

421 West Main Street  
Post Office Box 634  
Frankfort, KY 40602-0634  
[502] 223-3477  
[502] 223-4124 Fax  
www.stites.com

December 4, 2012

R. Benjamin Crittenden  
(502) 209-1216  
(502) 223-4388 FAX  
bcrittenden@stites.com

**HAND DELIVERED**

Jeff R. Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

**RECEIVED**

DEC 04 2012

PUBLIC SERVICE  
COMMISSION

Re: South Shore Water Works Company  
Case Number 2012-00476

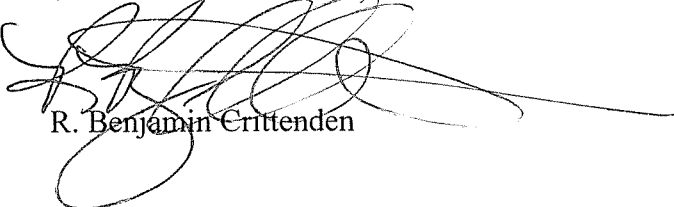
Dear Mr. Derouen:

Pursuant to the Commission's Order of November 20, 2012, enclosed please find and accept for filing the original and five copies of South Shore Water Works Company's Responses to the Data Requests of the Commission Staff. Certain of the documents being filed are marked with Exhibit Numbers that do not correspond to the Data Request to which they are responsive. This is because the documents were previously provided to the Commission by the City of South Shore, Kentucky in response to the Open Records Request issued by the City on November 21, 2012. I apologize for any confusion this causes. Additionally, South Shore intends to file the original verification of George J. Hannah within the next week.

Please do not hesitate to contact me if you or Commission Staff would like any additional information from South Shore Water Works Company.

Sincerely,

STITES & HARBISON, PLLC



R. Benjamin Crittenden

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

DEC 04 2012

PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF SOUTH SHORE WATER  
WORKS COMPANY FOR AN ORDER  
APPROVING A TRANSFER OF OWNERSHIP  
AND CONTROL

CASE NO. 2012-00476

**SOUTH SHORE WATER WORKS COMPANY'S RESPONSE TO COMMISSION  
STAFF'S REQUEST FOR INFORMATION**

DECEMBER 4, 2012





1. KRS 278.020(5) provides that “[n]o person shall acquire . . . ownership of, or control, or the right to control, any utility under the jurisdiction of the commission by sale of assets, transfer of stock, or otherwise, . . . without prior approval of the commission.” Explain why the City of South Shore, Kentucky, has not applied for such approval or jointly applied for such approval with South Shore Water.

**RESPONSE:**

It is the understanding of South Shore Water Works Company (“Water Works”) that the City of South Shore, Kentucky (“City”) has not applied for approval under KRS 278.020(5) to acquire the facilities at issue in this proceeding because the City is outside the scope of the Public Service Commission’s regulatory jurisdiction under KRS 278.040(2) and KRS 278.010(3). The City supports the application filed by Water Works and has agreed to petition to intervene in this proceeding if direct involvement will be beneficial to the Commission Staff. An affidavit of Cheryl Moore, Mayor of the City of South Shore, Kentucky, confirming Water Works’ understanding is attached in response to this Information Request.

WITNESS: George J. Hannah

## AFFIDAVIT

Comes the affiant, Cheryl Moore, and after being duly sworn states as follows:

1. I am the Mayor of the City of South Shore, Kentucky.
2. I am familiar with the matter presently before the Kentucky Public Service Commission styled as *In the Matter of: Application of South Shore Water Works Company for an Order Approving a Transfer of Ownership and Control* (Case Number 2012-00476).
3. The purpose of this affidavit is to make clear to the Commission that the City of South Shore joins in and supports the application made by South Shore Water Works Company. Additionally, this affidavit will address certain questions posed by the Commission Staff in the Data Requests posed to South Shore Water Works on November 20, 2012.
4. The representations made in Case Number 2012-00476 by South Shore Water Works Company regarding the financial, technical, and managerial abilities of the City of South Shore to provide utility service or its intentions upon acquisition of the South Shore Water Works facilities were authorized by the City of South Shore. The City of South Shore hereby affirms those representations.
5. The City of South Shore did not join in the application filed by South Shore Water Works because it is outside the scope of the Commission's regulatory jurisdiction under KRS 278.040(2) and KRS 278.010(3). However, the City of South Shore will participate in this proceeding to the extent requested by the Commission. The City of South Shore is responding to the Open Records Request made the Commission on November 21, 2012 and it is providing South Shore Water Works with information necessary to respond to the Commission Staff's Data Requests.
6. If determined to be necessary or beneficial by the Commission, the City of South Shore will petition to intervene as a party in Case Number 2012-00476 to resolve any questions the Commission may have about whether the proposed acquisition is in accordance with law, for a proper purpose, and consistent with the public interest.
7. The City of South Shore has never filed for bankruptcy protection.
8. The City of South Shore provides sewer service to 776 customers. Of those customers, 315 reside outside the corporate boundaries of the City of South Shore.
9. The City of South Shore. has not made final decisions about how the water treatment and distribution facilities will be staffed following the transfer of ownership and control. The City anticipates that it will consider Greg Hall in some capacity because of his experience working with the South Shore Water Works Company's facilities. The City of South Shore anticipates that it will consider Chad Clark in some capacity because he is already employed as the operator of the wastewater system. Both Mr. Hall and Mr. Clark are licensed and capable of operating the facilities.

10. The City of South Shore intends to finance the purchase of the South Shore Water Works Company assets with a loan through the Kentucky Infrastructure Authority. A letter addressing the loan in more detail is included with this affidavit.

11. The current owner of the South Shore Water Works Company, George Hannah, has agreed to consult with the City as needed should questions arise concerning the operation of the facilities. The City does not anticipate relying on Mr. Hannah's experience or expertise frequently. Rather, his availability provides a measure of comfort should unexpected issues arise with the operation of the facilities.

12. The City of South Shore does not have a plan in place to change the rates currently charged by South Shore Water Works Company. It is the City of South Shore's intent, presently, to continue with the rates, charges, and classifications set forth in the tariff currently on file with the Commission. The City of South Shore anticipates that any subsequent decisions about whether rates should be increased, decreased, or remain the same will be made only after the City of South Shore has an opportunity to operate the facilities and determine the costs of service.

FURTHER the affiant sayeth not.

Cheryl Moore  
Cheryl Moore

STATE OF KENTUCKY     )  
  )  
COUNTY OF GREENUP    )

Subscribed and sworn to before me by CHERYL MOORE on this the <sup>3<sup>rd</sup></sup>~~29<sup>th</sup>~~ day of ~~November, 2012.~~  
~~December~~

My commission expires: July 18, 2014

Melanie Stoner  
NOTARY PUBLIC, STATE AT LARGE 422159



Steven L. Beshear  
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive Suite 340  
Frankfort, Kentucky 40601  
Phone (502) 573-0260  
Fax (502) 573-0157  
<http://kia.ky.gov>

John E. Covington III  
Executive Director

August 7, 2012

Honorable Cheryl Moore, Mayor  
City of South Shore  
500 Main Street  
South Shore, KY 41175

KENTUCKY INFRASTRUCTURE AUTHORITY  
INFRASTRUCTURE REVOLVING LOAN FUND  
CONDITIONAL COMMITMENT LETTER (B12-09)

Dear Mayor Moore:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On August 2, 2012, the Authority approved your loan for the Acquisition of South Shore Water Works project subject to the conditions stated below. The total cost of the project shall not exceed \$1,600,000 of which the Authority loan shall provide \$1,600,000 of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the City of South Shore upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (8/7/2013) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms.

1. The Authority project loan shall not exceed \$1,600,000.
2. The loan shall bear interest at the rate of 0.75% per annum commencing with the first draw of funds.



3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on June 1 or December 1 immediately succeeding the date of the last draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1 or December 1 which is at least six months from the date of the last draw of funds. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred
8. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation
2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.

3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding or any new sources of funding not reflected in Attachment A shall be immediately reported and may cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.
5. Based on the final "as bid" project budget, the community must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by your consultant engineer
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Authority.
8. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review, however, they may request information as needed.
9. Documentation of Clearinghouse Endorsement and Clearinghouse Comments
10. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.

**CITY OF SOUTH SHORE**  
**B12-09 - \$1,600,000**

**Checklist of Required Documents to Send to KIA**

1. Conditional Commitment Letter
  - a. Send original signed Conditional Commitment Letter to KIA
  - b. Send original signed Electronic Funds Transfer Form
  
2. Send copies of Public Service Commission approval

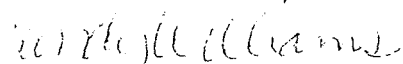
Mayor Cheryl Moore  
August 7, 2012  
Page 4

11. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
12. Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). If there is a significant deviation from the Final Design Plan during construction, As-built plans shall also be provided to the Authority in the same format.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We will assist you in a final evaluation of the financing plan when construction bids are available. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

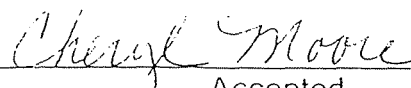
Sincerely,

  
Sandy Williams  
Financial Analyst

Attachments

cc: Bryan Kirby, Community & Economic Development Associates, Inc. (CEDA)  
Dirk Bedarff, Peck, Shaffer & Williams LLP  
State and Local Debt Office, DLG  
Borrower File - City of South Shore - B12-09

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.

  
Accepted

10-16-12  
Date



2. Identify the authority by which South Shore Water may make representations regarding the financial, technical, and managerial abilities of the City of South Shore to provide utility service or its intentions upon acquisition of South Shore Water's facilities, as the City of South Shore is not an applicant before the Commission, nor does the Application contain any statement that South Shore Water or its legal counsel is authorized to act on behalf of the City of South Shore.

**RESPONSE:**

The authority of South Shore Water Works Company to make representations regarding the financial, technical, and managerial abilities of the City of South Shore to provide utility service or its intentions upon acquisition of South Shore Water's facilities is addressed in the affidavit of Cheryl Moore, Mayor of the City of South Shore, Kentucky, which is attached in response to Information Request 1-1.

WITNESS: George J. Hannah



3. State whether South Shore Water agrees that KRS 278.020(6) is also applicable to the proposed transfer of ownership of South Shore Water's facilities. If it does not agree, explain why not.

**RESPONSE:**

South Shore Water Works Company ("Water Works") disagrees with the statement that KRS 278.020(6) is applicable to the proposed transfer of ownership of its facilities to the City of South Shore, Kentucky ("City"). The City is exempt from the regulatory jurisdiction of the Kentucky Public Service Commission under KRS 278.040(2), KRS 278.010(3), and numerous decisions from the Kentucky courts. *See, e.g., Simpson County Water District v. City of Franklin*, 872 S.W.2d 460 (Ky. 1994) (Recognizing that the Commission generally has no regulatory jurisdiction over municipalities, but that it does possess the authority to regulate rates and services when a municipality contracts with a utility to buy or sell utility services); *City of Georgetown v. Public Service Commission*, 516 S.W.2d 842 (Ky. 1974) (Affirming that the Commission's jurisdiction does not extend to municipalities because they do not fall within the definition of "utility" or "person" as those terms are used in KRS 278.020. Accordingly, Water Works maintains that the only approval required by the Commission in this case is that provided for under KRS 278.020(5), which Water Works has sought in this proceeding.

However, neither Water Works nor the City wish to have this matter become ensnared in questions concerning the scope of the Commission's regulatory jurisdiction over municipalities. The City has complied with the Open Records Request issued by the Commission and has assisted Water Works in responding to these Information Requests. If the Commission Staff finds it necessary or beneficial to have the City directly involved in this proceeding as a party then the City will petition to intervene and will request approval for the transfer at issue under KRS 278.020(5) and KRS 278.020(6). The City's willingness to do so is set forth in the affidavit of Cheryl Moore, Mayor of the City of South Shore, Kentucky, which is attached in response to Information Request 1-1. Water Works and the City will be happy to discuss the City's involvement with the Commission Staff if the Commission Staff believes a conference will be helpful.

WITNESS: George J. Hannah





4. List all governmental agencies that must approve the proposed transfer.

**RESPONSE:**

Other than the City of South Shore, Kentucky and the Kentucky Public Service Commission, South Shore Water Works Company is unaware of any governmental agencies that must approve the proposed transfer.

WITNESS: George J. Hannah

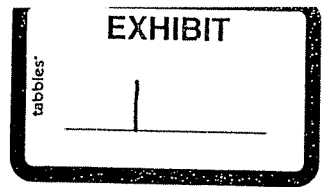


5. For each governmental agency whose approval is required, state:
  - a. The nature of the approval that must be obtained;
  - b. The date on which South Shore Water or the City of South Shore applied for such approval or expects to apply for such approval; and
  - c. The agency's action on the application. Provide a copy of any written decision that the agency has issued.

**RESPONSE:**

Enclosed are the Ordinance passed by the City of South Shore, Kentucky ("City") authorizing the negotiated purchase of South Shore Water Works Company ("Water Works") and the minutes of all City Commission meetings addressing the purchase of Water Works.

WITNESS: George J. Hannah



0205007MM11

ORDINANCE NO. 281 - 2007

AN ORDINANCE OF THE CITY OF SOUTH SHORE, KENTUCKY, AUTHORIZING THE MAYOR OF THE CITY OF SOUTH SHORE, KENTUCKY, TO ENTER INTO NEGOTIATION FOR THE PURCHASE OF THE SOUTH SHORE WATER WORKS COMPANY AND TO REPORT SAID RESULTS TO THE COMMISSION; AND ALL OTHER MATTERS.

WHEREAS, the City Commission of the City of South Shore, Kentucky, has deemed it to be in the City's best interest to explore purchase of the South Shore Water Works Company in that if same remains in private ownership, the water rates for the citizens of the City of South Shore, Kentucky, will be required to be raised in an amount which is greater than what the City would be required to raise the rates to effectuate the purchase and continued operation of the Water Works; and

WHEREAS, the South Shore Water Works Company is being offered for sale.

NOW BE IT ORDAINED by the City Commission of the City of South Shore, Kentucky, as follows:

SECTION 1: That the Mayor of the City of South Shore, Kentucky, is hereby authorized to enter into non-binding negotiation with the South Shore Water Works Company.

SECTION 2: That the Mayor is additionally authorized to enter into any collateral agreements and shall report said results to the Commission at the first opportunity.

SECTION 3: That all ordinances in conflict herewith are specifically hereby repealed to the extent of said conflict only.

SECTION 4: That each section and each sentence of this ordinance is enacted separately and the invalidity and/or unconstitutionality of any one particular sentence and/or section shall

not affect the validity and/or constitutionality of any other sentence and/or section.

SECTION 5: That this ordinance shall be in full force and effect from and after its passage, approval and publication according to law.

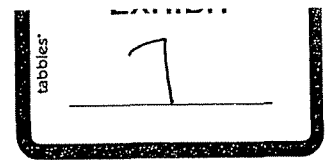
Cheryl Moore Mayor  
MAYOR, CITY OF SOUTH SHORE, KENTUCKY

ATTEST:

Judith Cooper  
CITY CLERK

FIRST READING: Feb. 20, 2007

SECOND READING: March 20, 2007



Regular Meeting - November 20, 2012

The South Shore Board of Commissioners met in regular session with the following members:

**Present: Mayor Cheryl Moore, Mildred Bradley, Louie Bentley**

**Absent: Lance Warnock, David Piatt**

Employees Present: City Clerk Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks

Minutes from Regular Meeting on October 16, 2012 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Bentley made motion** to accept the minutes from October 16, 2012 as written. Mrs. Bradley seconded. All ayes and motion carried.

In Mr. Piatt's absence, Mayor Moore had commissioners look over the financial report and bills to be paid. **Mr. Bentley made motion** to accept the financial report and to pay the bills. Mrs. Bradley seconded. All ayes and motion carried.

In reporting on the sewer and collection system, Mr. Bentley said everything was OK. He did make a motion to give Tim Carter a pay raise. There was discussion and then the motion died for lack of a second.

In Mr. Warnock's absence, Mayor Moore said everything was OK in the police department.

Mrs. Bradley gave the roads report. She said the new signs are in and the men will begin putting them up this coming week. Some gravel has been put in places around the city. She thinks the alleys need some gravel before winter. The streets that are to be worked on when the sewer project begins will be paved when the work is done. There was some discussion about ditching that needs done in places.

In park committee news, Mrs. Bradley told about the Christmas parade to be held on December 8th at noon. The tree at the park will be trimmed, there will be singing, and cocoa and cookies, etc. will be available. They want people to bring decorations and help decorate the tree. There was also discussion about walking trails around in the park area.

In old business, Mayor Moore told commissioners that the land where the new city building is to be built had been checked for any historical value. Everything was a go for the building to be built. The historical society has to sign off on it. And the city attorney said there were no restrictions in the deed for building on that site. The Mayor brought commission up to date on the USDA Rural Development loan.

In new business, Mayor Moore told about the Greenup County Drug Free Coalition. There will be a kick off on December 1st. Banners will be put up on the overpass and on the tennis courts in the park. Flyers will be passed out and signs put up. There will be some public meetings on this also.

There was discussion about some items to be surplused. The city attorney reminded commission that there are certain steps to go through in order to do this. They looked at the items on the list to be surplused and decided to keep some of them. **Mr. Bentley made motion** to auction off the items they decided on. Mayor Moore seconded. All ayes and motion carried.

