26%	134.05%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	59.00%	59.97%	66.80%

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

Martin County Water District
 Required Supplementary Information
 Schedule of Contributions
 December 31, 2018

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

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

Compliance Section

DRAFT

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Martin County Water District
Inez, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Martin County Water District (District), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Martin County Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Martin County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2018-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses as item 2018-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Martin County Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-003, 2018-004, and 2018-005.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards* (Concluded)**

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wade Stables P.C.
Certified Public Accountants

September 30, 2020
Hannibal, Missouri

DRAFT

Findings – Financial Statement Audit

Material Weaknesses

Finding 2018-001 - Accounts Receivable:

Criteria:

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

Condition:

A detailed accounts receivable aging report as of December 31, 2018 could not be produced.

Cause:

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

Effect:

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

Recommendation:

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

Views of Responsible Officials:

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

Significant Deficiencies

Finding 2018-002 - Customer Security Deposit Liability:

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Views of Responsible Officials:

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

Compliance Findings

2018-003 - Payments Remitted in Accordance with State Statutes

Criteria:

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

Condition:

The District was not paying bills according to KRS 65.140.

Cause:

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

Effect:

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

Recommendation:

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

Views of Responsible Officials:

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

2018-004 – Debt Service Requirements

Criteria:

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

Condition:

The District is not in compliance with loan covenants.

Cause:

The District appears to have not given responsibility to an employee to be responsible or be held accountable for loan covenants or requirements.

Effect:

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

Recommendation:

Procedures should be put in place to immediately fund the full reserve requirement of \$66,491 and other policies and procedures implemented for an employee to be responsible and held accountable for ensuring all loan covenants are met.

Views of Responsible Officials:

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

2018-005 - Audited Financial Statements Filing Requirements

Criteria:

Per KRS 65A.030, the special purpose government entity must prepare a financial statement and be audited annually.

Condition:

The District did not timely file their 2018 financial statements and 2018 audit to the Department of Local Government.

Cause:

There are no internal controls in place to ensure the requirements are met and no employee has been assigned this responsibility.

Effect:

The state could withhold future funding.

Recommendation:

Procedures should be put in place to assign responsibility and accountability for the SPGE filing requirements.

Views of Responsible Officials:

Management will continue to get caught up on required filings as a Special Purpose Governmental Entity.

DRAFT

October 27th, 2020

TO: Martin County Water District
Board of Directors

INFORMATION & DECISION

FROM: Staff

RE: 2019 Audit Draft

Staff is recommending the Board review the 2019 Audit Draft.

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

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

Martin County Water District

OUR MISSION

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

Alliance Water Resources, Inc.

206 S. Keene
St. Columbia,
MO 65201

(573)874-8080

September 2020

Administrative

We have begun the process of creating a map room to better access and utilize the available information related to our infrastructure.

As we strive to improve, a new system of checks and balances regarding work orders will help to ensure that no work orders will be left behind.

Water Treatment

A project of creating a color-coded pipe gallery is underway at the Inez Water Treatment Plant (IWTP).

Employees are being cross trained on all of our sampling requirements. Having numerous employees available for our sampling needs is a strong positive.

Distribution

Adjusted a PRV @ Poplar Fork to ensure an appropriate amount of pressure was being supplied to our customers in that area.

Unfortunately, the trash can installed at the Inez Reservoir has proven to be ineffective against littering.

A new metered tap has been installed at the Warfield Fire Department.

Completed two theft of water investigations.

Situation: There were two water mains on Hode Road. A six-inch PVC main running up one side of the street, and a two-inch PVC main running along the other.

Solution: Three customers were taken off of the two-inch main and tapped onto the six-inch main.

Results: Improved service to our customers, and an unneeded water main being removed from our distribution system.

Conclusion: Long term solutions may be difficult “up front,” but improve service, eliminate historically problematic areas, and



Martin County Water District
reduce maintenance costs at our utility.

Customer Service

Staff members investigating a leak on Debord Road counseled customers regarding the current state of our distribution system. They appreciated that we spent time with them and that we clarified some misconceptions regarding water quality.

Project Updates

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

Safety

A second meeting on confined space was held in the month of September. Topics of this magnitude can never be over discussed.

Regulatory

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

Training

Staff are preparing applications for further testing. The goal is to get several more employees Distribution I licensing.