A one time pay raise was discussed for all employees. It will be \$200 per person for full time and part time employees and will be paid the 1st pay period in December. **Mayor Moore made motion** to pay this one time pay raise. Mr. Bentley seconded. All ayes and motion carried.

There will need to be a separate bank account opened for the water works project. **Mr. Bentley made motion** to open the separate bank account. Mrs. Bradley seconded. All ayes and motion carried

**Mr. Bentley made motion** to raise the county clerks office rent \$200 per month. This would make the rent on the clerks office \$2400.00 per year. Mrs. Bradley seconded. All ayes and motion carried.

In comments from the floor, Dan Blevins, the assisatant director of Helping Hands, introduced himself and thanked everyone for the help and support they have given Helping Hands. He said the backing from Mayor Moore and the ministerial association had been great. They are open on Mondays and Thursdays from 10-3 each week and on the 2nd Friday of each month they take larger donations. But for utility and medication help people still have to go to Greenup.

There was discussion about a small goat that Louie Bentley has in his yard. It is in a cage and considered a pet. The Mayor has been checking into this with the attorney, looking over the ordinances about animals in the city. A neighbor of Mr. Bentley's was in the audience and spoke about this. He said the goat bothered no one and that there was no smell and the pen was clean. Mayor Moore said because it is a complaint, it has to be dealt with.

There was a small discussion about Complete Streets but nothing was decided about it.

In other business, Fred Bales asked about putting an advertising bench on the corner of JE Hannah Drive and Main Street. The commission doesn't think it would be good to have these benches on city property. If a private business or company wants to let him, they can. The city attorney said that an ordinance about sidewalks needs to be discussed and done.

**Mr. Bentley made motion** to adjourn the meeting. Mrs. Bradley seconded. All ayes and meeting adjourned.

---

Linda Potter, City Clerk

Cheryl Moore, Mayor



Regular Meeting - October 16, 2012

The South Shore Board of Commissioners met in regular session with the following members:

**Present: Mayor Cheryl Moore, Mildred Bradley, David Piatt, Louie Bentley**

**Absent: Lance Warnock**

Employees Present: City Clerk Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Public Hearing on September 18, 2012 and minutes from Regular Meeting on September 18, 2012 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Piatt made motion** to accept the minutes from Public Hearing on September 18, 2012 and Regular Minutes from September 18, 2012 as written. Mrs. Bradley seconded. All ayes and motion carried.

Amanda Tarr from Millhuff-Stang, CPA gave the post audit report. She gave copies of audit to commissioners and gave the final results of the audit. A few adjustments were made but no difficulties in doing the audit. There were a few requirements that the city had to comply with and will do in the coming year. She had sign sheets for the commissioners saying she had explained the audit to them. The city is caught up now – the next audit is due Feb. 2013. **Mr. Piatt made motion** to accept the audit. Mr. Bentley seconded. All ayes and motion carried.

Mr. Piatt gave financial report. Copies were given to commissioners and also bills that needed to be paid. **Mr. Bentley made motion** to accept the financial report and to pay the bills. Mrs. Bradley seconded. All ayes and motion carried.

Mayor Moore told commissioners that Sherri Collins, a CPA who previously worked for Reynolds & Co. is willing to work with the city to keep our financials up to date. She would charge \$25.00 per hour to do this on an as needed basis. Reynolds was supposed to have someone do this but it hasn't been done. **Mr. Bentley made motion** to hire Sherri Collins at \$25.00 per hour on an as needed basis. Mr. Piatt seconded. All ayes and motion carried.

In the police report, Mayor Moore reported everything was good.

In sewer and collection report, Mr. Bentley said he had no complaints. Things appeared to be good.

In roads report, Mrs. Bradley reported the men did a good job cutting brush on Coney and W. 1st Avenue. Mr. Bentley said the stop signs were good where the city moved them. Mrs. Bradley said the stop signs were ordered for across the tracks and would be put up when they came in. The salt contract for this year was discussed. North American Salt is where the city has been getting its salt. The city still has salt from last year stored in Greenup at the county garage. They decided to order 22 ton from North American Salt. Linda Winter with North American Salt will fax a new quotation for the 22 ton. The price should be approximately \$57.00 per ton. **Mayor Moore made motion** to order 22 ton from North American Salt. Mr. Piatt seconded. All ayes and motion carried.

In park committee report, 3 people have paid for trees and memorial plaques and the trees are already planted.

In old business, Kelly Ward with FIVCO was at the meeting and spoke about the \$1000.00 grant that was given to the city. This is for capital improvement and it will be used for playground projects, probably a slide for the park. Kelly said the grant is given to the city and it is not a matching grant but the city has to pay something along with the grant. The slide the city wants to purchase will probably be around \$1500.00, so they will pay some to go with the grant. **Mr. Bentley made motion** to use the FIVCO grant for capital projects at the park. Mr. Piatt seconded. All ayes and motion carried.

The Mayor tabled a Resolution concerning KIA loan #HB265.

An archeological survey done at the site of the new city building was conducted by CRA (Cultural Resource Analysis, Inc). The site where the city building is to be built is cleared to build on. The company is doing all the reports that are needed for this. The city will have to pay an additional \$1900.00 besides the original price of \$2985.00. This totals \$4885.00 the city will have to pay for this. **Mr. Piatt made motion** to pay the \$4885.00 for having this survey done. Mr. Bentley seconded. All ayes and motion carried.

The KIA has a commitment letter that the Mayor needs to sign in order to purchase the water company. This letter says that the city does want the money to buy the water company. It's a 20 year loan with 2 payments per year. **Mr. Bentley made motion** for the Mayor to sign the KIA commitment letter. Mr. Piatt seconded it. All ayes and motion carried.


In new business, Resolution # 83-2012 was presented. This is for payment to HMB Engineers in the amount of \$20,200.00 for design work on the collection system. **Mr. Bentley made motion** to approve Resolution #83-2012 paying HMB Engineers the \$20,200.00. Mr. Piatt seconded. All ayes and motion carried.

The Christmas parade was discussed. The fire department is going to help with this and the Homemakers also. They are planning the parade, music on the stage, hot cocoa, cookies, etc. Also decorating the tree in the park. This would be done on December 8th at noon. **Mayor Moore made motion** to have the Christmas parade on December 8th at noon. Mr. Bentley seconded. All ayes and motion carried.

Chrystal Hayes with the Ladies Auxiliary at the American Legion asked the commissioners for permission for a parade honoring veterans on November 10th at noon. It would run the regular parade route starting at the ballfield and ending at the legion. A ceremony honoring veterans would be held at the legion field and a dinner for veterans that evening. **Mr. Piatt made motion** to allow the Ladies Auxiliary to have a veterans parade on November 10th at noon. Mr. Bentley seconded. All ayes, motion carried.

In comments from the floor, Pauline Farley mentioned Robert Timberlake's property. She said there are complaints about mice and roaches. She said something needed to be done with the situation. Mr. Bentley had complaints about rats in the city. Daniel Carter, sitting in for the city attorney, said he would look into the nuisance ordinance concerning these matters. Property owners will probably have to be cited. Also will check about abandoned property and what to do with it.

**Mr. Piatt made motion** to adjourn the meeting. Mr. Bentley seconded. All ayes and meeting adjourned.



Linda Potter City Clerk



Cheryl Moore, Mayor

Regular Meeting - September 18, 2012

The South Shore Board of Commissioners met in regular session with the following members:

**Present: Mayor Cheryl Moore, Mildred Bradley, Louie Bentley, David Piatt**

**Absent: Lance Warnock**

Employees Present: City Clerk Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Regular Meeting on August 21, 2012 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Piatt made motion** to accept the minutes as written. Mr. Bentley seconded. All ayes and motion carried.

Mr. Piatt gave the financial report. The commissioners saw the report of the bills that needed to be paid. **Mr. Bentley made motion** to accept the financial report and to pay the bills. Mr. Piatt seconded. All ayes and motion carried.

In Mr. Warnock's absence, Mayor Moore stated that things in the police department looked good at this time.

Mr. Bentley stated that the sewer and collection system were good right now. Mayor Moore said that Bryan Kirby had a few questions that needed answered concerning the loan for the collection system.

Mrs. Bradley gave the roads report. The state has worked on the ditches along Rt. 23 and cleaned out the weeds and overgrown trees. Everyone says this looks really good now. There is a section in front of the park where the old city building was that still needs some brush and trees removed. Mrs. Bradley is in the process of getting signs replaced in the city. She is working on the ones across the railroad tracks first. She would like to remove a 4 way stop sign at W. 2nd Avenue and Holly Avenue and move it to W. 2nd Avenue and Hauser Avenue and put 2 speed limit signs on that street (W. 2<sup>nd</sup> Avenue). Resolution # 82-2012 was presented to approve moving the stop sign from one street to the other. **Mayor Moore made motion** to approve Resolution # 82-2012 to move the 4 way stop sign at W. 2nd Avenue and Holly Avenue and move it to W. 2nd Avenue and Hauser Avenue. Mr. Piatt seconded. All ayes and motion carried. Mrs. Bradley would also like to place NO OUTLET signs on Ridge Street. There was some discussion about holes and street openings on some streets that need to be fixed. Most of these are from places the water works has worked on. Joe Hannah, with South Shore Water Works, has said he will take care of these. Mayor Moore reported the city is working on drainage pipes at Old Sunshine and also at the old Grandview parking lot. While the roads were being discussed, John and Tammy Nelson, who live at 98 W. 1st Avenue, spoke to the commissioners about their street. They said the street itself needs paved, but they know that the sewer lines will be replaced and then the street will be paved. They also complained about the brush, weeds and trees that need cut badly. The trees are hanging over the street and dragging on the tops of cars. Mr. Bentley said that the city workers need to take a chain saw and go and cut those things back. Also discussion about Darin Conrad property on JE Hannah Drive, where a ditch is blocked by bricks. The mayor said she would take care of this.

Mrs. Bradley gave a parks committee report. She said the park is about ready for the Quilt Festival which begins September 28th. Mr. Bentley asked about the tennis courts, if there were any grants out there to resurface them.

In old business, Ordinance # 315-2012 was given a 2nd reading. Paul Craft, city attorney, read the Ordinance, "AN ORDINANCE OF THE CITY OF SOUTH SHORE, KENTUCKY FIXING THE TAX RATE FOR THE CITY OF SOUTH SHORE, KENTUCKY FOR THE TAX YEAR 2012; ESTABLISHING SAID TAX RATE AT .2295 FOR EACH \$100.00 OF TAXABLE PROPERTY; ESTABLISHMENT OF DUE DATE AND PENALTY; AND OTHER MATTERS." **Mr. Bentley made motion** to adopt Ordinance # 315-2012, fixing the tax rate for the city for the tax year 2012. Mr. Piatt seconded. All ayes and motion carried.

City Attorney Paul Craft had questions concerning the water project and said some answers were needed from the commissioners. He is working with Joe Hannah's attorney concerning the water works for some information needed for the Public Service Commission. **Mayor Moore made motion** to go into executive session to discuss the water project. Mr. Piatt seconded. All ayes and motion carried. Mayor Moore called meeting back to order. No action taken.

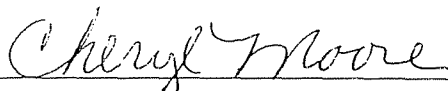
In new business, the Area Development Grant project was discussed. Last year, this grant was used to buy springy horses for the park. The commissioners need to decide what this \$1,000.00 can be used for this year. **Mayor Moore made motion** to get a new sliding board for the park. Mr. Piatt seconded. All ayes and motion carried.

Holly West, with the Boyd County Health Department, working also with Chris Crum from the Greenup County Health Department, spoke on a program called COMPLETE STREETS. Laura Patrick with the Kentucky Heart Foundation was with her and together they explained this program to the commissioners. This program is to encourage healthy activities, such as biking and walking. And to see that the city has places for these activities. They both are grant writers, with access to grants that can be used for the purpose of walking trails and biking lanes. They said that South Shore could be one of the first small cities to adopt this project. But it does require an Ordinance in order to get the funding. All streets in the city would not have to be COMPLETE STREETS. If the commissioners would decide to do this, there could be exceptions in the ordinance. The city attorney would have to look this over in order to make sure it would be feasible for the city. Commissioner David Piatt stated he would like to see walking paths in the city park and eventually some bike lanes as projects are done to the city streets.

Pauline Farley asked if all political signs could be placed in the one area across from the old Laundromat on Taylor Avenue instead of all over the city. Also Mayor Moore stated that the city did get an extension from EMC Insurance concerning getting the rest of the insurance money for the new city building. **Mr. Piatt made motion** to adjourn the meeting. Mr. Bentley seconded. All ayes and meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor

Regular Meeting - July 17, 2012

The South Shore Board of Commissioners met in regular session with the following members:

**Present: Mayor Cheryl Moore, Mildred Bradley, Lance Warnock**

**Absent: David Piatt, Louie Bentley**

Employees Present: Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Regular Meeting on June 19, 2012 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Warnock made motion** to accept the minutes as written. Mrs. Bradley seconded. All ayes and motion carried.

In Mr. Piatt's absence, Mayor Moore had commissioners look over the financial report and the bills to be paid. She asked if there were any questions. **Mr. Warnock made motion** to accept the financial report and to pay the bills. Mrs. Bradley seconded. All ayes and motion carried.

Mr. Warnock gave police report. He said things were going fairly smooth. Chief Sword is working on some break-ins in the city. To follow up on a question asked in a previous meeting as to how often the ammunition should be changed, he said that Chief Sword had changed ammunition. He mentioned that the Chief was on vacation this week.

Mayor Moore spoke of the sewer and collection system. A bad storm had gone through about 3 weeks ago and some power was out. 2 lift stations were down a short time. A pump at a lift station had been struck by lightning and an insurance claim has been filed. She also said the e-coli has finally straightened up. She gave commissioners a map showing the plans for the rehab of sewer lines. Some lines will be dug up and replaced and some lines will be slip-lined. She thinks there should be some money left to blacktop some of the streets after this rehab is done. She said all will depend on the bids as to how much money there will be to spend on blacktop after the project is done.

Mrs. Bradley gave the roads report. She said there are still a few signs down. She said the city needs to start planning what signs will be needed to start coming into compliance with the new standards and they need to be ordered. She said a good job was done picking up limbs in the park after the big storm went through.

She also gave a park committee report. She said the committee would like to be able to sell a tree and a memorial brick together for one price; they were thinking \$100.00 for both. But this has not been completely decided yet. Also the new stage is under construction now. The Quilt Festival is being held in the park September 28<sup>th</sup>, 29<sup>th</sup> and 30<sup>th</sup>.

In old business, discussion about the new city building. The health department has said they do want to have space in the new city building. But first they would have to have a contract in place with the city to

make it official. **Mr. Warnock made motion** to include the health department in the floor plan for the new city building. Mrs. Bradley seconded. All ayes and motion carried.

In the January commission meeting, Resolution # 73-2012 was approved authorizing the Mayor to execute and submit an application through KIA for loan assistance for the purchase of South Shore Water Works. This application was submitted and \$1.6 million was approved for the KIA loan to buy the Water Works. The agreement has been signed and \$10,000.00 in earnest money has been put against the purchase of the Water Works. **Mr. Warnock made motion** to approve this KIA loan amount for the purchase of the Water Works. Mrs. Bradley seconded. All ayes and motion carried.

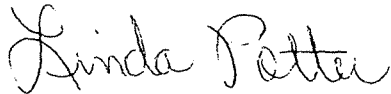
Also in old business, there is still some work to be done to settle with Veolia.

In new business, Mayor Moore said since the bad storm went through approximately 3 weeks ago, there is lot of debris that city residents need to dispose of. She said in the budget there was some extra money that could be used for a city dumpster at this time, and still be able to do a fall clean up with a dumpster. **Mr. Warnock made motion** to approve a dumpster beginning July 23<sup>rd</sup> and running through August 3<sup>rd</sup> for a city clean up. Mrs. Bradley seconded. All ayes and motion carried.

In other new business, the 2012 tax rate was discussed. This needs to be done by September 1<sup>st</sup>. If 4% is done, a public hearing will have to be held. Mayor Moore recommended that the city not do the 4% this time. There was discussion about this. The Mayor and Commissioners will have the city attorney figure it and see what it would work out to be. Then a special meeting may have to be held to accept it and approve it.

In comments from the floor, Pauline Farley spoke again about private signs in the city that she had taken down. She mentioned that weeds were again coming back by the fence along the front side of the park. She thought perhaps it could be sprayed. Mayor Moore mentioned that Craft Pest Control had sprayed the park this month for insects, ticks, etc. Mrs. Farley also mentioned again about South Shore becoming a Purple Heart city.

**Mr. Warnock made motion** to adjourn the meeting. Mrs. Bradley seconded. All ayes and meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor

Special Meeting - June 12, 2012

At the City Building at 500 Main Street, South Shore, Kentucky at 6:30 PM

**Present: Mayor Cheryl Moore, Mildred Bradley, Lance Warnock, Lou Bentley, David Piatt**

**Absent: None**

Employees Present: Linda Potter

On the agenda for this meeting is a Budget Work Session and 1<sup>st</sup> Reading of Ordinance # 314-2012 for Annual Budget for July 2012 – June 2013

Mayor Moore called meeting to order.

A copy of this year's Budget was given to each commissioner.

Discussion on roads budget and police budget. Discussion on pay raises for clerk's office and police. City clerk rate of 9.90 an hour. Utility clerk and finance clerk rate of 8.80 an hour. Police chief rate of 13.20 plus KLEFPF. These raises are all 10% and are included in this budget. They are to take effect 7-1-2012. Also the one time raises that are paid in December was discussed, \$200.00 per employee, full-time and part-time.

Discussion on the garbage budget. It usually stays about the same. In future meetings, the next contract will be discussed.

Discussion about the part of the budget concerning Projects. Even though the city is approved for \$3,00,006.00 for the sewer rehab does not mean that much has to be used. And the loan for \$1,400,000.00 for the water project is included in the budget.

In going over the Sewer budget, was discussion about a raise for the coming year for Chad Clark, who is contracted to run the sewer plant. Some differences in the budget because now we pay the bills instead of it going through Veolia.


In General Government budget, was discussion about cell phones for the sewer and roads employees. Personnel policy needs to be redone concerning these things so that at next meeting, decisions can be made concerning the cell phones.

Had 1<sup>st</sup> reading of Ordinance # 314-2012, adopting the annual budget for 2012-2013. Commissioners will look over the budget before the regular meeting when a 2<sup>nd</sup> reading can be done.

**Mr. Warnock made motion** to adjourn the meeting. Mrs. Bradley seconded. Meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor

Regular Meeting – May 15, 2012

The South Shore Board of Commissioners met in regular session with the following members:

**Present: Mayor Cheryl Moore, Mildred Bradley, Louie Bentley, David Piatt**

**Absent: Lance Warnock**

Employees Present: City Clerk Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Regular Meeting on April 17, 2012 and minutes from Special Meeting on April 26, 2012 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Piatt made motion** to accept the minutes from the Regular Meeting on April 17, 2012 and the minutes from the Special Meeting on April 26, 2012. Mr. Bentley seconded. All ayes and motion carried.

Mr. Piatt gave the financial report and went over the bills to be paid. **Mr. Bentley made motion** to accept the financial report and to pay the bills. Mr. Piatt seconded. All ayes and motion carried.

In Mr. Warnock's absence, Mayor Moore gave police report. She said things seem to be quiet for now. Had a discussion about arrest fees and seized properties.

Mayor Moore and Mr. Bentley said things were good at the sewer plant. Have had no spills at the plant. Mayor Moore said the DMR's for April were good.

Mrs. Bradley spoke about the roads. The state just blacktopped SM Roberson today. New risers were put in the manholes before the blacktopping. Some discussion about the water coming off the hill close to Jim Bob Osman's home on SM Roberson and what can be done about it. Mayor Moore will contact the State Highway Department to see what can be done. Also was mentioned that ditches need to be cleaned out on SM Roberson. Mrs. Bradley gave a park report. There was no meeting in April (this month) because of lack of a quorum. But was mentioned that South Shore Subway gave a % of their earnings from April 14<sup>th</sup> to the city's park committee. Commissioners also mentioned that it was looking good in the park, the overpass and South Shore Drive.

In old business, City Attorney Paul Craft had 2<sup>nd</sup> reading of Ordinance # 313-2012, "An Ordinance of the City of South Shore, Kentucky, Amending Annual Budget for the Fiscal Year July 1, 2011 Through June 30, 2012, by Estimating Revenues and Resources and Appropriating Funds for the Operation of City Government". **Mr. Bentley made motion** to adopt Ordinance # 313-2012. Mr. Piatt seconded. All ayes and motion carried.

KIA had sent a conditional commitment letter to the City for Mayor Moore to sign. This is needed to proceed with the agreement between KIA and the City of South Shore since KIA approved the loan for



the Sewer System and Wastewater Treatment Plant Rehabilitation on April 12, 2012. **Mr. Piatt made motion** for the mayor to sign the conditional commitment letter for KIA to proceed with the loan agreement. Mr. Bentley seconded. All ayes and motion carried.

**Mayor Moore made motion** to go into executive session for land acquisition. Mr. Bentley seconded. All ayes and motion carried.

Mayor Moore called meeting back to order.

**David Piatt made motion** to purchase the assets of South Shore Water Works Company for \$1.4 million dollars and to enter into the asset purchase agreement with the South Shore Water Works Company and George J. Hannah. Mr. Bentley seconded. All ayes and motion carried.

**David Piatt made motion** to enter into collection agreement with South Shore Water Works Company after completion of purchase of assets of South Shore Water Works Company consistent with the contract reviewed at the meeting; further to authorize the mayor to sign any and all documents necessary to facilitate the transaction. Mr. Bentley seconded. All ayes and motion carried.

In new business, commissioners discussed a truck that had been seized in 2007 for a drug arrest and has been held by the city since then. City Attorney Paul Craft said they needed to auction it off and would have to advertise for this. **Mr. Piatt made motion** to advertise and auction off the truck. Mr. Bentley seconded. All ayes and motion carried.

The ladies at the American Legion Post in South Shore want to sell poppies on May 19<sup>th</sup> for National Poppy Day for veterans. They filled out a special permit application asking for permission to sell these within the city. **Mr. Piatt made motion** to allow the American Legion Post to sell the poppies within the city on May 19<sup>th</sup>. Mr. Bentley seconded. All ayes and motion carried.

Resolution # 75-2012 was presented. It authorizes the filing of a 2012 CDBG grant application for the city in the amount of \$1,000,000.00 **Mr. Piatt made motion** to approve Resolution # 75-2012 to authorize the filing for the CDBG grant application for \$1,000,000.00 Mr. Bentley seconded. All ayes and motion carried.

Resolution # 76-2012 was presented to approve the payment of Akins Excavating, Inc. for camera work in the amount of \$35,442.20 and the City of South Shore for \$213.04 for reimbursement of advertising. **Mr. Piatt made motion** to accept Resolution #76-2012 to pay Akins Excavating, Inc. \$35,442.20 and the City of South Shore \$213.04. Mr. Bentley seconded. All ayes and motion carried.

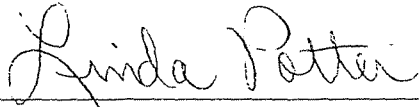
In comments from the floor, Pauline Farley mentioned a big hole at the corner of Main Street and 4<sup>th</sup> Avenue where water stands. Mr. Bentley said the backhoe needs to be used to clean up that corner. Mrs. Farley also mentioned that the state would like all cities to be Purple Heart cities. If the commission wants to do this, something needs to be signed by the mayor. Mrs. Farley is to bring paperwork to the

mayor to sign to do this. **Mr. Bentley made motion** for the mayor to sign Resolution # 77-2012 adopting a proclamation declaring May 2012 as the month to remember and recognize veterans who are recipients of the purple heart medal **AND** officially designating the City of South Shore, KY as a Purple Heart City. Mrs. Bradley seconded. All ayes and motion carried.

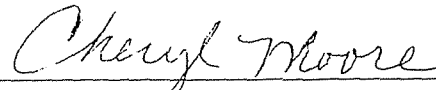
Mrs. Farley also spoke about the Greenup County Board of Education wanting to provide lunches this summer for children in Vacation Bible School in the county. She said all the churches should be contacted to do this. Mr. Piatt said the city should send a letter to the School Board commending them for this program. Mrs. Farley also spoke about the brown bag program that the schools have to send food items home with children on Friday evenings for the weekends.

In other business, Mrs. Bradley mentioned that the Greenup County Homemakers are having a sale at the extension office this Saturday, May 19<sup>th</sup> from 9-2. Mr. Piatt spoke about memorial stones for the park. He had one that will be for Bob Bradley when it's inscribed.

**Mr. Piatt made motion** to adjourn the meeting. Mr. Bentley seconded. All ayes and meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor

Regular Meeting – April 17, 2012

The South Shore Board of Commissioners met in regular session with the following members:

**Present: Mayor Cheryl Moore, Mildred Bradley, David Piatt, Louie Bentley**

**Absent: Lance Warnock**

Employees Present: Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Regular Meeting on March 20, 2012 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Piatt made motion** to accept the minutes from Regular Meeting on March 20, 2012 as written. Mr. Bentley seconded. All ayes and motion carried.

Mr. Piatt gave the financial report. He went over the financial sheets and spoke about the bills that needed to be paid. **Mr. Bentley made motion** to accept the financial report and to pay the bills. Mr. Piatt seconded. All ayes and motion carried. They talked about the UFIR being due May 1<sup>st</sup>. And the budget has to be together to present to commissioners in June. It needs to be done by July. Also the CD (Sewer O & M) at American Savings Bank was up for renewal. Mr. Piatt checked rates at other financial institutions and left it at American Savings.

Mayor Moore gave the police report in Mr. Warnock's absence. She said there had been some complaints of thefts but it seems like this has slowed down.

Mayor Moore gave sewer & collection system report in Chad Clark's absence. He had schooling he had to attend but he sent Mr. Bentley a copy of the log for the month and a letter that was given to all the commissioners. The new pump is now in and working, lines in Forest Heights has been worked on and the last of the camera work is being done. She reported that at the KIA meeting last week, the city was approved for \$3,006,000 for the sewer plant and rehab project. They do not have to take the full \$3,006,000. Now the city will apply for matching CDBG funds of \$1,000,000 for the collection system. She told commissioners that a new sewer tap had been installed this past week. Also she reported that Kenny Liles is going to take his test for Class II operator's license May 22-25. **Mr. Bentley made motion** for the city to send Kenny Liles to take the test for his Class II operator's license and to pay for his lodging and his meals. Mr. Piatt seconded. All ayes and motion carried.

Mrs. Bradley gave roads report. Was discussed that the county had run out of cold mix for the streets but we can get hot mix but have to pay for it. Mrs. Bradley said JE Hannah, in front of McDonald's Pharmacy, needed paved badly. **Mr. Piatt made motion** to bid out a section of JE Hannah Drive from Main Street to just past the old post office to fix the potholes. Mr. Bentley seconded. All ayes and

motion carried. Mr. Bentley asked if A & A Paving, owned by Rick Brown, was still in business. He always did a good job. Mrs. Bradley will call someone about A & A Paving and will let commission know. The backhoe was discussed at the last meeting and decided to go ahead and fix it. Rick Gifford has worked on it but there are still a few things to do to it. **Mr. Bentley made motion** to go ahead and finish the work on the backhoe. Mr. Piatt seconded. All ayes and motion carried. Mike Mullins has brought inmates down several times to work in the park and around the city. It seems that they are doing a good job. Mrs. Bradley and Mr. Bentley said the overpass needs cleaned. The fencerow from Taylor Street down to Foodland on the state's right-of-way needs cleaned out. Mayor Moore had contacted the state to see when they might clean it but they have not returned the call. Mowing the grass along Rt. 23 in the city limits was discussed. Usually the state will mow it the first time and in the past the city has kept it mowed during the summer. Commissioners will look at the budget and see if the city can mow it this year. Some new signs are needed for the city but will have to look at the budget to see what can be ordered.

Mrs. Bradley and Mayor Moore gave a park committee report. The restrooms are open and clean. And last Saturday, there was a clean-up day at the park. They are still looking to plant some trees back in the park. They put some mulch out, moved a grill or two and did some other maintenance work. Mrs. Bradley said the park committee is looking at a small slide to buy for the park.

In old business, Mayor Moore opened the one bid that was submitted for the SM Roberson sewer project. That was from Womack Excavating and the bid was for \$178,000.00. The commissioners decided not to act on it yet, as they need to look at the funding for the project. It does need to be done because the state is waiting to blacktop that road.

The utility truck for the sewer department was discussed. The city has been using a truck from Denny's Autos in order to try it out. It seems basically to be a good vehicle but the front end needs fixed. Mayor Moore had offered to buy the truck for \$3500.00. Denny had said he would fix the front end but he wanted \$3800.00 for it. Mr. Bentley said the truck should have dual wheels on the back. **Mr. Piatt made motion** to buy the utility truck from Denny's Autos for \$3800.00 if he could fix the front end and put dual wheels on it. Mr. Bentley seconded. All ayes and motion carried.

There was discussion about the bed on the dump truck needing to be painted. **Mr. Piatt made motion** to sandblast the dump truck bed and paint it. Mr. Bentley seconded. All ayes and motion carried.

Mayor Moore told commissioners that Green Valley landfill wanted the city to sign a 3 year sludge contract. The commission did not want to sign a 3 year contract. Right now we can take it to Big Run for 3 years for \$21.00 per thousand without signing a contract. So it was decided not to sign Green Valley's contract.

In new business, Resolution # 74-2012 was presented to the commissioners. This is for the procurement of planning consultant for the CDBG grant. There were 3 consulting firms who had applied. CEDA, FAHE and Mayes, Seddererth & Etheredge. CEDA was rated the best. **Mr. Piatt made motion** to accept CEDA as the planning consultant firm for the CDBG grant. Mr. Bentley seconded. All ayes and motion carried.

Mayor Moore told commissioners the city needs to look into insurance for employees for the future now that there are enough employees for a group. She will check some companies out for this and report back to them.

Mr. Piatt had talked to an individual who does the groundwork for Bellefonte Hospital at their 2 large buildings. Loren Quillen. Mr. Quillen gave him a price of \$1600.00 per month to mow and pick up debris and trash all over the city in the summer months. He does have liability insurance. But nothing was decided on this right now. The city is using inmates to help with the city clean-up.

In comments from the floor, Pauline Farley once again mentioned taking down signs that are not supposed to be all over the city. She mentioned specifically at the end of Indianola Avenue where you go into Bellefonte clinic. There are at least 6 or 7 signs advertising Quality Business Machines. They are on the state right-of-way but look really bad. The mayor said she would call him and see if he would take them down. Damian Gallaher, the attorney who was at the meeting in place of Paul Craft, said once signs are on state property, they are considered abandoned and could be taken down.

**Mr. Piatt made motion** to go into executive session for land acquisition, litigation and hiring. Mr. Bentley seconded. All ayes and motion carried.

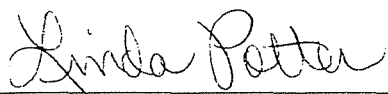
Mayor Moore called meeting back to order. No action taken.

**Mr. Piatt made motion** for Mayor Moore to sign to enter into a contract with Joe Hannah for the acquisition of South Shore Water Works, contingent on the meeting tomorrow between the city and Mr. Hannah. Mr. Bentley seconded. All ayes and motion carried.

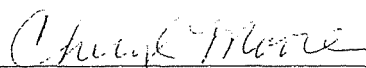
**Mr. Bentley made motion** to hire a new sewer employee, recommending Tim Carter for the job. Mr. Piatt seconded. All ayes but Mayor Moore opposed. The motion carried.

The new city building was discussed with the commissioners looking at plans and prices by TSHD. **Mr. Bentley made motion** to authorize the mayor to sign to go ahead with the tentative floor plan that TSHD (Tanner Assoc.) prepared in order to go ahead with the funding for the new city building. Mr. Piatt seconded. All ayes and motion carried.

**Mr. Bentley made motion** to adjourn the meeting. Mr. Piatt seconded. All ayes and meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor

Regular Meeting – March 20, 2012

The South Shore Board of Commissioners met in regular session with the following members:

**Present: Cheryl Moore, Mildred Bradley, David Piatt, Louie Bentley**

**Absent: Lance Warnock**

Employees Present: Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Regular Meeting on February 21, 2012 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Piatt made motion** to accept the minutes from February 21, 2012 as written. Mr. Bentley seconded. All ayes and motion carried.

Natalie Millhuff-Stang with Millhuff-Stang, CPA, who did the 2009-2010 audit, spoke to the commissioners about the just completed audit. She went over the final results of the audit, explaining their findings and the city's response. There was some discussion and Mr. Bentley asked her if the city was the problem with the audits being so late. She responded that there had been problems back in 2009 with the financials that slowed everything down and that now things were being done more timely and the audits should be done more quickly now. She had the commissioners and Mayor Moore sign that she had presented the audit to them.

Mr. Piatt went over the financial sheets and spoke about the bills that needed paid. Each commissioner was given an inventory sheet for their respective departments, to prepare for the new budget that will have to be set. Mr. Piatt said that he and the mayor had gotten cell phones for the 2 city workers in sewer and roads and also for Chief Sword. They had also purchased for the sewer plant office a microwave, fridge, a copier/fax and miscellaneous items needed to operate there since Veolia left. They asked Chad Clark, who is contracting to run the sewer plant, if anything was needed at this time for the plant. He said at this time that they did not need anything. **Mr. Bentley made motion** to accept the financial report and to pay the bills. Mrs. Bradley seconded. All ayes and motion carried. Mayor Moore said that the budget needed to be done by June 1<sup>st</sup> and that a budget work session would need to be held.

In Mr. Warnock's absence, Mayor Moore spoke about the police department. She said things had been fairly quiet at this time. Still nothing on hiring another officer.

Chad Clark, the contractor hired to run the sewer plant, spoke. He told the commissioners a little about his background and his credentials. He said that right now, everything was good at the plant and that there had been no spills. He did say he didn't understand why certain things were done at the plant during Veolia's presence. He reported that the new pump is ready to be put in after a gasket comes in.

Mayor Moore mentioned that there are some problems in Forest Heights and on Christopher Drive. Some line needs to be replaced and the city is planning to do this. She also told commissioners that Akins Excavating has already done \$14,000.00 in camera work and \$1798.00 in cleaning lines. Bids have been let out for fixing lines on SM Roberson so that the state can go ahead and pave that road.