Martin County Water District

Water Plant Operation

Water Pumped	
Total Water Production (gallons) – SEPTEMBER	53,436,000
Total Water Metered/Billed (gallons) – SEPTEMBER	15,384,000
Other Water Used (gallons) – SEPTEMBER	904,000
Total Water Loss (gallons) – SEPTEMBER	37,148,000
Portion of TWL due to Main Breaks (gallons) – SEP	3,074,000
Average Daily Flow (Million Gallons per Day)-SEP	1.781 MGD
Maximum Daily Flow – SEPTEMBER	1.885 MGD
Fluoride Used (lbs.) – SEPTEMBER	494.9 LBS
Chlorine Used (lbs.) – SEPTEMBER	1,838.8 LBS
Lab Tests – SEPTEMBER	3,446 TESTS

Water Quality Analysis

Test	Routine	Special	Repeat
Bacteriological	12 (Pass)	12 (Pass)	0
		Reported	Minimum Limit
Fluoride Plant Sample	30	0.80 mg/l Average	0.6 mg/l
Chlorine Distribution Sample	35	Low Readings Total - 0.36 mg/L Free – 0.44 mg/L	0.2 mg/l

Customer Service Request and Work Orders

Meter Reads	3484
Meter Sets	21
Turn offs-Close account	12
Taps	2
Meter Changes	11
Disconnects for Non-payment	0
Boil Notices	3
Line Locates	58
Water Leaks/Breaks	44
Other/Investigates	158

Water Main Breaks & Service Lines

Date	Location	Pipe Size/Type	Estimated Water Loss (gallons)
9-1-20	9295 Rockcastle	¾" SVS	30,240
9-1-20	1226 Coldwater	2" PVC	30,513
9-1-20	81 Gordon Road	¾" SVS	32,957
9-2-20	323 Boone Branch	¾" SVS	105,698
9-3-20	4296 Rockcastle	¾" SVS	31,758
9-4-20	1916 Pigeon Roost	¾" SVS	131,829
9-6--20	79 Jay Hinkle	4" PVC	263,658
9-7-20	32 Justin Drive	¾" SVS	231,840
9-9-20	2796 Blacklog	¾" SVS	317,095
9-9-20	3893 Blacklog	¾" SVS	35,233
9-10-20	910 Little Laurel	1" SVS	35,233
9-10-20	46 Big Elk	¾" SVS	34,114
9-10-20	Ron's Pawn	¾" SVS	35,233
9-10-20	Peter Cave	¾" SVS	32,957
9-22-20	Calf Creek	¾" SVS	287,454
9-23-20	5201 Rockcastle	¾" SVS	32,957
9-23-20	Union Road	1" SVS	297,544
9-23-20	165 Tom Estates	¾" SVS	230,701
9-24-20	Collins Creek	¾" SVS	30,513
9-24-20	Wendy Layne	¾" SVS	32,957
9-24-20	15 Jacobs Layne	¾" SVS	30,513
9-24-20	156 Tomahawk Estates	¾" SVS	274,613
9-25-20	174 Clay Ford	¾" SVS	30,240
9-25-20	75 Big Elk	¾" SVS	32,957
9-26-20	37 Cline Bottom	¾" SVS	140,931
9-26-20	975 Collins Creek	¾" SVS	305,125



Martin County Water District

9-27-20	66 Crisp Layne	2" PVC	5,085
9-27-20	Peter Cave	2" PVC	5,872
9-28-20	Route 2032	6" PVC	704,656



Martin County Water District

Repair Expenses Ending August 2020

Expended	Actual YTD	Annual Budget	% Budget / Line Item
Bldg. & Grounds Maintenance	\$3,396	\$7,000	49%
Vehicle Maintenance	\$12,148	\$20,000	61%
Water Plant Maintenance	\$8,615	\$0	0%
Well Maintenance	\$0.00	\$20,000	0%
Distribution System Maintenance	\$69,527	\$60,000	116%
Water Meter Maintenance	\$3,591	\$10,000	36%
Street Maintenance	\$1,112	\$8,000	14%
Totals	\$98,389	\$125,000	79%

Chemical Expenses Ending August 2020

Expended	Actual YTD	Annual Budget	% Budget / Line Item
Sodium Hydroxide	\$1,439	\$0	0%
Polymer	\$10,411	\$0	0%
Chlorine	\$12,028	\$25,000	41%
Permanganate	\$2,716	\$0	0%
Fluoride	\$1,474	\$0	0%
Chemicals Other - Water	\$53,795	\$85,000	53%
Totals	\$81,863	\$110,000	65%