Mrs. Bradley, roads commissioner, spoke about the city doing some paving, especially in front of McDonald Pharmacy. This needs to be bid out. She also wants to send nuisance letters to citizens that have uncut grass, weeds and junk on their property. There was some discussion about a citizen on KZ Ratliff concerning his driveway and a storm drain. Mrs. Bradley has spoken with him. When Akins Excavating are back they need to go up there and camera it. Mrs. Bradley gave a Park Committee report. There will be a clean up day at the park on April 14 and they will do some painting. She said there are still some trees that need to be cut as they are very dangerous.

In old business, Mayor Moore spoke to Mark Tanner. He said he would work with the city on what size city building they need and also work with them to get the funding. If the city doesn't get the funding, then there would be no obligation to pay him. **Mr. Bentley made motion** to sign a letter of understanding that if funding does become available the city would hire Tanner Associates (TSHD) to work on this. Mrs. Bradley seconded. All ayes but Mr. Piatt opposed. The motion carried.

**Mayor Moore made motion** to go into executive session for hiring of personnel. Mr. Piatt seconded. All ayes and motion carried.

Mayor Moore called meeting back to order. **Mayor Moore made motion** to adopt a new pay classification for roads and sewer. Mr. Piatt seconded. All ayes and motion carried. **Mayor Moore made motion** that the 2 employees (Kenny Liles & Mike Mullins) hired back by the city after Veolia left should keep their original hire date and their sick days (they were originally with the city when Veolia hired them). Mr. Bentley seconded. All ayes and motion carried.

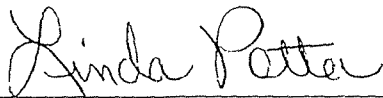
John Bentley with Bentley Associates had given a quote for a new Financial Computer in the amount of \$1397.00 with accident coverage for 3 years at an additional \$49.00. And he will install it and set up the system for \$350.00. **Mr. Louie Bentley made motion** for the city to go ahead and purchase the computer and have Mr. John Bentley to install it. Mr. Piatt seconded. All ayes and motion carried. This computer will be paid for with insurance money that the city received when city hall burned.

The commissioners discussed a utility truck for the sewer plant. Mayor Moore has looked at some trucks already but will continue to look and if she finds a good one, she can call a special meeting to discuss it with the commissioners. She said the city needs to purchase a new weed eater and chain saw. These also can be paid for with insurance money. She will check several places. Discussed the backhoe. Someone needs to look at it to see what is wrong with it.

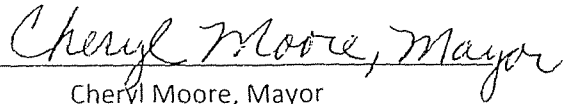
In comments from the floor, Pauline Farley spoke about some places down the alley from her that the yards look terrible. A lot of junk laying around. This can be addressed when Mrs. Bradley has the clerk send nuisance letters.

Paul Craft, city attorney, spoke just a moment about how the purchase of South Shore Water Works was coming. He just wanted to advise them where everything stood right now.

**Mr. Bentley made motion** to adjourn the meeting. Mr. Piatt seconded. All ayes and meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor



Regular Meeting – January 17, 2012

The South Shore Board of Commissioners met in regular session with the following members:

**Present: Mayor Cheryl Moore, Mildred Bradley, David Piatt, Lance Warnock, Louie Bentley**

**Absent: None**

Employees Present: Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Regular Meeting on December 20, 2011 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Piatt made motion** to accept the minutes as written. Mr. Bentley seconded. All ayes and motion carried.

Rocky Bentley with Debcon, Inc. spoke to the commissioners concerning planning for the new city building. He gave them information about erecting this building. He suggested doing what was best for the city in the long term. His company can do this project in house, doing the architectural part and building the building itself. If they would do the job, they would get all the permits, etc. that would be needed for the project. He also told them they could check out other architectural and engineering firms and see what others may tell them.

**Mayor Moore made motion** to go into executive session to discuss litigation. Mr. Bentley seconded. All ayes and motion carried.

Mayor Moore called the meeting back to order. No action taken.

Mr. Piatt gave the financial report, going over the financial sheets and the bills to be paid. He said the real estate property taxes had been coming in. Millhuff-Stang CPA is working on 2010 audit and Reynolds & Co., CPA is working on the financials for 2011. All loans and state money, etc. are all based on these audits being completed. He said it was costing a little more than was expected to do these, but they have to be done. **Mr. Bentley made motion** to accept the financial report and to pay the bills. Mr. Warnock seconded. All ayes and motion carried.

Mr. Warnock gave police report. Said things had been pretty calm. He is still looking at a second police officer. He reported that Chief Sword had twisted his ankle in a foot chase but nothing was broken and he was back on duty in a day or so. Said this was where a second officer was needed. The cars with no tags that had been parked on the street around Main and JE Hannah Drive have been moved. It was also mentioned that the end of E. 4<sup>th</sup> Street had been cabled off. Mayor Moore spoke with people at the legion and they agreed it could be done. Also the garbage truck that had been parked on Wheeler Street has been moved after a letter was sent to them per commissioners request from last meeting. A letter sent to Greg Caudill about a tree on JE Hannah was not responded to.

Concerning the sewer, after the last meeting, Keith Adkins from Veolia had given a report to the Mayor and she had copies made & gave them to each commissioner. He then gave a current report to them. There was still discussion about flooded areas on Main Street. And was mentioned that Main & 1<sup>st</sup> Street needs the drain found and unstopped. Mayor Moore told Mr. Adkins that the safety switch for the sludge press and the flowmeter needed to be installed. It was mentioned about a grease problem at Holly Manor Apartments and also problems at Forest Heights with grit.

Roads Commissioner Mrs. Bradley mentioned that in the spring new street signs would be needed. There are a lot missing. Also mentioned some stop signs that need fixed or replaced. Mayor Moore asked if the city wanted metal signs or signs from the county. Discussion also about no house numbers or correct numbers on houses in the city. City Attorney Paul Craft said that the City of Worthington had an ordinance that required citizens to put the correct house number on their houses where it could be seen for emergencies, etc. He will work on this.

Mrs. Bradley spoke about the park. Said there were 10 more trees that needed taken out. Also the park committee is checking with Subway to have a day selected that proceeds from a certain sandwich sold would go to the city for the park. This had been discussed in a previous meeting and the commissioners had voted to do this. Also the park committee is checking on grants that can be used for improvements in the park.

There was discussion also about garbage pick up in the city. Most of it is picked up from the alleys, but was some discussion about it being picked up in front of the houses.

In old business, concerning the new city building, Mr. Piatt does not think a pole barn type structure would be good. Mr. Warnock thinks we need a regular building, from wood, etc. A fire proof room, etc. is needed for sure. Mr. Warnock thought Tanner Associates should come to speak. Mayor Moore mentioned that the longer this process goes on, the less funding there will be from USDA.

The Asset Management Assessment for the city was discussed. This has to be done by July 1, 2012. Veolia is supposed to do this in house at no additional charge.

In a previous meeting it was approved for Veolia to do camera work for the I and I Study. But it was never done. And it needs to be done. **Mr. Warnock made motion** to authorize Mayor Moore to look into other options to get this done. Mr. Bentley seconded. All ayes and motion carried.

In new business, the sewer plant permit needs to be done within 180 days. The plant operator is to do this. Veolia will take care of this per Keith Adkins from Veolia.

Pat Hieneman, the county clerk had asked Mr. Piatt to check with commission as to whether voting precincts Fullerton 1 and 2 could be consolidated into 1 precinct. No one working in the elections would lose their jobs due to this, since two people are not able to do the work any more. Even if the commission makes this recommendation, Pat Hieneman would make the final decision. **Mr. Piatt made**

**motion** to endorse Pat Hieneman to combine Fullerton 1 & 2 precincts into one precinct. Mr. Warnock seconded. All ayes and motion carried.

Mayor Moore explained that on February 1<sup>st</sup>, there is another meeting in Frankfort concerning the CWSRV I & Project. It is not certain yet that she would need to attend that meeting but if she has to, she asked commissioners for permission to have city clerk Linda Potter attend with her. **Mr. Bentley made motion** for Mayor Moore and city clerk Linda Potter to attend this meeting, if needed, concerning the CWSRV I & I Project. Mr. Warnock seconded. All ayes and motion carried.

In comments from the floor, Julie McKinney Craycraft spoke about the garbage truck getting into the yard at her mother's house on corner of JE Hannah and Taylor Avenue. She said the yard is damaged and that some of it could be avoided if large bushes from the house behind on the alley were trimmed. They are out in the alley and it's hard for the garbage truck to get up the alley. Also the alley needs more gravel put on it. She brought pictures of the yard. Commission will see what can be done.

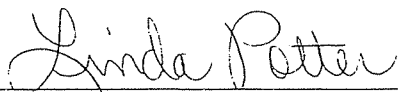
Thanks to the ladies from the First United Methodist Church for the wonderful snacks, cookies, etc. they provided for this evening. A letter of thanks will be sent to them from the commissioners.

**Mr. Piatt made motion** to go into executive session for acquisition of property. Mr. Warnock seconded. All ayes and motion carried.

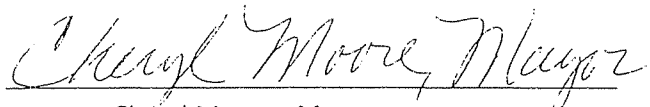
Mayor Moore called meeting back to order.

Resolution # 73-2012 was discussed. This Resolution authorizes the Mayor to execute and submit an application through KIA for loan assistance for the purchase and/or implementation of a water system and to carry out necessary negotiations for and administer the loan assistance the applicant may obtain. **Mr. Warnock made motion** to approve Resolution # 73-2012 authorizing the Mayor to execute and submit an application through KIA for loan assistance for the purchase and/or implementation of a water system and to carry out necessary negotiations for and administer the loan assistance the applicant may obtain. Mr. Bentley seconded. All ayes and motion carried.

**Mr. Bentley made motion** to adjourn the meeting. Mr. Piatt seconded. All ayes and meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor

Regular Meeting - November 15, 2011

The South Shore Board of Commissioners met in regular session with the following members:

**Present: Mayor Cheryl Moore, Mildred Bradley, David Piatt, Lance Warnock**

**Absent: Louie Bentley**

Employees Present: Linda Potter, City Clerk

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Regular Meeting on October 18, 2011 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Piatt made motion** to accept the minutes as written. Mr. Warnock seconded. All ayes and motion carried.

Mr. Piatt gave the financial report. Commissioners looked over the financial sheets they were given.

**Mayor Moore made motion** to accept the financial report and to pay the bills. Mrs. Bradley seconded. All ayes and motion carried.

Mr. Warnock gave the police report. Said there had been a few break-ins but nothing major. Chief Sword is patrolling more in certain areas. *Mr. Warnock is looking at prices for equipment for police officer to take statements, etc. (video camera, voice recorder, etc.).*

Keith Adkins from Veolia presented the monthly sewer report. The commissioners looked over the report. He was asked if the salt spreader was fixed yet and he said they have the motor to do it but it is not done yet.

Mrs. Bradley gave roads report. She asked again about IC Fannin & Coney and when the culverts would be installed at those places. Keith Adkins said now that the gravel was almost finished they could do the culverts. Mrs. Bradley told commission that she had received complaints about the new car lot at corner of JE Hannah and Main Street that the cars were parked too close to the street toward the bank parking lot and out in the street so that cars could not see pulling out. She also asked again about the tree on JE Hannah that is real close to the street. The owner has refused to let it be cut. Mr. Craft, city attorney, will find out what options the city has to trim the tree or cut it. Mrs. Bradley gave a park committee report also. She said that there would be cookies and hot chocolate at the park following the Christmas parade on December 10<sup>th</sup> and the homemakers will provide the cookies. Mayor Moore reported that 10 trees had been ordered for the city park from Arbor Day.com at no cost for the trees and that Reese Bentley (working on his Eagle Scout badge) will plant them when they come. Mr. Piatt spoke about tennis court nets that would be auctioned this coming Friday at Shawnee State. He is going to see if he can get them for the park. Commissioners did not vote for any money yet. They are waiting to see if he is able to get them for the city. There was discussion about sewer easements the city has and the city attorney said that he could take care of that for the city from the courthouse.

In old business, Mayor Moore asked commissioners if they would want the new city building to be detached from a community building or have one attached to it. With a CDBG grant they can't be

together but with the USDA money they can be together. For the USDA loan, the city has to first submit the plans they are going to use with prices and then the loan can be made. Mr. Piatt had talked to Morton Builders about a wood and metal shell that they would put up and the city would then have to have the inside finished. Mr. Warnock asked about a poured concrete building. It was decided that at the December meeting, Mr. Piatt would get Morton Builders to come and talk to commission about a building

Mayor Moore spoke about the SM Roberson sewer project. There is \$13,000 left in grant money and Bryan Kirby said it could be used for camera work on this project. There needs to be a change order for this for Veolia to do the work. **Mr. Warnock made motion** to give Mayor Moore permission to sign the change order for Veolia to do the work. Mr. Piatt seconded. All ayes and motion carried.


In new business, Mr. Piatt spoke about the Red Cross. They need a satellite station in the western end of Greenup County that would be able to give out expense cards to persons who are burned out. This would be done through guidelines of the Red Cross. Mr. Piatt will find out more about this part and the city attorney will check out the city's responsibility and will let commissioners know at December meeting. Also 911 is asking city to appoint someone to serve on a 911 Financial Board because it could be disbanded if they can't get people on the board. Mayor Moore said that she would serve if commission wanted her to. **Mr. Piatt made motion** for Mayor Moore to be the city representative to serve on the 911 Financial Board. Mrs. Bradley seconded. All ayes and motion carried. This would only be if the current board is disbanded and the new board would start.

Mayor Moore said that the old gas cans from the sewer plant had been given to the county. She also announced that she had ordered 7 snowflake Christmas lights and that they should be coming this week.

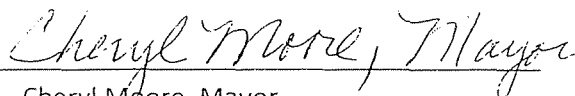
**Mayor Moore made motion** to go into executive session for proposed land acquisition. Mr. Piatt seconded. All ayes and motion carried.

Mayor Moore called meeting back to order. **Mr. Piatt made motion** asking the mayor to enter into non-binding discussions with South Shore Water Works regarding sale of the water works to the city. Mr. Warnock seconded. All ayes and motion carried.

**Mr. Piatt made motion** to adjourn the meeting. Mrs. Bradley seconded. All ayes. Meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor



6. Provide a copy of the City of South Shore's most recent financial audit.

**RESPONSE:**

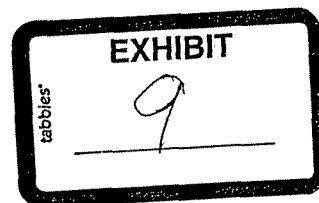
A copy of the City of South Shore's most recent financial audit is attached.

WITNESS: George J. Hannah

City of South Shore  
Greenup County, Kentucky  
Regular Audit  
For the Fiscal Year Ended June 30, 2011



Millhuff-Stang, CPA, Inc.  
1428 Gallia Street, Suite 2  
Portsmouth, Ohio 45662  
Phone: 740.876.8548 ■ Fax: 888.876.8549  
Website: [www.milhuffstangcpa.com](http://www.milhuffstangcpa.com) ■ Email: [natalie@milhuffstangcpa.com](mailto:natalie@milhuffstangcpa.com)





**City of South Shore**  
*Table of Contents*  
For the Fiscal Year Ended June 30, 2011

---

| <u>Title</u>   | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report .....   | 1           |
| Management's Discussion and Analysis .....   | 3           |
| Basic Financial Statements   |             |
| Government-Wide Statements   |             |
| Statement of Net Assets .....  | 11          |
| Statement of Activities .....  | 12          |
| Fund Statements  |             |
| Balance Sheet – Governmental Funds .....   | 13          |
| Reconciliation of Fund Balances of Total Governmental Funds to Net Assets of<br>Governmental Activities .....  | 13          |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....  | 14          |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances<br>of Governmental Funds to the Statement of Activities .....   | 15          |
| Statement of Fund Net Assets – Proprietary Fund .....  | 16          |
| Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund .....  | 17          |
| Statement of Cash Flows – Proprietary Fund .....   | 18          |
| Notes to the Basic Financial Statements .....  | 19          |
| Required Supplementary Information:  |             |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –<br>General Fund .....   | 29          |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –<br>Special Revenue Fund .....   | 30          |
| Notes to the Required Supplementary Information .....  | 31          |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing<br/>Standards</i> ..... | 32          |
| Schedule of Findings and Responses .....   | 34          |
| Schedule of Prior Audit Findings .....   | 36          |

**Independent Auditor's Report**

City of South Shore  
69 Narco Drive  
PO Box 516  
South Shore, Kentucky 41175

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the City of South Shore, Kentucky (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the City of South Shore, Kentucky, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison for the general and special revenue funds are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

City of South Shore  
Independent Auditor's Report

As described in Note 11, the City has implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc  
October 4, 2012

**City of South Shore, Kentucky**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

---

Our discussion and analysis of City of South Shore's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole, readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### **FINANCIAL HIGHLIGHTS**

- Net assets of governmental activities increased \$62,638. Net assets of business-type activities increased \$503,923.
- General revenues accounted for \$187,885 or 65 percent of total revenues of governmental activities. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$103,029 or 35 percent of total revenues of \$290,914 from governmental activities.
- General revenues accounted for \$5,954 or 1 percent of total revenues of business-type activities. Program specific revenues in the form of charges for services and capital grants and contributions accounted for \$980,179 or 99 percent of total revenues of \$986,133 from governmental activities.
- The City had \$225,639 in expenses related to governmental activities, \$103,029 of these expenses was offset by program specific charges for services and operating grants and contributions. General revenues of \$187,885 were adequate to provide for the rest of these programs.
- The City had \$482,210 in expenses related to business-type activities, all of these expenses was offset by program specific charges for services and capital grants and contributions.
- The resources available for appropriation were \$74,477 more than budgeted for the general fund. However, expenditures were kept within spending limits primarily through a hiring and overtime freeze.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (on pages 11 and 12) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 13. For governmental funds, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

#### **Reporting the City as a Whole**

Our analysis of the City as a whole begins on page 4. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. You can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

**City of South Shore, Kentucky**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

**Table 1**

|  | Governmental<br>Activities |                  | Business-Type<br>Activities |                    | Total Primary<br>Government |                    |
|--|----------------------------|------------------|-----------------------------|--------------------|-----------------------------|--------------------|
|  | 2011                       | 2010             | 2011                        | 2010               | 2011                        | 2010               |
| <b>Assets</b>                                      |                            |                  |                             |                    |                             |                    |
| Current and other assets                           | \$173,605                  | \$96,520         | \$177,770                   | \$205,186          | \$351,375                   | \$301,706          |
| Capital assets, net                                | 214,283                    | 234,451          | 2,818,786                   | 2,430,654          | 3,033,069                   | 2,665,105          |
| <b>Total Assets</b>                                | <b>387,888</b>             | <b>330,971</b>   | <b>2,996,556</b>            | <b>2,635,840</b>   | <b>3,384,444</b>            | <b>2,966,811</b>   |
| <b>Liabilities</b>                                 |                            |                  |                             |                    |                             |                    |
| Long-term debt                                     | 0                          | 0                | 336,716                     | 464,349            | 336,716                     | 464,349            |
| Other liabilities                                  | 8,796                      | 14,517           | 7,434                       | 23,008             | 16,230                      | 37,525             |
| <b>Total liabilities</b>                           | <b>8,796</b>               | <b>14,517</b>    | <b>344,150</b>              | <b>487,357</b>     | <b>352,946</b>              | <b>501,874</b>     |
| <b>Net assets</b>                                  |                            |                  |                             |                    |                             |                    |
| Invested in capital assets,<br>net of related debt | 214,283                    | 234,451          | 2,482,070                   | 1,966,305          | 2,696,353                   | 2,200,756          |
| Restricted   | 14,669                     | 12,246           | 0                           | 0                  | 14,669                      | 12,246             |
| Unrestricted                                       | 150,140                    | 69,757           | 170,336                     | 182,178            | 320,476                     | 251,935            |
| <b>Total net assets</b>                            | <b>\$379,092</b>           | <b>\$316,454</b> | <b>\$2,652,406</b>          | <b>\$2,148,483</b> | <b>\$3,031,498</b>          | <b>\$2,464,937</b> |

Net assets of the City's governmental activities increased by 20 percent (\$379,092 compared to \$316,454). Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from \$69,757 at June 30, 2010, to \$150,140 at the end of this year.

The net assets of our business-type activities increased by 23 percent (\$2,652,406 compared to \$2,148,483) in 2011. Most of this increase was due to an increase in capital grants and contributions.

**Table 2**

|                             | Governmental<br>Activities |                | Business-Type<br>Activities |                | Total Primary<br>Government |                |
|-----------------------------|----------------------------|----------------|-----------------------------|----------------|-----------------------------|----------------|
|                             | 2011                       | 2010           | 2011                        | 2010           | 2011                        | 2010           |
| <b>Revenues</b>             |                            |                |                             |                |                             |                |
| Taxes and assessments       | \$139,991                  | \$118,113      | \$0                         | \$0            | \$139,991                   | \$118,113      |
| Licenses, fees, and permits | 10,097                     | 9,084          | 0                           | 0              | 10,097                      | 9,084          |
| Operating grants            | 49,519                     | 40,496         | 0                           | 0              | 49,519                      | 40,496         |
| Capital grants              | 0                          | 0              | 547,528                     | 117,201        | 547,528                     | 117,201        |
| Charges for services        | 53,510                     | 49,981         | 432,651                     | 490,471        | 486,161                     | 540,452        |
| Interest                    | 89                         | 12             | 1,069                       | 1,849          | 1,158                       | 1,861          |
| Extraordinary items         | 32,312                     | 0              | 2,041                       | 0              | 34,353                      | 0              |
| Miscellaneous               | 5,396                      | 5,646          | 207                         | 0              | 5,603                       | 5,646          |
| <b>Total Revenues</b>       | <b>290,914</b>             | <b>223,332</b> | <b>983,496</b>              | <b>609,521</b> | <b>1,274,410</b>            | <b>832,853</b> |

**City of South Shore, Kentucky**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

---

**Business-Type Activities**

Revenues of the City's business-type activities (see Table 2) increased by 61 percent and expenses increased by 5 percent. The factors driving these results include:

- The City received additional grants.
- The lift stations were 40 years old and required increased amount of repairs, maintenance and supply costs.

**THE CITY'S FUNDS**

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, other financing sources and extraordinary items of \$293,832 and total expenditures and other financial uses of \$211,051.

The general fund is the primary operating fund of the City. At the end of 2011, this fund had an unassigned fund balance of \$149,465, which increased \$78,051 from the prior year.

The special revenue fund accounts for road aid funds received from the State. At the end of 2011, this fund had a fund balance of \$16,976, which increased \$4,730 from the prior year.

The City's proprietary fund is accounted for using the accrual basis of accounting. The City's proprietary fund is the enterprise solid waste fund. This fund had total revenues and extraordinary items of \$986,133 and total expenses of \$482,210. This fund's net assets increased \$503,923 due to an increase in intergovernmental revenues.

**GENERAL FUND BUDGETING HIGHLIGHTS**

The City's budget is prepared in accordance with Kentucky law and in accordance with the modified accrual basis of accounting. The most significant budgeted fund is the general fund. During 2011, the City amended its general fund budget.

For the general fund, final budgeted revenues totaled \$227,552, which was \$2,170 lower than reported revenues. This difference was due primarily to higher than anticipated licenses, fees and permits. Final budgeted appropriations totaled \$203,105, which was \$20,456 higher than reported expenditures.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2011, the City had \$3,033,069 invested in a broad range of capital assets, including police and fire equipment, buildings, streets, and solid waste infrastructure. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of just under \$370,000 or 14 percent over from last year.

**City of South Shore, Kentucky**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

---

The minimum annual debt related payments for the business-type activities are as follows

| Year Ending<br>June 30 | Principal        | Interest        | Total            |
|------------------------|------------------|-----------------|------------------|
| 2012                   | \$130,471        | \$6,117         | \$136,588        |
| 2013                   | 132,854          | 3,396           | 136,250          |
| 2014                   | 9,225            | 1,280           | 10,505           |
| 2015                   | 9,392            | 1,112           | 10,504           |
| 2016                   | 9,561            | 942             | 10,503           |
| 2017-2020              | 45,213           | 2,059           | 47,272           |
| Total                  | <u>\$336,716</u> | <u>\$14,906</u> | <u>\$351,622</u> |

Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note 6 to the basic financial statements.

**ECONOMIC FACTORS AND 2011 BUDGET**

Sewer rates remained at the same level as 2010 with the minimum rate of \$20.50 for the first 1,000 gallons and \$6.00 per thousand, thereafter. The City has been working with a grant writer to secure a Community Development Block Grant for \$325,000 which has a 50 percent match requirement. The City pledged their HD 380 Grant of \$200,000 and the \$125,000 remaining of the IEDF Grant. The \$650,000 will be used to replace the 3 lift stations that are inside the City limits. By replacing the 40 year old lift stations, the City will reduce repair, maintenance, and electricity costs needed to run these stations.

The City's Road Department purchased a new salt spreader and blade which permits them to maintain the City's roads. The City was able to gravel most of their alleys.

The City is expecting to have funds available at year-end. During budget planning, consideration was given to setting aside funds for a new City building and road resurfacing.

The City's equipment, including the backhoe, is aging and in need of repairs. The City is reviewing the options of purchasing a new backhoe or repairing the one they currently own.

The City has amended the 2010/2011 budget to reflect the decrease in revenue that was projected and adjusted expenditures to match revenue.

**City of South Shore, Kentucky**  
*Statement of Net Assets*  
June 30, 2011

|   | Governmental<br>Activities | Business-Type<br>Activities | Total       |
|---|----------------------------|-----------------------------|-------------|
| <b>Assets</b>                                   |                            |                             |             |
| Current assets:                                 |                            |                             |             |
| Cash, including time deposits                   | \$154,524                  | \$14,702                    | \$169,226   |
| Receivables, net                                |                            |                             |             |
| Tax   | 2,750                      | 0                           | 2,750       |
| Accounts  | 16,331                     | 74,051                      | 90,382      |
| Total current assets                            | 173,605                    | 88,753                      | 262,358     |
| Noncurrent assets:                              |                            |                             |             |
| Restricted assets:                              |                            |                             |             |
| Cash, including time deposits                   | 0                          | 89,017                      | 89,017      |
| Capital assets:                                 |                            |                             |             |
| Land and construction in progress               | 128,425                    | 590,668                     | 719,093     |
| Equipment, net                                  | 23,139                     | 274,623                     | 297,762     |
| Infrastructure, net                             | 49,380                     | 541,182                     | 590,562     |
| Other capital assets, net                       | 13,339                     | 1,412,313                   | 1,425,652   |
| Total noncurrent assets                         | 214,283                    | 2,907,803                   | 3,122,086   |
| Total assets                                    | 387,888                    | 2,996,556                   | 3,384,444   |
| <b>Liabilities</b>                              |                            |                             |             |
| Current liabilities:                            |                            |                             |             |
| Accounts payable                                | 6,714                      | 6,731                       | 13,445      |
| Accrued liabilities                             | 450                        | 703                         | 1,153       |
| Notes payable                                   | 0                          | 130,471                     | 130,471     |
| Total current liabilities                       | 7,164                      | 137,905                     | 145,069     |
| Noncurrent liabilities:                         |                            |                             |             |
| Compensated absences                            | 1,632                      | 0                           | 1,632       |
| Notes payable                                   | 0                          | 206,245                     | 206,245     |
| Total noncurrent liabilities                    | 1,632                      | 206,245                     | 207,877     |
| Total liabilities                               | 8,796                      | 344,150                     | 352,946     |
| <b>Net assets</b>                               |                            |                             |             |
| Invested in capital assets, net of related debt | 214,283                    | 2,482,070                   | 2,696,353   |
| Restricted for street maintenance and repairs   | 14,669                     | 0                           | 14,669      |
| Unrestricted                                    | 150,140                    | 170,336                     | 320,476     |
| Total net assets                                | \$379,092                  | \$2,652,406                 | \$3,031,498 |

See accompanying notes to the basic financial statements



**City of South Shore, Kentucky**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2011*

|                                     | General<br>Fund  | Special<br>Revenue<br>Fund | Total<br>Governmental<br>Funds |
|-------------------------------------|------------------|----------------------------|--------------------------------|
| <b>Assets</b>                       |                  |                            |                                |
| Cash, including time deposits       | \$139,855        | \$14,669                   | \$154,524                      |
| Receivables, net                    |                  |                            |                                |
| Tax                                 | 2,750            | 0                          | 2,750                          |
| Other                               | 14,024           | 2,307                      | 16,331                         |
| Total assets                        | <u>\$156,629</u> | <u>\$16,976</u>            | <u>\$173,605</u>               |
| <b>Liabilities</b>                  |                  |                            |                                |
| Accounts payable                    | \$6,714          | \$0                        | \$6,714                        |
| Accrued liabilities                 | 450              | 0                          | 450                            |
| Total liabilities                   | <u>7,164</u>     | <u>0</u>                   | <u>7,164</u>                   |
| <b>Fund balances</b>                |                  |                            |                                |
| Restricted for Street Maintenance   | 0                | 16,976                     | 16,976                         |
| Unassigned                          | 149,465          | 0                          | 149,465                        |
| Total fund balances                 | <u>149,465</u>   | <u>16,976</u>              | <u>166,441</u>                 |
| Total liabilities and fund balances | <u>\$156,629</u> | <u>\$16,976</u>            | <u>\$173,605</u>               |

*Reconciliation of Fund Balances of Total Governmental Funds to  
Net Assets of Governmental Activities*

|  |                  |
|--|------------------|
| Fund balance - total governmental funds  | \$166,441        |
| Amounts reported for governmental activities in the statement of net assets are different because:                               |                  |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds | 214,283          |
| Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds                    |                  |
| Compensated absences   | <u>(1,632)</u>   |
| Net assets of governmental activities  | <u>\$379,092</u> |

See accompanying notes to the basic financial statements

**City of South Shore, Kentucky**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

---

|  |          |
|--|----------|
| Net change in fund balances - total governmental funds   | \$82,781 |
| <p>Amounts reported for governmental activities in the statement of activities are different because</p> <p>Payment of capital outlay is an expenditure in the governmental funds, but increases the capital asset in the statement of net assets and depreciates over its useful life</p> |          |
| Capital outlay   | 19,767   |
| Depreciation   | (19,119) |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds</p>  |          |
| Book value of disposed assets  | (20,816) |
| Decrease in compensated absences   | 25       |
|  | 25       |
| Change in net assets governmental activities   | \$62,638 |

See accompanying notes to the basic financial statements

**City of South Shore, Kentucky**  
*Statement of Revenues, Expenses and Changes in  
Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2011*

|   | Solid Waste<br>Fund |
|---|---------------------|
| <b>Operating revenues</b>                 |                     |
| Charges for services                      | \$432,651           |
| Total operating revenues                  | 432,651             |
| <br><b>Operating expenses</b>             |                     |
| Salaries and wages                        | 31,832              |
| Advertising                               | 1,187               |
| Professional services                     | 561                 |
| Insurance                                 | 3,288               |
| Utilities                                 | 13,429              |
| Materials and supplies                    | 7,253               |
| Repairs and maintenance                   | 22,258              |
| Office expense                            | 3,376               |
| Fuel                                      | 516                 |
| Taxes                                     | 2,796               |
| Contracted services                       | 215,997             |
| Depreciation                              | 170,062             |
| Total operating expenses                  | 472,555             |
| <br>Operating income                      | (39,904)            |
| <br><b>Nonoperating income (expenses)</b> |                     |
| Intergovernmental                         | 547,528             |
| Other revenue                             | 77                  |
| Gain on sale of assets                    | 130                 |
| Transfer In                               | 2,637               |
| Interest income                           | 1,069               |
| Interest expense                          | (9,655)             |
| Total nonoperating revenues (expenses)    | 541,786             |
| <br>Change in net assets                  | 501,882             |
| <br>Extraordinary Item                    | 2,041               |
| <br>Change in net assets                  | 503,923             |
| <br>Net assets at beginning of year       | 2,148,483           |
| <br>Net assets at end of year             | \$2,652,406         |

See accompanying notes to the basic financial statements

**City of South Shore, Kentucky**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The City of South Shore, Kentucky ("the City") was incorporated July 2, 1957, as a city of the sixth (6<sup>th</sup>) class under the laws of the State of Kentucky and became a fifth (5<sup>th</sup>) class city in April 1990. The City operates under Mayor-Commission form of government and provides the following services:

- Public safety (police)
- Streets and general administrative services
- Sanitation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

**Reporting Entity**

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial dependency. Other manifestations of ability to exercise oversight responsibility include, but not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. Another criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. There are no component units included as a part of this report.

**Basic Financial Statements**

The basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the “economic resources” measurement focus as defined below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate.

- The governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on its balance sheet. Its operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.
- The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of the operating income, changes in net assets, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**Basis of Accounting**

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**Assets, Liabilities, and Equity**

**Cash and Investments**

For the purpose of the statement of net assets, “cash, including time deposits” includes all demand accounts, savings accounts, and certificates of deposit of the City. For the purpose of the proprietary fund statement of cash flows, “cash, including time deposits” include all demand and savings accounts and certificates of deposit.

Kentucky Revised Statute 66.480 authorizes the City to invest in obligations of the United States and its agencies, certificates of deposit or interest-bearing accounts at banks or savings and loan institutions insured by the FDIC; uncollateralized certificates of deposit, bankers acceptances, or commercial paper issued by any bank or savings and loan institution rated in the highest three categories by a nationally recognized rating agency; bonds or certificates of indebtedness of the Commonwealth of Kentucky and its agencies; securities issued by a state or local government or

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences**

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Generally all employees are entitled to their vacation leave balance upon termination. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**Equity Classifications**

In the government-wide statements, equity is classified as net assets and displayed in three components:

- 1) Invested in capital assets, net of related debt—Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net assets—Consist of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or laws through constitutional provisions or enabling legislation.
- 3) Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**Fund Balances**

For June 30, 2011, fund balance is divided into five classifications based primarily on the extent to which the City must observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The City classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

*Restricted* - Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

*Committed* - Trustees can *commit* amounts via formal action (resolution). The City must adhere to these commitments unless the Trustees amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

*Assigned* - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by the City Trustees or a City official delegated that authority by resolution, or by State statute.