Notes:

- 1) Building & Grounds Maintenance
 - a. \$33.88 Advanced Auto

- 2) Vehicle Maintenance
 - a. \$75.24 Tug Valley Service (credit)
 - b. \$21.19 Advanced Auto
 - c. \$75.24 Advanced Auto
 - d. \$6.34 Advanced Auto
 - e. \$21.19 Advanced Auto
 - f. \$5.29 Advanced Auto
 - g. \$47.68 Fast Change
 - h. \$135.00 Fast Change
 - i. \$121.87 Fast Change
 - j. \$352.87 Fast Change (credit)

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

- 4) Well Maintenance
 - a. \$0.00

- 5) Distribution System Maintenance
 - a. \$3.78 – Quick Mart (credit)
 - b. \$3.78 – Quick Mart
 - c. \$9.75 – Family Dollar
 - d. \$127.57 - Lowes
 - e. \$237.91 – G&C Supply
 - f. \$415.28 – Consolidated Pipe
 - g. \$26.50 – Consolidated Pipe
 - h. \$92.54 – Consolidated Pipe
 - i. \$42.76 – Consolidated Pipe
 - j. \$1850.00 – Hinkle Blacktop
 - k. \$1,145.76 – Consolidated Pipe
 - l. \$1,042.76 – Consolidated Pipe
 - m. \$2,342.37 – Consolidated Pipe
 - n. \$1,042.76 – Consolidated Pipe

- 6) Meter Maintenance
 - a. \$0.00

- 7) Street Maintenance
 - a. \$0.00

- 8) Sodium Hydroxide
 - a. \$0.00

- 9) Polymer
 - a. \$0.00

- 10) Chlorine
 - a. \$912.00 – Citco
 - b. \$900.00 – Citco

- 11) Permanganate
 - a. \$0.00

- 12) Fluoride
 - a. \$0.00

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

INITIAL ROUND	23-Jan-20	CNL	NEG READS	RRW/WMN	TOW	TOTAL
Total	3398	193	313	145	6	651
		5.68%	9.21%	4.27%	0.18%	19.16%

JAN FINAL NUMBERS	3402	35	292	0	5	332
		1.03%	8.58%	0.00%	0.15%	9.76%

FEB FINAL NUMBERS	3403	25	17	49	4	95
		0.06%	0.50%	1.44%	0.03%	2.79%

MAR FINAL NUMBERS	3388	2	28	0	1	31
		0.06%	0.83%	0.00%	0.03%	0.91%

APR FINAL NUMBERS	3416	1	17	0	1	20
		0.03%	0.50%	0.00%	0.03%	0.59%

MAY FINAL NUMBERS	3411	2	17	0	5	24
		0.06%	0.50%	0.00%	0.15%	0.70%

JUN FINAL NUMBERS	3442	2	18	0	1	21
		0.06%	0.52%	0.00%	0.03%	0.61%

JUL FINAL NUMBERS	3454	5	27	0	15	47
		0.14%	0.78%	0.00%	0.43%	1.36%

AUG FINAL NUMBERS	3481	3	34	0	9	46
		0.09%	0.98%	0.00%	0.26%	1.33%

UPDATE PRIOR TO	29-Sep-20	MCW DIV 07 METER AUDIT NUMBERS				
BOOK #	TOTAL	CNL	NEG READS	RRW/WMN	TOW	TOTAL
1	6	0	0	0	0	0
2	286	1	5	0	3	9
3	8	0	1	0	0	1
4	110	0	3	0	0	3

5	169	1	1	0	0	2
6	379	0	0	0	2	2
7	418	0	5	0	0	5
8	492	0	3	0	0	3
9	20	1	1	0	0	2
10	189	0	3	0	1	4
11	70	1	1	0	0	2
12	6	0	2	0	0	2
13	105	0	1	0	0	1
14	235	0	1	0	0	1
15	100	0	3	0	0	3
16	162	0	0	0	0	0
17	77	0	1	0	0	1
18	155	1	0	0	0	1
19	0	0	0	0	0	0
20	434	0	0	0	0	0
Total	3421	5	31	0	6	42
		0.15%	0.50%	0.00%	0.18%	1.23%

DIFF	23	-188	-282	-145	0	-609
		5.53%	8.71%	4.27%	0.00%	17.93%



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

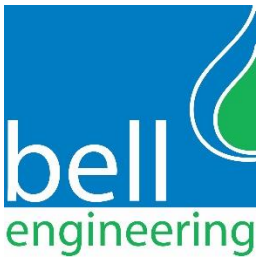
PUBLIC SERVICE COMMISSION

Monthly Water Loss Report

Water Utility: Martin County Water District

For the Month of: September Year: 2020

LINE #	ITEM	GALLONS (Omit 000's)
1	WATER PRODUCED AND PURCHASED	
2	Water Produced	53,436
3	Water Purchased	
4	TOTAL PRODUCED AND PURCHASED	53,436
5		
6	WATER SALES	
7	Residential	10,356
8	Commercial	1,920
9	Industrial	
10	Bulk Loading Stations	
11	Wholesale	
12	Public Authorities	3,108
13	Other Sales (explain)	
14	TOTAL WATER SALES	15,384
15		
16	OTHER WATER USED	
17	Utility and/or Water Treatment Plant	904
18	Wastewater Plant	
19	System Flushing	
20	Fire Department	
21	Other Usage (explain)	
22	TOTAL OTHER WATER USED	904
23		
24	WATER LOSS	
25	Tank Overflows	
26	Line Breaks	3,074
27	Line Leaks	33,359
28	Excavation Damages	715
29	Theft	
30	Other Loss	
31	TOTAL WATER LOSS	37,148
32		
33	Note: Line 14 + Line 22 + Line 31 MUST Equal Line 4	
34		
35	WATER LOSS PERCENTAGE	
36	(Line 31 divided by Line 4)	69.52%



MEETING MINUTES
ENGINEERING DESIGN - PROGRESS MTG #17
MARTIN COUNTY WATER DISTRICT
MARTIN COUNTY, KENTUCKY
October 14, 2020

LOCATION: Via ZOOM
TIME: 3:00 PM
Present: Announcement of those Present

SUMMARY OF PROJECT FUNDING:

<u>Source</u>	<u>Amount</u>	<u>Associated Project(s)</u>
AML Pilot NEXUS Grant (2017)	\$3,450,000	A,B,C,D
COE 531 Partnership (25% Match)	\$1,869,718	B,C
ARC Grant	\$1,200,000	F
AML Pilot NEXUS Grant (2018)	<u>\$2,000,000</u>	I
TOTAL GRANT	\$8,519,718	

A. CONTRACT 113-19-01

RAW WATER INTAKE IMPROVEMENTS (PUMP PURCHASE ONLY)

1. AML provided clearance to advertise for bids on June 13, 2019.
2. Bids were opened at BSADD at 11:00 AM Wednesday July 3. Xylem Dewatering Solutions was the only bid received in the amount of \$470,286.07, compared to Bell’s opinion of cost of \$500,000.00.
3. Bell made recommendation to award to BSADD and they along with MCWD agreed to accept the bid.
4. On July 29th, Bell received the AML Contractor/Subcontractor Information, Campaign Finance Law Compliance and Affidavit for Bidders Forms from Xylem. These were forwarded to AML.
5. On August 9th, AML advised Xylem had cleared the AVS check and the contract could be signed. Contract documents were forwarded to Xylem.
6. Contract documents were executed by both Xylem and the BSADD. A Notice to Proceed was issued to Xylem after the contracts were executed.
7. The 2 MG pump, 4 MG pump, 2MG variable speed drive, 4 MG variable speed drive and the river screen are complete.
8. MCWD is currently using the new 2 MG pump. The 4 MG pump will be placed into service upon the completion of Contract 113-19-03.