*Unassigned* - Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**City of South Shore, Kentucky**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

activities. Interfund transfers between governmental activities and business-type activities are reported in the same manner as general revenues.

Extraordinary Item

During the fiscal year the City's main building that housed the City offices and police station caught fire. The building was destroyed and the City received insurance proceeds from the loss.

**NOTE 2 — USE OF ESTIMATES**

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 — DEPOSITS AND INVESTMENTS**

The City deposits its operating cash in demand deposit accounts, interest bearing checking accounts, and savings accounts at local financial institutions. At June 30, 2011, the carrying amount of the City's deposits with financial institutions was \$258,243 and the bank amount was \$285,396. The bank balance was fully insured or collateralized with securities held by the depository institutions in the City's name. The carrying amount reported in the financial statements also include \$216 in petty cash on hand.

**NOTE 4 — CAPITAL ASSETS**

Governmental Activities  
Historical Cost  
Summary of Capital Asset Balances

| Class                                       | Balance<br>6/30/10 | Additions | Deletions  | Balance<br>6/30/11 |
|---|--------------------|-----------|------------|--------------------|
| <b>Capital assets not being depreciated</b> |                    |           |            |                    |
| Land  | \$125,000          | \$3,425   | \$0        | \$128,425          |
| Total                                       | 125,000            | 3,425     | 0          | 128,425            |
| <b>Capital assets being depreciated</b>     |                    |           |            |                    |
| Buildings and improvements                  | 23,027             | 3,329     | (23,027)   | 3,329              |
| Machinery and equipment                     | 51,582             | 13,013    | (2,986)    | 61,609             |
| Infrastructure                              | 59,700             | 0         | 0          | 59,700             |
| Automobiles and trucks                      | 52,970             | 0         | 0          | 52,970             |
| Total                                       | 187,279            | 16,342    | (26,013)   | 177,608            |
| Total cost                                  | 312,279            | 19,767    | (26,013)   | 306,033            |
| <b>Accumulated depreciation</b>             |                    |           |            |                    |
| Buildings and improvements                  | (3,651)            | (83)      | 3,651      | (83)               |
| Machinery and equipment                     | (32,908)           | (7,108)   | 1,546      | (38,470)           |
| Infrastructure                              | (7,335)            | (2,985)   | 0          | (10,320)           |
| Automobiles and trucks                      | (33,934)           | (8,943)   | 0          | (42,877)           |
| Total                                       | (77,828)           | (19,119)  | 5,197      | (91,750)           |
| Net capital assets                          | \$234,451          | \$648     | (\$20,816) | \$214,283          |

**City of South Shore, Kentucky**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**NOTE 6 — LONG-TERM LIABILITIES (Continued)**

The minimum annual debt related payments for the business-type activities are as follows:

| Year Ending<br>June 30 | Principal | Interest | Total     |
|------------------------|-----------|----------|-----------|
| 2012                   | \$130,471 | \$6,117  | \$136,588 |
| 2013                   | 132,854   | 3,396    | 136,250   |
| 2014                   | 9,225     | 1,280    | 10,505    |
| 2015                   | 9,392     | 1,112    | 10,504    |
| 2016                   | 9,561     | 942      | 10,503    |
| 2017-2020              | 45,213    | 2,059    | 47,272    |
| Total                  | \$336,716 | \$14,906 | \$351,622 |

On April 1, 1992 the City entered into an agreement with the Kentucky Infrastructure Authority (KIA) to fund the construction of a wastewater treatment plant, with the KIA loan not to exceed \$1,924,359. The City, therefore, established a special account for "maintenance and replacement reserve" and agreed to deposit an amount equal to 10 percent of each scheduled loan payment until the amount on deposit in such fund was equal to 5 percent of the original principal amount of the loan.

A 2.1 percent wastewater revolving loan from Kentucky Infrastructure Authority of \$2,028,845 was repayable in semi-annual installments of approximately \$65,000 through June 1, 2013. Interest payments must be made six months from the initial draw of funds and each six months thereafter, until the loan is repaid. The debt is secured by revenues from the system.

A 1.8 percent loan from Kentucky Infrastructure Authority of \$183,169 was repayable in semi-annual installments of approximately \$5,000 through June 1, 2021. Interest payments must be made six months from the initial draw of funds and each six months thereafter, until the loan is repaid. The debt is secured by revenues from the system.

Compensated absences will be paid from the fund from which the employee's salary is paid, with the most significant funds being the general fund and the solid waste fund.

**NOTE 7 — SEWER TAP FEES**

Sewer tap fees represent deposits made by customers that are to be used solely for construction costs associated with the extension of sewer lines to customer homes.

**NOTE 8 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Stewardship**

The City operates under an annual budget as required by Section 91A.030 of the Kentucky Revised Statutes.

**Compliance**

*Debt Covenants*

The City failed to establish the required sinking fund and consequently make the required sinking fund deposits in its debt agreement with the Kentucky Infrastructure Authority.



**City of South Shore, Kentucky**  
*Schedule of Revenues Expenditures and Changes in Fund Balance - Budget to Actual*  
**General Fund**  
*For the Fiscal Year Ended June 30, 2011*

|  | Original         | Final            | Actual           | Variance with<br>Final Budget<br>Over (Under) |
|--|------------------|------------------|------------------|---|
| <b>Revenues</b>                                |                  |                  |                  |   |
| Taxes and assessments                          | \$146,895        | \$141,427        | \$140,363        | (\$1,064)                                     |
| Licenses, fees, and permits                    | 2,600            | 3,400            | 9,725            | 6,325   |
| Contributions                                  | 0                | 4,500            | 0                | (4,500)                                       |
| Intergovernmental revenues:                    |                  |                  |                  |   |
| Kentucky Law Enforcement Foundation funds      | 6,200            | 3,105            | 3,100            | (5)   |
| House Bill 413 funds                           | 9,750            | 7,000            | 6,003            | (997)   |
| Grant revenue                                  | 15,040           | 15,240           | 11,535           | (3,705)                                       |
| Other  | 0                | 65               | 0                | (65)  |
| Charges for services                           | 53,200           | 51,800           | 53,510           | 1,710   |
| Interest                                       | 15               | 15               | 89               | 74  |
| Miscellaneous                                  | 2,000            | 1,000            | 5,397            | 4,397   |
| Total revenues                                 | <u>235,700</u>   | <u>227,552</u>   | <u>229,722</u>   | <u>2,170</u>                                  |
| <b>Expenditures</b>                            |                  |                  |                  |   |
| Current operating:                             |                  |                  |                  |   |
| General  | 111,092          | 94,091           | 81,765           | 12,326  |
| Police   | 40,775           | 59,014           | 52,544           | 6,470   |
| Streets  | 0                | 0                | 0                | 0   |
| Sanitation                                     | 52,000           | 50,000           | 48,340           | 1,660   |
| Total expenditures                             | <u>203,867</u>   | <u>203,105</u>   | <u>182,649</u>   | <u>20,456</u>                                 |
| Excess of revenues over expenditures           | 31,833           | 24,447           | 47,073           | 22,626  |
| <b>Other financing sources (uses)</b>          |                  |                  |                  |   |
| Transfers In                                   | 0                | 0                | 2,917            | 2,917   |
| Extra Ordinary Item-Insurance Proceeds         | 0                | 50,000           | 53,127           | 3,127   |
| Extra Ordinary Item-Basis of assets            | 0                | 0                | (20,815)         | (20,815)                                      |
| Other  | 0                | 0                | (4,251)          | (4,251)                                       |
| Total other financing uses                     | <u>0</u>         | <u>50,000</u>    | <u>30,978</u>    | <u>(19,022)</u>                               |
| Net change in fund balance                     | 31,833           | 74,447           | 78,051           | 3,604   |
| Fund balance at beginning of year, as restated | <u>71,414</u>    | <u>71,414</u>    | <u>71,414</u>    | <u>0</u>                                      |
| Fund balance at end of year                    | <u>\$103,247</u> | <u>\$145,861</u> | <u>\$149,465</u> | <u>\$3,604</u>                                |

See accompanying notes to the required supplementary information.

**City of South Shore, Kentucky**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2011*

---

**NOTE 1 — BUDGETARY INFORMATION**

An annual budget is adopted by ordinance each year by June 30<sup>th</sup> for the next fiscal year pursuant to KRS 91A.030. The budget is adopted based on the modified accrual basis of accounting.

The budget proposal shall be submitted to the City Commission not later than thirty days prior to the beginning of the fiscal year it covers.

The full amount estimated to be required for debt service during the budget year shall be appropriated for all governmental fund types.

The budget is prepared by fund, function and activity based on estimated receipts.

The Commission may amend the original budget ordinance.

**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***

City of South Shore  
69 Narco Drive  
PO Box 516  
South Shore, Kentucky 41175

We have audited the financial statements of the governmental activities, business-type activities and each major fund of the City of South Shore, Greenup County, Kentucky (the City) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we considered to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, which are described in the accompanying schedule of findings and responses as items 2011-1 and 2011-2.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 2011-3 and 2011-4.

We noted certain matters that we reported to management of the City in a separate letter dated October 4, 2012.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the City Commission, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc

October 4, 2012

**City of South Shore, Kentucky**  
*Schedule of Findings and Responses*  
*For the Fiscal Year Ended June 30, 2011*

---

**Finding 2011-1**

**Material Weakness – Financial Reporting**

A monitoring system by the City should be in place to prevent or detect misstatements for the accurate presentation of the City's financial statements. Misstatements were identified during the course of the audit. Certain reclassifications and adjustments required adjustment of the financial statements. Other misstatements were immaterial in nature and amount and therefore did not require adjustment. We also noted omissions of required note disclosures which were added to this report. The City should implement additional monitoring procedures to ensure financial transactions and balances are properly recorded and that services provided by outside consultants are sufficient and proper for the City's needs.

**Client Response:**

City has contracted with accountant to come weekly until we get procedures in place to properly record our financial transactions.

**Finding 2011-2**

**Material Weakness – Segregation of Duties**

A sound internal control framework should include an adequate segregation of duties. If this cannot be achieved, sufficient monitoring controls should be placed in operation to mitigate risks associated with lack of adequate segregation of duties. Due to the small size of the City, there is a lack of adequate segregation of duties. Furthermore, monitoring controls aren't sufficient to adequately mitigate risks associated with lack of segregation of duties. Without adequate segregation of duties or sufficient monitoring controls, the City is subject to various risks, including risks of the occurrence of fraud without the ability to prevent or timely detect the occurrence and misstatements in the financial information that are not prevented or timely detected and corrected. The City should implement the appropriate segregation of duties or monitoring controls to sufficiently reduce potential risks.

**Client Response:**

With future increase in employees the City will be able to set up adequate segregation of duties. Right now we will work on implementing monitoring controls. City has set up individual password entry into our Quick Book accounts.

**Finding 2011-3**

**Material Noncompliance/Material Weakness – Establishment of Maintenance and Replacement Reserve**

Article V, Section 5.5 states that the City shall establish a special account identified as a "Maintenance of Replacement Reserve". On or before each payment date identified in the schedule of payments, the City shall deposit into the Maintenance and Replacement Reserve an amount equal to 10% of the amount of such loan payment until the amount on deposit in such fund is equal to 5% of the original principal balance of the loan (the "required balance"). Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the project or for the costs of replacing worn or obsolete portions of the project. If amounts are withdrawn from such fund, the City shall again make the periodic deposits hereinabove required until the required balance is reinstated.

The City does not have the required reserve established nor were the appropriate deposits made. The City should implement the appropriate procedures to ensure that the appropriate reserve account is established and the required deposits are made.

**City of South Shore, Kentucky**  
*Schedule of Findings and Responses*  
*For the Fiscal Year Ended June 30, 2011*

---

**Finding 2011-3 (Continued)**

**Material Noncompliance/Material Weakness – Establishment of Maintenance and Replacement Reserve (Continued)**

**Client Response:**

Reserve accounts are set up. In July 2012 sewer rates were raised so the City can make required deposits. All required deposits were made in 2012 fiscal year.

**Finding 2011-4**

**Material Noncompliance – Reporting**

Article VI, Section 6.8 states that “within ninety (90) days after the end of the each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

The City did not file its annual audit report to the KIA by the required deadline. The City should implement the appropriate procedures to ensure that the appropriate deadlines are met.

**Client Response:**

This 2011 audit brings the City current with our audits. City has contracted with accountant to work on getting our financial records ready for us to complete these financial statements and get them to KIA.

City of South Shore, Kentucky  
*Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2011*

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid. <i>Explain</i> |
|----------------|--|------------------|---|
| Finding 2010-1 | Material Weakness - Financial Reporting  | No               | Reissued as Finding 2011-1  |
| Finding 2010-2 | Material Weakness - Lack of Segregation of Duties                                      | No               | Reissued as Finding 2011-2  |
| Finding 2010-3 | Noncompliance/Material Weakness - Establishment of Maintenance and Replacement Reserve | No               | Reissued as Finding 2011-3  |
| Finding 2010-4 | Noncompliance - Reporting  | No               | Reissued as Finding 2011-4  |

**Management Letter**

City of South Shore  
69 Narco Drive  
South Shore, Kentucky 41175

We were engaged to audit the financial statements of the City of South Shore, Kentucky, (the City) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 4, 2012.

*Government Auditing Standards* requires us to report significant internal control deficiencies, fraud, and illegal acts (including noncompliance with laws and regulations), and also abuse and noncompliance with contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated October 4, 2012, for the year ended June 30, 2011.

We are also submitting the following comments for your consideration regarding City's compliance with applicable laws, regulations, grant agreements, contract provisions, and internal control. These comments reflect matters that do not require inclusion in the report *Government Auditing Standards* requires. Nevertheless, these comments represent matters for which we believe improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing these recommendations. However, these comments reflect our continuing desire to assist your organization. If you have questions or concerns regarding these comments please do not hesitate to contact us.

An asterisk (\*) that a comment was also issued in the previous audit

**Suggestions for Improvement**

Bank Reconciliations\*

Several of the City's accounts had checks outstanding for longer than one year and the City had an unreconciled difference at year end. The City had checks outstanding for longer than one year in its Sewer, Garbage, General, and Road Aid accounts, uncleared deposits in transit in its Sewer, Garbage and General checking accounts, and an unreconciled difference at year end in the Sewer account. Errors and/or irregularities may go undetected if unreconciled differences are not investigated and timely resolved. The City should implement procedures to ensure that any unreconciled differences are investigated and timely resolved and should purge its old outstanding checks to ensure cash balances are fairly stated.

Time Sheets

Having employee timesheets approved by a supervisor is an important internal control over payroll disbursements. Timesheets are prepared, however failure to document that timesheets were reviewed by a supervisor could lead to the City over- or under-paying employees. The City should ensure employee time sheets are signed by the relevant supervisor indicating approval of the employee's hours worked, prior to payment.





### Suggestions for Improvement

#### Review of Sewer Billing Registers\*

Monitoring procedures are pertinent to ensure that errors are prevented or detected and timely corrected or that fraudulent activity is timely identified and remediated. Billing journals are prepared by the clerk and are periodically reviewed by the Mayor. However, reviews are not performed for every billing cycle and, when reviews are performed, there are no tick marks or other indications that reviews were performed. Without proper reviews, the City is subject to the risk of errors in fees assessed that are not prevented or detected and timely corrected. The risk also exists that fraudulent activity could be purported and not prevented or detected and timely corrected. The City should implement the appropriate monitoring procedures to ensure that billing journals are reviewed and approved. Furthermore, the City should show evidence of this review and approval.

#### Purchasing Procedures\*

Monitoring procedures are essential for ensuring that a sound control environment exists. The City does not have anyone reviewing changes made to the Master Vendor File, and has only a verbal approval process for the purchase of goods and or services. This could lead to potential fictitious vendors being placed into the Master Vendor File, and/or the City paying for goods and services not authorized. The City should implement procedures to ensure that the purchasing process has additional checks and balances to ensure the risk of fraud is mitigated. The City should also implement a written approval process for the purchase of goods and or services.

#### Capital Asset Policy

A policy in place governing capital assets is pertinent to maintain accurate capital asset listings and depreciation schedules. The City does not have a formal capital asset policy in place. Not having a capital asset policy could result in capitalizing assets that should not be capitalized.

The City should adopt a capital asset policy and correct their current capital asset listing to adhere to that policy. The policy should contain:

1. Threshold in which an asset will be capitalized.
2. Depreciation methods used.
3. Period in which each asset classification will be depreciated.
4. Procedure for depreciating assets bought in the current year.

This report is intended solely for the information and use of management, the City Commission, and others within City and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc

October 4, 2012



7. State whether the City of South Shore has ever filed for bankruptcy protection.

**RESPONSE:**

No. The City of South Shore has never filed for bankruptcy protection. The affidavit from Cheryl Moore, Mayor of the City of South Shore, attached in response to Information Request 1-1 confirms this fact.

WITNESS: George J. Hannah



8. Provide a copy of the resolution of the City Council of South Shore authorizing the Mayor of the City of South Shore to execute the Asset Purchase Agreement with South Shore Water.

**RESPONSE:**

Copies of the ordinance and minutes authorizing the execution of the Asset Purchase Agreement are attached in response to Information Request 1-5.

WITNESS: George J. Hannah



9. Provide the minutes of each meeting of the City Council of South Shore in which the proposed purchase of South Shore Water's facilities was discussed.