**B. CONTRACT 113-19-02
RWI&WTP IMPROVEMENTS**

1. The WTP and RWI sites were surveyed.
2. Basins were documented for condition assessment.
3. The Preliminary Engineering Report for the project is complete and has been distributed.
4. The Phase I Environmental Site Assessment required by the Corps of Engineers is complete and has been submitted.
5. Vendor proposals for replacement equipment were requested and reviewed.
6. Plans and specifications have been developed.
7. Project mapping for NEPA purposes was submitted to AML on February 6th.
8. Project description and Opinion of Probable Construction Costs were submitted to AML on February 17th.
9. Project was submitted for DOW review on March 13, 2020. DOW Construction Permit issued on June 3, 2020.
10. Project was submitted for a COE 4345 Permit Application review on March 20, 2020. Permit was issued on June 8, 2020.
11. The AML Authorization to Proceed was granted on July 31, 2020.
12. The Project was submitted to DOW for a Permit to Construct Along or Across a Stream on April 14, 2020. The DOW requested a public notice be run in the Mountain Citizen newspaper. The notice ran on June 24th, July 1st and July 8th. The period for public comments or objections related to the project ran through July 29th. The permit was issued on August 13, 2020.
13. Project was submitted to Corps of Engineers for Plan and Specification Review March 20, 2020. Corps provided review comments on April 28, 2020. Final plans and specifications including all electrical and structural components of the project were forwarded to the Corps of Engineers for final review during the week of July 13th. The Corps of Engineers has completed its review of the final plans / specifications including the opinion of probable cost and certified the package.
14. The Corps of Engineers advertised the Draft Environmental Assessment (DEA) and Finding of No Significant Impact (FONSI) for the project on August 4, 2020 for the 30-day public comment period. KY SHPO requested further consultation. The Corps of Engineer's archeologist has been working with KY SHPO in an effort to resolve any issues. The USACE forwarded a Letter of Clarification to KY SHPO on September 29, 2020. Worst case scenario is SHPO could take 30 days to review the clarification letter which would mean that the FONSI would not be signed until mid-November. Once the FONSI is signed, the project may be advertised for bids.

15. The BSADD indicated they might be able to provide some assistance with SHPO in moving the project forward. Additional information was forwarded to the ADD after the last meeting.

C. CONTRACT 113-19-03

LINE IMPROVEMENTS

1. Bell was able to locate several sets of As-Built Drawings of the water distribution system. Bell scanned copies of all plan sets and returned to MCWD with digital copies of plan sets for MCWD future use.
2. Bell and MCWD personnel have been in the field multiple times locating existing lines, surveying existing meters, valves and fire hydrants and determining routing of new water lines.
3. Location of all the features affecting alignment of the waterline has been completed including gas lines.
4. The Phase I Environmental Site Assessment required by the Corps of Engineers is complete and has been submitted.
5. Plans and specifications have been developed.
6. Project mapping for NEPA purposes was submitted to AML on February 10th.
7. Project description and Opinion of Probable Construction Costs were submitted to AML on February 17th.
8. Project was submitted for DOW review on March 13, 2020. DOW Construction Permit was issued on April 27th.
9. Project submitted to Corps of Engineers Plan and Specification Review March 20, 2020. Corps provided review comments on April 28, 2020. Bell responded to comments and resubmitted plans/specifications on May 7, 2020. The Corps of Engineers has completed its review of the final plans / specifications including the opinion of probable cost and certified the package.
10. Project was submitted to KYTC on April 6 for review. KYTC Encroachment Permit was issued on May 13, 2020.
11. Submitted to DOW for Permit to Construct Along or Across a Stream April 14, 2020. The permit was issued on June 17, 2020.
12. The AML Authorization to Proceed was granted on July 31, 2020.
13. The Corps of Engineers advertised the Draft Environmental Assessment (DEA) and Finding of No Significant Impact (FONSI) for the project on August 4, 2020 for the 30-day public comment period. KY SHPO requested further consultation. The Corps of Engineer's archeologist has been working with KY SHPO in an effort to resolve any issues. The USACE forwarded a Letter of Clarification to KY SHPO on September 29, 2020. Worst case scenario is SHPO could take 30 days to review the clarification letter which

would mean that the FONSI would not be signed until mid-November. Once the FONSI is signed, the project may be advertised for bids.

14. The BSADD indicated they might be able to provide some assistance with SHPO in moving the project forward. Additional information was forwarded to the ADD after the last meeting.

D. WATER SYSTEM CAPITAL IMPROVEMENT PLAN / HYDRAULIC MODELING

1. Document is required by PSC
2. Bell has completed field review of RWI, WTP, Storage Tanks, Pumping Stations and PRV's.
3. Bell & UK met in Martin County on June 21, 2019 to coordinate collection of field data the week of July 8th. This effort is for calibration of the Hydraulic Model.
4. UK professors and 3 students traveled to Martin County on July 8th to begin effort of collecting field data (pressures and flows) at key points throughout the water distribution system. Bell had a team of four individuals that were to join the UK team on July 10th; however, MCWD had some major line breaks on July 9th and were unable to recover water supply during the week to allow flowing water from hydrants.
5. The effort to collect flow data was rescheduled for August 6th and 7th, however, on August 5th MCWD has a failure of a PRV which would not allow the flowing of the hydrants.
6. The collection of the field data was rescheduled and occurred on August 14th and 15th.
7. Field data has been reviewed. UK returned to the field in an effort to repeat two tests for the Hazen Williams coefficient that appeared suspect.
8. Money is in place to pay for the Hydraulic Model through AML 2017 Grant. OSM refused to allow for payment of the CIP through the 2018 Grant. The funds associated with that have been realigned toward additional waterline replacement.
9. UK delivered has delivered testing forms to Bell.
10. PRVs, tanks, lines, etc. have been input into the model.
11. Alliance Resources provided usage data and address information for each customer to effectively distribute demand throughout the system.
12. Model was calibrated using field collected data.
13. Bell has been working with UK to coordinate modeling efforts.
14. A Zoom meeting was held between the Kentucky Division of Water, University of Kentucky and Bell on July 1st to discuss the modeling. A second Zoom meeting was held on July 7th between UK and Bell to further discuss items that are needed.

15. Data has been shared between UK and Bell.
16. A trip to obtain additional field data was made in mid-July.
17. The hydraulic model is operational and has been checked against previously recorded field observations. The results being output by the model are consistent with the observations obtained in the field.

E. COE 531 AGREEMENT

1. Bell provided a Scope of Work to the COE on May 15, 2019.
2. Bell and COE agreed on an O&M cost of \$250,000.
3. COE asked for a PER with Alternative Analysis. Bell is modified the original PER to incorporate the COE funding. COE dollars will not be utilized for the 10-Yr CIP or RWI pump purchase. The requested Alternative Analysis was provided to COE on July 10, 2019.
4. The Project Partnering Agreement (PPA). This agreement was executed on September 13, 2019.
5. Funds from the COE are being utilized for the RWI, WTP and Line Improvements (Items B & C).

**F. CONTRACT 113-19-04
ARC WATERLINE REPLACEMENT PROJECT**

1. Bell received the signed contract on August 2nd.
2. Bell and MCWD personnel have been in the field multiple times locating existing lines, surveying existing meters, valves and fire hydrants and determining routing of new water lines.
3. Location of all features affecting alignment of the waterline has been completed including gas lines.
4. Plans and specifications have been developed.
5. Project was submitted for DOW review on March 27, 2020. DOW Construction Permit issued April 27th.
6. Project was submitted to KYTC on April 6, 2020 for review. KYTC Encroachment Permit was issued April 24.
7. Bids for the project were opened on May 29, 2020. Three bids were received for the project. The low bid in the amount of \$390,725.00 was submitted by Boco Enterprises, Inc.
8. A conversation was held with DLG representative on June 8, 2020 concerning using the remaining funds to continue laying additional mainline & service lines, along with, installing new meters in the Lovely area. ARC approved allowing the funds to be used to replace additional mainline, service line and water meters.

9. Issues were resolved with the Contractor concerning contract time associated with the additional construction activities.
10. The Contract has been executed and the Contractor has submitted the required performance and payment bonds.
11. A preconstruction meeting was held on September 9, 2020 at the offices of Alliance Water Resources.
12. The Notice to Proceed was issued at the conclusion of the preconstruction meeting advising the contractor the contract time will begin on September 21, 2020. The substantial completion date for the project is February 18, 2021 with final completion being March 20, 2021. Construction in the area bid is on-going.
13. Design of the additional mainline, service line and meters approved by ARC must be approved by DOW and KYTC prior to their construction. Project plans are complete. Plans were submitted to the Kentucky Transportation Cabinet on October 6, 2020. Plans and specifications were submitted to the Kentucky Division of Water on October 8, 2020.