**RESPONSE:**

Copies of the minutes are attached in response to Information Request 1-5.

WITNESS: George J. Hannah





10. a. State amount of customer deposits that South Shore Water is currently holding.

b. State whether these customer deposits will be refunded to customers before or upon the transfer of ownership of South Shore Water's facilities.

c. If no refund of customer deposits will occur, describe the actions that will be taken regarding these deposits.

**RESPONSE:**

a. \$7,860.00.

b. The customer deposits presently held by South Shore Water Works Company will be refunded before the transfer of ownership to the City of South Shore.

c. N/A.

WITNESS: George J. Hannah



11. a. State the number of customers to whom the City of South Shore provides sewer service.

b. State the number of customers who receive sewer service from the City of South Shore and who reside outside the corporate boundaries of the City of South Shore.

**RESPONSE:**

a. 776

b. 315

This information is set forth in the affidavit of Cheryl Moore, Mayor of the City of South Shore, Kentucky, which is attached in response to Information Request 1-1.

WITNESS: George J. Hannah



12. a. State the number of customers that South Shore Water presently serves.
- b. State the number of customers who receive water service from South Shore Water and who reside outside the corporate boundaries of the City of South Shore.

**RESPONSE:**

- a. South Shore Water Works Company presently serves 2,250 customers.
- b. Approximately 1,650 customers receive water service from South Shore Water Works Company and reside outside the corporate boundaries of the City of South Shore.

WITNESS: George J. Hannah

ALL-STATE LEGAL SUPPLY CO. 1-800-222-0510 ED11



RECYCLED

13. State whether the City of South Shore presently charges the same rate for its sewer service to customers who live outside its corporate boundary as it charges to those who live within its corporate boundaries.

**RESPONSE:**

The City of South Shore presently charges the same rate for its sewer service to customers who live outside its corporate boundary as it charges to those who live within the corporate boundaries.

WITNESS: George J. Hannah

ALL-STATE™ LEGAL 800-222-0630 ED1:



RECYCLED



14. a. State whether all persons receiving sewer service from the City of South Shore receive water service from South Shore Water. If no, state the name of the water provider that serves those persons who do not receive water service from South Shore Water.

b. State whether all persons receiving water service from South Shore Water receive sewer service from the City of South Shore. If no, state the name of the sewer service provider that serves those persons who do not receive sewer service from the City of South Shore.

**RESPONSE:**

a. All customers receiving sewer service from the City of South Shore receive water service from South Shore Water Works.

b. Not all customers receiving water service from South Shore Water Works receive sewer service from the City of South Shore. However, no other sewer provider serves the customers who do not receive sewer services from the City of South Shore. Rather, some customers utilize septic tanks.

WITNESS: George J. Hannah



15. Refer to Application, Paragraph 11.

a. State the basis for South Shore Water's statement that the City of South Shore will consider retaining Greg Hall to operate the water treatment and distribution facilities.

b. State the basis for South Shore Water's statement that the City of South Shore will rely upon Chad Clark to operate the water treatment and distribution facilities.

**RESPONSE:**

a. The City of South Shore has made representations to George J. Hannah that it will consider retaining Greg Hall to operate the water treatment and distribution facilities. Also, see the affidavit of Cheryl Moore, Mayor of the City of South Shore, attached in response to Data Request 1-1.

b. The City of South Shore has made representations to George J. Hannah that it will consider relying upon Chad Clark to operate the water treatment and distribution facilities. Also, see the affidavit of Cheryl Moore, Mayor of the City of South Shore, attached in response to Data Request 1-1.

WITNESS: George J. Hannah



RECYCLED

ED11

1-800-325-0510

ALL-STATE LEGAL SUPPLY CO.

16. a. Describe Mr. Hall's qualifications to operate a water treatment plant and distribution system.
- b. State whether the Kentucky Energy and Environment Cabinet has certified Mr. Hall as a water operator.
- c. If the Kentucky Energy and Environment Cabinet has certified Mr. Hall as a water operator:
- (1) State the specific operation classification for which he has been certified.
- (2) Provide Mr. Hall's license number.

**RESPONSE:**

- a. Mr. Hall is a certified to operate a water treatment plant and distribution system. Moreover, Mr. Hall is presently responsible for operating the South Shore Water Works Company's facilities and has been employed in that capacity for a number of years.
- b. Yes.
- c. Mr. Hall's water treatment plant certification is IIIB (License Number 4514) and his distribution system certification is IID (License Number 3544).

WITNESS: George J. Hannah

ALL-STATE LEGAL SUPPLY CO. 1-800-222-0510 ED11



RECYCLED

17. State, using the classification system established in 401 KAR 8:030, the classification within which South Shore Water's water treatment and distribution system falls.

**RESPONSE:**

South Shore's water treatment and distribution system falls within classification IIIB.

WITNESS: George J. Hannah



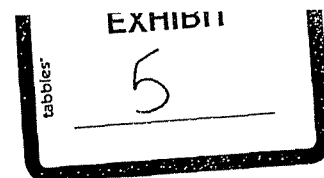


18. Describe how the City of South Shore intends to finance the purchase of South Shore Water's assets.

**RESPONSE:**

The City of South Shore, Kentucky ("City") intends to finance the purchase of South Shore Water Works Company's assets through a loan from the Kentucky Infrastructure Authority. This is described in greater detail in the affidavit of Cheryl Moore, Mayor of the City of South Shore, Kentucky, attached in response to Information Request 1-1. Enclosed are additional documents addressing the City's financing of the purchase.

WITNESS: George J. Hannah



Steven L. Beshear  
Governor

**KENTUCKY INFRASTRUCTURE AUTHORITY**

1024 Capital Center Drive, Suite 340  
Frankfort, Kentucky 40601  
Phone (502) 573-0260  
Fax (502) 573-0157  
<http://kia.ky.gov>

John E. Covington III  
Executive Director

August 7, 2012

Honorable Cheryl Moore, Mayor  
City of South Shore  
500 Main Street  
South Shore, KY 41175

**KENTUCKY INFRASTRUCTURE AUTHORITY  
INFRASTRUCTURE REVOLVING LOAN FUND  
CONDITIONAL COMMITMENT LETTER (B12-09)**

Dear Mayor Moore:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On August 2, 2012, the Authority approved your loan for the Acquisition of South Shore Water Works project subject to the conditions stated below. The total cost of the project shall not exceed \$1,600,000 of which the Authority loan shall provide \$1,600,000 of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the City of South Shore upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (8/7/2013) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$1,600,000.
2. The loan shall bear interest at the rate of 0.75% per annum commencing with the first draw of funds.

3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on June 1 or December 1 immediately succeeding the date of the last draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1 or December 1 which is at least six months from the date of the last draw of funds. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.

3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding or any new sources of funding not reflected in Attachment A shall be immediately reported and may cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.
5. Based on the final "as bid" project budget, the community must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by your consultant engineer
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Authority.
8. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
9. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.
10. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.

**CITY OF SOUTH SHORE**  
**B12-09 - \$1,600,000**

**Checklist of Required Documents to Send to KIA**

1. Conditional Commitment Letter:
  - a. Send original signed Conditional Commitment Letter to KIA
  - b. Send original signed Electronic Funds Transfer Form
  
2. Send copies of Public Service Commission approval.

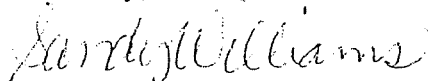
Mayor Cheryl Moore  
August 7, 2012  
Page 4

11. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
12. Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). If there is a significant deviation from the Final Design Plan during construction, As-built plans shall also be provided to the Authority in the same format.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We will assist you in a final evaluation of the financing plan when construction bids are available. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,

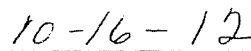
  
Sandy Williams  
Financial Analyst

#### Attachments

cc: Bryan Kirby, Community & Economic Development Associates, Inc. (CEDA)  
Dirk Bedarff, Peck, Shaffer & Williams LLP  
State and Local Debt Office, DLG  
Borrower File - City of South Shore - B12-09

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.

  
Accepted

  
Date

RESOLUTION # 73-2012

Authorizing Resolution of the City of South Shore for Filing of Loan Application and Appointing Mayor and Successors-in-Title as Official Project Representative of South Shore Water System Project.

NOW THEREFORE, BE IT RESOLVED by the City of South Shore that the Mayor and Successors-in-Title are hereby authorized to execute and submit an application through KIA (Kentucky Infrastructure Authority) with such assurances and required supporting data as is necessary to obtain loan assistance from KIA for purchase and/or implementation of a water system and are hereby authorized as the City of South Shore's Official Project Representative to carry out necessary negotiations for and administer the loan assistance the applicant may obtain for KIA.

Adopted this 17<sup>th</sup> day of January 2012

The vote taken on said Resolution, the result being as follows:

Motion Carried -  Yes  No

Cheryl Moore, Mayor  
Mayor  
City of South Shore

Linda Potter  
Attest

## RE: questions

**From:** Bryan Kirby <bryan@cedainc.net>  
**To:** coss@zoomnet.net  
**Subject:** RE: questions  
**Date:** Jul 26, 2012 8:21 AM

I was out Wednesday so missed this. No, I hand-delivered the SSWWC-Fund E application on Monday. KIA Board-August meeting in the 2nd, at 1:00 p.m. We are waiting to hear back from Mark; once we connect, we can finish the forms in less than an hour & get them to you.

Bryan

-----Original Message-----

**From:** coss@zoomnet.net [mailto:coss@zoomnet.net]  
**Sent:** Wednesday, July 25, 2012 8:11 AM  
**To:** Bryan Kirby  
**Subject:** questions

Bryan,

I will be in Frankfort tomorrow for DOW meeting with HMB anything you need me to deliver to anyone?

Do you know the date & time of the August KIA Board meeting for the Water Works Project?

Have you spoke with Mark Tanner about the budget for the City Building and what pages of the USDA application are left to fill out?? I am getting the letter together about us not being able to find a lower interest rate here locally.

Thanks,  
Mayor Moore



## RE: KIA Board Meeting

From: "Williams, Sandy (KIA)" <Sandy.Williams@ky.gov>  
To: coss@zoomnet.net  
Subject: RE: KIA Board Meeting  
Date: Aug 1, 2012 12:46 PM

Great news. Travel safely and we will see you tomorrow!!

Sandy Williams  
Financial Analyst  
Kentucky Infrastructure Authority  
1024 Capital Center Drive, Suite 340  
Frankfort, KY 40601  
Phone: 502-573-0260  
Fax: 502-573-0157  
Email: sandy.williams@ky.gov

-----Original Message-----

From: coss@zoomnet.net [mailto:coss@zoomnet.net]  
Sent: Wednesday, August 01, 2012 11:25 AM  
To: Williams, Sandy (KIA)  
Subject: RE: KIA Board Meeting

I plan on attending the meeting.  
Thank you for all your help.  
Mayor Moore

-----Original Message-----

>From: "Williams, Sandy (KIA)" <Sandy.Williams@ky.gov>  
>Sent: Aug 1, 2012 11:11 AM  
>To: coss@zoomnet.net  
>Subject: RE: KIA Board Meeting

>

>Mayor,

>

>South Shore's loan request for the water system purchase is on the agenda for the KIA Board meeting tomorrow. I hope to see you if you can make it. Of course Bryan positively represents the City too if you are unable to make it.

>

>Sandy Williams  
>Financial Analyst

>Kentucky Infrastructure Authority  
>1024 Capital Center Drive, Suite 340  
>Frankfort, KY 40601  
>Phone: 502-573-0260  
>Fax: 502-573-0157  
>Email: sandy.williams@ky.gov

>  
>

>-----Original Message-----

>From: coss@zoomnet.net [mailto:coss@zoomnet.net]  
>Sent: Wednesday, August 01, 2012 11:02 AM  
>To: Williams, Sandy (KIA)  
>Subject: KIA Board Meeting

>

>Sandy,

>

>Just wanting to make sure that the SS Water project loan is on the KIA boards  
agenda for tomorrow at 1:00 pm August 2nd.

>

>

>Please confirm this for me.

>

>Thank you,  
>Mayor Moore

>

## Re: Resolution for Purchase of Water Works

---

**From:** "Williams, Sandy (KIA)" <Sandy.Williams@ky.gov>  
**To:** coss@zoomnet.net  
**Subject:** Re: Resolution for Purchase of Water Works  
**Date:** May 3, 2012 4:10 AM

Mayor Moore,

You are correct. The city can apply for \$1.6 million but does not have to draw all of the funds if they are not needed.

Sandy Williams  
 Sent from My iPhone

On May 2, 2012, at 10:40 PM, "[coss@zoomnet.net](mailto:coss@zoomnet.net)" <[coss@zoomnet.net](mailto:coss@zoomnet.net)> wrote:

Received auto response from Kasi, so I forwarded this on to you.  
 Mayor Moore

-----Forwarded Message-----

From: [coss@zoomnet.net](mailto:coss@zoomnet.net)  
 Sent: May 2, 2012 10:20 PM  
 To: "White, Kasi (KIA)"  
 Subject: RE: Resolution for Purchase of Water Works

Kasi,

Purchase price is 1.4 million but was looking at some of the initial costs (attorney fee's, etc ) being in the range of less than \$200,000.

Could the city apply for 1.6 million and only draw on what we will actually need.

Please advise,

Thank you,  
 Mayor Moore

-----Original Message-----

>From: "White, Kasi (KIA)"  
 >Sent: Apr 11, 2012 3:16 PM  
 >To: [coss@zoomnet.net](mailto:coss@zoomnet.net)  
 >Cc: "Abshire, Jeff (KIA)", "Williams, Sandy (KIA)"  
 >Subject: RE: Resolution for Purchase of Water Works  
 >  
 >Mayor:  
 >  
 >That's wonderful to hear. Please reply to this email with the loan amount you are requesting so that we can verify availability of funds.  
 >  
 >Regarding the application process, you will need to go to our website and pull down the Fund B application, checklist and instructions (see the Resources Column on the page). The weblink for the website page follows: <http://www.kia.ky.gov/loan/fundb.htm>  
 >

>Have a wonderful day and we look forward to receiving the application.

>

>Kasi White

>Financial Analyst

>Kentucky Infrastructure Authority

>1024 Capital Center Drive, Suite 340

>Frankfort, Kentucky 40601

>(p) 502-573-0260

>(f) 502-573-0157

>[kasi.white@ky.gov](mailto:kasi.white@ky.gov)

>

>-----Original Message-----

>From: [coss@zoomnet.net](mailto:coss@zoomnet.net) [mailto:[coss@zoomnet.net](mailto:coss@zoomnet.net)]

>Sent: Wednesday, April 11, 2012 3:06 PM

>To: White, Kasi (KIA)

>Subject: Resolution for Purchase of Water Works

>

>Kasi,

>

>Find attached Resolution #73-2012 for South Shore Water System Project.

>

>Let us know what is required to start the application process

>

>Thank you,

>

>City of South Shore

>Cheryl Moore, Mayor

**EXECUTIVE SUMMARY**  
**KENTUCKY INFRASTRUCTURE AUTHORITY**  
**FUND B, INFRASTRUCTURE**  
**REVOLVING LOAN FUND**

Reviewer: Sandy Williams  
 Date: August 2, 2012  
 KIA Loan Number: B12-09  
 WRIS Number n/a

**BORROWER:** CITY OF SOUTH SHORE  
 GREENUP COUNTY

**BRIEF DESCRIPTION:**

This project is for the purchase of the assets of the privately owned South Shore Water Works Company (SSWW) which serves approximately 2,300 customers in the City and outlying areas of northwestern Greenup and northeastern Lewis Counties.

| PROJECT FINANCING: |                     | PROJECT BUDGET          |                     |
|--------------------|---------------------|-------------------------|---------------------|
| Fund B Loan        | \$ 1,600,000        | Administrative Expenses | \$ 20,000           |
|                    |                     | Legal Expenses          | 30,000              |
|                    |                     | Contingency             | 150,000             |
|                    |                     | Asset Purchase          | 1,400,000           |
| <b>TOTAL</b>       | <b>\$ 1,600,000</b> | <b>TOTAL</b>            | <b>\$ 1,600,000</b> |

| REPAYMENT |          | Est Annual  |                        |
|-----------|----------|-------------|------------------------|
| Rate      | 0.75%    | Payment     | \$ 89,500              |
| Term      | 20 years | 1st Payment | 6 Mo. after first draw |

**PROFESSIONAL SERVICES** Engineer 0

Bond Counsel Peck, Shaffer, & Williams

**PROJECT SCHEDULE**

Estimated Closing Date 6 months after application for PSC approval

| DEBT PER CUSTOMER |        |  |  |
|-------------------|--------|--|--|
| Existing          | \$ 61  |  |  |
| Proposed          | \$ 708 |  |  |

**OTHER DEBT** See Attached

**OTHER STATE-FUNDED PROJECTS LAST 5 YRS** See Attached

**RESIDENTIAL RATES**

|            | Users | Avg. Bill |                     |
|------------|-------|-----------|---------------------|
| Current    | 2,259 | \$ 29.84  | (for 4,000 gallons) |
| Additional | 0     | \$ 29.84  | (for 4,000 gallons) |

**REGIONAL COORDINATION** This project is consistent with regional planning recommendations.

**CASHFLOW**

|                | Cash Available for Debt Service | Debt Service | Income after Debt Service | Coverage Ratio |
|----------------|---------------------------------|--------------|---------------------------|----------------|
| PSC 2008       | 114,941                         | 16,852       | 98,089                    | 6.8            |
| PSC 2009       | 79,919                          | 18,169       | 61,750                    | 4.4            |
| PSC 2010       | 128,067                         | 24,702       | 103,365                   | 5.2            |
| PSC 2011       | 93,824                          | 23,786       | 70,038                    | 3.9            |
| Projected 2012 | 192,341                         | 0            | 192,341                   | n/a            |
| Projected 2013 | 324,498                         | 89,500       | 234,998                   | 3.6            |
| Projected 2014 | 330,996                         | 89,500       | 241,496                   | 3.7            |
| Projected 2015 | 337,653                         | 89,500       | 248,153                   | 3.8            |
| Projected 2016 | 344,475                         | 89,500       | 254,975                   | 3.8            |

Reviewer: Sandy Williams  
Date: August 2, 2012  
Loan Number: B12-09

**KENTUCKY INFRASTRUCTURE AUTHORITY  
INFRASTRUCTURE REVOLVING LOAN FUND (FUND "B")  
CITY OF SOUTH SHORE, GREENUP COUNTY  
PROJECT REVIEW**

**I. PROJECT DESCRIPTION**

The City of South Shore is requesting a Fund B loan in the amount of \$1,600,000 for the acquisition of the assets of South Shore Water Works (SSWW). SSWW is a private water system that is regulated by the Public Service Commission. The owner wishes to retire and the purchase will assure the public of a dependable and affordable finished water supply.