G. CONTRACT 695-19-01

**HIGH SCHOOL WATER STORAGE TANK & BOOSTER PUMP STATION
TELEMETRY**

1. Bell received the signed contract on August 14 2019.
2. The project was advertised for bids on August 21st and was advertised a second time on September 11th.
3. Bids for the project were opened September 26th @ 5:00 p.m. at the offices of the Martin County Fiscal Court.
4. The low (and only) bid was submitted by Micro-Comm. The base bid submitted was in the amount of \$48,921.00 and included the installation of an electrically powered telemetry unit at the pumping station and a solar powered unit at the tank site. A deductive alternate of \$5,400.00 was offered if the Fiscal Court ran electric to the tank site and Micro-Comm could also use an electrically powered unit at this location. Cost would then be \$43,521.00.
5. Bell provided a letter of recommendation to the Martin County Fiscal Court concerning the award of the project to Micro-Comm.
6. Martin County Fiscal Court has awarded the project to the low bidder.
7. Contract documents have been executed by both the Contractor and Fiscal Court. The executed documents were received from the Fiscal Court on Friday, February 28th. They were forwarded to the contractor along with the Notice to Proceed with construction on March 3, 2020.
8. Information from the Contractor concerning the FCC licensing process has been received.

9. The Contractor has submitted shop drawings of the equipment to be used as part of the project. Bell Engineering has reviewed the equipment for conformance with the contract requirements and returned to the Contractor.
10. The transducer tap at the tank site has been completed. The telemetry is ready for startup.

H. WASTEWATER TREATMENT PLANT/COLLECTION SYSTEM REVIEW

1. Bell and MCWD personnel reviewed the Inez and Warfield WWTPs.
2. Proposed work at the Inez facility includes: a redundant oxidation ditch, septage receiving station, belt filter press, solids processing building, sludge hauling equipment, influent flow meter, yard piping , upgraded electrical, sludge storage and drainage pad, replacement of the influent pumping station, clarifier rehabilitation of unit that is out of service, existing oxidation ditch metal work, covers for the aerators/gearboxes for existing oxidation ditch, entry road repairs, rehabilitating two system pumping stations, replacing floats/adding transducers at the two stations, replacing ten grinder pumps and rehabilitating the inoperable plant generator. OPPC: \$4,836,550.
3. Proposed work at the Warfield facility includes a septage receiving station, mechanical screen for trash, demolition of the Dempsey WWTP, rehabilitating two system pumping stations, replacing floats/adding transducers at the two stations and replacing ten grinder pumps. OPCC \$1,138,563.
4. An RFQ for engineering services was published requiring a submission by interested firms by October 5, 2019. The RFQ was in conformance with EDA requirements so that EDA funding may be sought for the project.
5. Bell Engineering was selected to provide engineering services for the project at a previous MCUD meeting.
7. A meeting was held with a representative of the Economic Development Administration (EDA) to discuss the project.
8. A conference call was held on July 7th to discuss the plant and its needs. Since Alliance Water Resources has been operating the Inez Wastewater Treatment Plant for several months, the scope of work originally outlined for the facility was reviewed to determine if modifications should be made.
9. A Kentucky Division of Abandoned Mine Lands Economic and Community Development Pilot Program 2020 Application in the amount of \$4,000,000 for improvements to the Wastewater Treatment at Inez was submitted at the end of July.

I. USP BIG SANDY, EASTERN KENTUCKY BUSINESS PARK & BIG SANDY AIRPORT WATER PROJECT

1. Project budget was revised and sent to AML on September 19, 2019.
2. The Memorandum of Agreement between AML and BSADD was signed by BSADD on September 25th. The MOA was signed by AML on October 1, 2019.
3. A contract for engineering services has been executed by the Big Sandy Area Development District.
4. Bell and MCWD personnel went to the field to review potential tank and pump station sites.
5. The Preliminary Engineering Report for the project is complete and has been distributed.
6. Plans have been prepared for the 250,000-gallon water storage tank.
7. Bell, Alliance and MCWD coordinated with the mineral lease holder and the surface owner concerning location of the proposed tank and pump station. BSADD, Bell and Alliance representatives met with the property owner on January 30, 2020.
8. On March 3rd, the property owner advised most of the property is permitted with only a phase one bond release.
9. Bell and Alliance met on-site with the property owner on May 5th and permission to move forward was granted.
10. The site was surveyed on May 27, 2020 and topographic mapping was developed.
11. Due to issues with utilizing AML Pilot funds on this tank site, a new site is being sought.

J. CONTRACT 113-20-01

WATER LINE RELOCATION WILLIS DIALS/DAN'S BRANCH ROAD

1. Met on-site with Bizzack Construction, Alliance Water Resources and representatives of other utilities on May 28, 2020.
2. Plans and specifications have been prepared.
3. At the request of Bizzack Construction, the project was forwarded to a utility contractor (Akins Excavation) for pricing.
4. Pricing and plans were forwarded to Bizzack Construction for approval by KYTC.
5. The project was approved for construction by the Kentucky Division of Water.
6. Bell Engineering staked the proposed waterline alignment on Thursday, September 17, 2020.
7. Akins Excavating relocated the waterline during the week of October 21, 2020.
8. The new line was pressure tested, disinfected and samples were taken. The line was then placed in service.

- K. CONTRACT 113-20-02 and 113-20-03
WATER LINE RELOCATION HUNTER'S LANE AND ROCKHOUSE CREEK**
1. Met on-site with Bizzack construction, Alliance Water Resources and representatives of other utilities on May 28, 2020.
 2. A scope of work for these projects is being developed.
 3. Projects are currently scheduled by KYTC and Bizzack Construction for Summer 2021.

Progress Meeting #18 will be held November 18, 2020 at 11:00 AM.

October 27th, 2020

TO: Martin County Water District
Board of Directors

INFORMATION & DECISION

FROM: Staff

RE: PSC CASE NO. 2020-00085 – DISCONNECT FOR NONPAYMENT

On September 21, 2020, the PSC issued some changes to CASE NO. 2020-00085 regarding disconnects for nonpayment of utilities. This order lifts the moratorium on disconnects for nonpayment effective October 20, 2020. In this order the PSC is requiring districts to offer a payment plan to all customers in arrears. Their recommendation is a minimum of 6 months to a maximum of 24 months payment plans. The payment plan is only required for customers that have become in arrears since March 16, 2020 through October 1, 2020. The order also requires the district to continue waiving late fees until December 31, 2020.

Staff is recommending that the Board consider re-instating disconnects for nonpayment in January 2021. This will give the district ample time to begin notification of upcoming disconnects and the options for payment plans as well as the customers time to begin paying their arrearages. Additionally, Staff is recommending that the Board consider a 12-month payment plan for these customers. This payment plan will take their arrearage and break it down evenly between a 12-month period, allowing the customers to have time to pay. It is the Staff's request that to show good will towards our customers and begin receiving payment towards these accounts you consider this 12-month payment plan.

If the Board agrees, the district will begin notifying customers of the 12-month payment plan effective November 1, 2020 in order to help customers begin their payments before disconnects begin in January. Additionally, if the board agrees, the District will begin disconnecting for nonpayment in January 2021 after the January 20th billing date. Meaning, disconnects would commence after January 20th, 2021.

Staff is respectfully requesting the Board approve the District to initiate a 12 month payment plan for customers that have become in arrears from March 16, 2020 through October 1, 2020 and that disconnects for nonpayment begin in January, 2021.

October 27th, 2020

TO: Martin County Water District
Board of Directors

INFORMATION & DECISION

FROM: Staff

RE: Vacation Owed Payment Plan (2019)

As requested by the Board Chairman, the following plan is submitted for payment of vacation that was accrued prior to 1 January 2020.

The Board's policies cap the payment amount at 120 hrs.

It would be beneficial from an accounting and auditing standpoint to begin 2021 with these balances paid.

It is the intent of the Staff to use the attached schedule to clear the debt.

In the process of obtaining information for the 2019 financial audit, Staff talked to the District's payroll service, Payroll Solutions, and was reminded that the District's payroll tax accounts were closed earlier in 2020 after the final 2019 payroll was paid. Staff was also advised of the various issues related to re-opening these payroll tax accounts for the sole purpose of paying out the employees' vacation balances.

After this conversation, Staff is recommending that the District pay the employees' vacation balances and associated payroll taxes related to this payment to Alliance Water Resources. There will be no additional fee(s) charged to the District by Alliance. Alliance will then turn around and issue the employees' vacation payout. The District will pay any associated retirement expenses directly to the CERS (defined benefit pension plan administered by the Kentucky General Assembly) and any 401(k) plan(s) as applicable.

Please review the attached schedule. If the Board agrees, we are respectfully seeking a motion to approve payment of the vacation balances owed based on the attached schedule and for the payment to be paid to Alliance Water Resources.