All equipment, personal property, real estate, easements, leases and interests in real estate that are owned by SSWW or a separate realty company that is owned by the SSWW stockholder will be purchased by the City. The City will not assume any existing liabilities of the existing SSWW operation. The business was appraised by Raftelis Financial Consultants in 2006. The appraisal was based on an evaluation of the business' ability to generate income, a market review for other water company sales, and an estimate of the asset value of the business.

SSWW was organized in 1954 and serves customers in the City of South Shore and outlying areas of northwestern Greenup and northeastern Lewis Counties. The design capacity of the treatment plant is 920,000 gallons per day and the plant operates at about 50% of capacity. From 2008 through 2011 the customer count was stable at 2,259 while gallons of water sold ranged from a low of 116 million in 2011 to a high of 129 million in 2008. Reported water loss each year was about 15%. Disruptions of water service are typical due to the age of the distribution system.

**II. PROJECT BUDGET**

|                         | <u>Total</u>        |
|-------------------------|---------------------|
| Administrative Expenses | \$ 20,000           |
| Legal Expenses          | 30,000              |
| Contingency             | 150,000             |
| Asset Purchase          | <u>1,400,000</u>    |
| <b>Total</b>            | <b>\$ 1,600,000</b> |

### III. PROJECT FUNDING

|              | Amount              | %           |
|--------------|---------------------|-------------|
| Fund B Loan  | \$ 1,600,000        | 100%        |
| <b>Total</b> | <b>\$ 1,600,000</b> | <b>100%</b> |

### IV. KIA DEBT SERVICE

|  |                  |
|--|------------------|
| Amortized Loan Amount                      | \$ 1,600,000     |
| Interest Rate                              | 0.75%            |
| Loan Term (Years)                          | 20               |
| Estimated Annual Debt Service              | \$ 86,300        |
| Administrative Fee (0.20%)                 | \$ 3,200         |
| <b>Total Estimated Annual Debt Service</b> | <b>\$ 89,500</b> |

### V. PROJECT SCHEDULE

The estimated closing date for the purchase is six months after application for PSC approval.

### VI. RATE STRUCTURE

#### A. Customers

| Customers    | Current      |
|--------------|--------------|
| Residential  | 2,116        |
| Commercial   | 140          |
| Industrial   | 3            |
| <b>Total</b> | <b>2,259</b> |

#### B. Rates

|                                | Current    | Prior      |
|--------------------------------|------------|------------|
| Date of Last Rate Increase     | 08/12/2011 | 08/01/2007 |
| Minimum (1,000 Gallons)        | \$13.07    | \$9.95     |
| Next 9,000 Gallons             | 5.59       | 4.25       |
| Over 10,000 Gallons            | 3.92       | 2.98       |
| Cost for 4,000 gallons         | \$29.84    | \$22.70    |
| Increase %                     | 31.5%      |            |
| Affordability Index (Rate/MHI) | 1.6%       |            |

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2006-2010, the City's population was 1,314 with a Median Household Income (MHI) of \$22,297. The median household income for the Commonwealth is \$41,576. The project will qualify for a 0.75% interest rate.

## **VIII. FINANCIAL ANALYSIS (See Exhibit 1)**

Financial information was taken from PSC filings for the years ended December 31, 2008 through 2011. The utility will adopt a June 30 year end after the purchase is complete. Balance sheets for the legacy entity are not presented since the existing structure will not survive the asset purchase.

### **HISTORY**

Revenues increased 3.5% from \$658,640 in 2008 to \$681,775 in 2011 while operating expenses increased 10% from \$501,679 to \$551,947. A 31.5% rate increase became effective in mid August 2011 and will generate about \$200,000 in additional revenue each year. Cash flow before debt service ranged from a low of \$79,919 in 2009 to a high of \$128,067 in 2010. The debt coverage ratio exceeded 3.9 each year.

### **PROJECTIONS**

Approximately \$110,000 in expenses will be eliminated (2013 compared to 2011) including sales, property and income taxes; rent on leased properties that are included in assets to be purchased, private legal services, some salary and benefit costs, and shareholder dividends.

Projections are based on the following assumptions:

- 1) Revenues will be flat for growth but will increase to offset inflation
- 2) Expenses will increase 2.5% per year for inflation
- 3) A replacement reserve of \$4,000 will be funded annually for ten years.
- 4) Debt service is estimated at \$89,500 annually
- 5) Debt service coverage is 3.6 in 2013 when principal and interest repayments begin. Cash flow after debt service is projected at about \$225,000 and will increase slightly each year thereafter (assuming rates are regularly increased to offset inflation). This will give the City the financial capacity to address some of the aging infrastructure issues.

Based on the *proforma* assumptions, the utility shows adequate cash flow to repay the KIA Fund B loan.

### **REPLACEMENT RESERVE**

The annual replacement cost is \$4,000. This amount should be added to the



replacement account each December 1 until the balance reaches \$40,000 and maintained for the life of the loan.

**IX. DEBT OBLIGATIONS**

None

**X. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS**

| <u>Project Title</u> | <u>Funding Source</u> | <u>Amount</u> |
|----------------------|-----------------------|---------------|
| Lift Station Upgrade | CDBG                  | 325,000       |
| Lift Station Upgrade | IEDF                  | 200,000       |

**XI. CONTACTS**

|                  |  |
|------------------|--|
| <b>Applicant</b> |  |
| Name             | City of South Shore                      |
| Address          | 500 Main Street<br>South Shore, KY 41175 |
| County           | Greenup                                  |
| Contact          | Cheryl Moore                             |
| Phone            | (606) 932-6144                           |
| Email            | coss@zoomnet.net                         |

|                          |  |
|--------------------------|--|
| <b>Applicant Contact</b> |  |
| Name                     | Community & Economic Development Associates, Inc. (CEDA) |
| Address                  | P.O. Box 855<br>Richmond, KY 40476                       |
| Contact                  | Bryan Kirby  |
| Phone                    | (859) 624-3396   |
| Email                    | bryan@cedainc.net  |

**XII. RECOMMENDATIONS**

KIA staff recommends approval of the loan with the standard conditions.

CITY OF SOUTH SHORE  
BALANCE SHEETS

| ASSETS                               | City<br>At Closing | City<br>End of<br>Year One |
|--------------------------------------|--------------------|----------------------------|
| <b>Current Assets</b>                |                    |                            |
| Cash                                 | 0                  | 169,000                    |
| Special Deposits                     | 6,060              | 6,060                      |
| Temporary Investments                | 0                  | 0                          |
| Accounts Receivable                  | 32,250             | 67,000                     |
| Prepaid                              | 0                  | 0                          |
| <b>Total Current Assets</b>          | <b>38,310</b>      | <b>242,060</b>             |
| <b>Restricted Assets</b>             |                    |                            |
| KIA (R&M) Reserve                    | 0                  | 4,000                      |
| <b>Total Restricted Assets</b>       | <b>0</b>           | <b>4,000</b>               |
| <b>Utility Plant</b>                 |                    |                            |
| Land, System, Building and Equipment | 1,600,000          | 1,600,000                  |
| Less Accumulated Depreciation ( )    | 0                  | (80,000)                   |
| <b>Net Fixed Assets</b>              | <b>1,600,000</b>   | <b>1,520,000</b>           |
| <b>Total Assets</b>                  | <b>1,638,310</b>   | <b>1,766,060</b>           |

| LIABILITIES                                     |                  |                  |
|---|------------------|------------------|
| <b>Current Liabilities</b>                      |                  |                  |
| Accounts Payable                                | 0                | 27,500           |
| Customer Deposits                               | 6,060            | 6,060            |
| Accrued Interest                                | 0                | 1,000            |
| Tax Collections Payable                         | 0                | 0                |
| Deferred Income Taxes                           | 0                | 0                |
| Stockholder Loan (6%, demand)                   | 0                | 0                |
| C.P. KIA Loan                                   | 0                | 74,998           |
| Deferred Income (Collection Charges)            | 32,250           | 0                |
| <b>Total Current Liabilities</b>                | <b>38,310</b>    | <b>109,558</b>   |
| <b>Long Term Liabilities</b>                    |                  |                  |
| Mortgage (6.5%, 12-15-2017)                     | 0                | 0                |
| Proposed KIA Loan                               | 1,600,000        | 1,450,563        |
| <b>Total Long Term Liabilities</b>              | <b>1,600,000</b> | <b>1,450,563</b> |
| <b>Total Liabilities</b>                        | <b>1,638,310</b> | <b>1,560,121</b> |
| <b>Retained Earnings:</b>                       |                  |                  |
| Common Stock / Invested in Capital Assets (net) | 0                | (5,561)          |
| Other Paid In Capital                           | 0                | 0                |
| Retained Earnings                               | 0                | 211,500          |
| Contributions In Aid of Construction (CIAC)     | 0                | 0                |
| Amortization (CIAC)                             | 0                | 0                |
| <b>Total Retained Earnings</b>                  | <b>0</b>         | <b>205,939</b>   |
| <b>Total Liabilities and Equities</b>           | <b>1,638,310</b> | <b>1,766,060</b> |

**Balance Sheet Analysis**

|  |      |         |
|--|------|---------|
| Current Ratio                              | 1.0  | 2.2     |
| Debt to Equity                             | n/a  | 7.6     |
| Working Capital                            | 0    | 132,502 |
| Percent of Total Assets in Working Capital | 0.0% | 7.5%    |
| Days Sales in Accounts Receivable          | 14.1 | 28.5    |

**EXHIBIT 1  
CITY OF SOUTH SHORE  
CASH FLOW ANALYSIS**

|  | PSC<br>2008 | %<br>Change | PSC<br>2009 | %<br>Change | PSC<br>2010 | %<br>Change | PSC<br>2011 | Projected<br>2012 | Projected<br>2013 | Projected<br>2014 | Projected<br>2015 | Projected<br>2016 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Operating Revenues</b>                        |             |             |             |             |             |             |             |                   |                   |                   |                   |                   |
| Water Revenues                                   | 658,640     | -2%         | 645,687     | 1%          | 649,812     | 5%          | 681,775     | 815,403           | 835,788           | 856,683           | 878,100           | 900,053           |
| <b>Total Revenues</b>                            | 658,640     | -2%         | 645,687     | 1%          | 649,812     | 5%          | 681,775     | 815,403           | 835,788           | 856,683           | 878,100           | 900,053           |
| <b>Operating Expenses</b>                        |             |             |             |             |             |             |             |                   |                   |                   |                   |                   |
| Operating Expenses                               | 501,679     | 3%          | 518,821     | 5%          | 543,937     | 1%          | 551,947     | 565,746           | 579,890           | 594,387           | 609,247           | 624,478           |
| Operating Expense Reductions                     | 0           |             | 0           |             | 0           |             | 0           | 0                 | (50,000)          | (50,000)          | (50,000)          | (50,000)          |
| Depreciation                                     | 64,147      | 23%         | 78,976      | 3%          | 81,079      | 15%         | 93,643      | 95,000            | 80,000            | 80,000            | 80,000            | 80,000            |
| Taxes Other Than Income                          | 32,202      |             | 33,366      |             | 44,370      |             | 37,816      | 37,816            | 0                 | 0                 | 0                 | 0                 |
| Income Taxes                                     | 27,951      |             | 24,805      |             | (31,457)    |             | 6,413       | 25,000            | 0                 | 0                 | 0                 | 0                 |
| Replacement Reserve                              | 0           |             | 0           |             | 0           |             | 0           | 0                 | 4,000             | 4,000             | 4,000             | 4,000             |
| <b>Total Expenses</b>                            | 625,979     | 5%          | 655,968     | -3%         | 637,929     | 8%          | 689,819     | 723,562           | 613,890           | 628,387           | 643,247           | 658,478           |
| <b>Net Operating Income</b>                      | 32,661      | -131%       | (10,281)    | -216%       | 11,883      | -168%       | (8,044)     | 91,841            | 221,898           | 228,296           | 234,853           | 241,575           |
| <b>Non-Operating Income and Expenses</b>         |             |             |             |             |             |             |             |                   |                   |                   |                   |                   |
| Interest Income                                  | 2,050       |             | 1,588       |             | 1,229       |             | 965         | 1,000             | 100               | 200               | 300               | 400               |
| Non Utility Income                               | 34,083      |             | 23,794      |             | 39,036      |             | 24,359      | 22,500            | 22,500            | 22,500            | 22,500            | 22,500            |
| Other Income / (Expenses)                        | 0           |             | 12,840      |             | 12,840      |             | 0           | 0                 | 0                 | 0                 | 0                 | 0                 |
| Gain / (Loss) on Property Disposition            | 0           |             | 0           |             | 0           |             | 900         | 0                 | 0                 | 0                 | 0                 | 0                 |
| Dividends  | (18,000)    |             | (26,998)    |             | (18,000)    |             | (17,999)    | (18,000)          | 0                 | 0                 | 0                 | 0                 |
| <b>Total Non-Operating Income &amp; Expenses</b> | 18,133      | -38%        | 11,224      | 213%        | 35,105      | -77%        | 8,225       | 5,500             | 22,600            | 22,700            | 22,800            | 22,900            |
| <b>Add Non-Cash Expenses</b>                     |             |             |             |             |             |             |             |                   |                   |                   |                   |                   |
| Depreciation                                     | 64,147      | 23%         | 78,976      | 3%          | 81,079      | 15%         | 93,643      | 95,000            | 80,000            | 80,000            | 80,000            | 80,000            |
| <b>Cash Available for Debt Service</b>           | 114,941     | -30%        | 79,919      | 60%         | 128,067     | -27%        | 93,824      | 192,341           | 324,498           | 330,996           | 337,653           | 344,475           |
| <b>Debt Service</b> (enter as positive #'s)      |             |             |             |             |             |             |             |                   |                   |                   |                   |                   |
| Existing Principal                               | 9,221       |             | 12,099      |             | 20,769      |             | 18,806      | 0                 | 0                 | 0                 | 0                 | 0                 |
| Existing Interest                                | 7,631       |             | 6,070       |             | 3,933       |             | 4,980       | 0                 | 0                 | 0                 | 0                 | 0                 |
| Proposed KIA Loan                                | 0           |             | 0           |             | 0           |             | 0           | 0                 | 89,500            | 89,500            | 89,500            | 89,500            |
| <b>Total Debt Service</b>                        | 16,852      |             | 18,169      |             | 24,702      |             | 23,786      | 0                 | 89,500            | 89,500            | 89,500            | 89,500            |
| <b>Income After Debt Service</b>                 | 98,089      |             | 61,750      |             | 103,365     |             | 70,038      | 192,341           | 234,998           | 241,496           | 248,153           | 254,975           |
| <b>Debt Coverage Ratio</b>                       | 6.8         |             | 4.4         |             | 5.2         |             | 3.9         | n/a               | 3.6               | 3.7               | 3.8               | 3.8               |

## INFRASTRUCTURE REVOLVING LOAN FUND (Fund B) LOAN APPLICATION

### I. GENERAL PROJECT SUMMARY

1. PROJECT TITLE Acquisition of South Shore Water Works Company

PROJECT NUMBER not applicable  
(WX or SX #)

### 2. LEGAL APPLICANT

Applicant Name: City of South Shore

Street/P.O. Box: 500 Main Street

City, State & Zip Code: South Shore, KY 41175

Telephone: 606/932-6144

County: Greenup

Contact Person: Mayor Cheryl Moore

### 3. APPLICATION CONTACT PERSON (Consultant, Area Development District, etc.)

Name: Bryan Kirby

Title: Project Consultant/Administrator

Firm: Community & economic Development Associates,  
Inc. (CEDA)

Street/P.O. Box: P.O. Box 855

City, State & Zip Code: Richmond, KY 40476

Telephone: 859/624-3396

**4. ENGINEERING FIRM**

Name: not applicable; acquisition only

Street/P.O. Box: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_

Contact Person: \_\_\_\_\_

**5. BRIEF DESCRIPTION OF PROJECT (Attach project maps)**

The City proposes to gain control of the private water system, South Shore Water Works Company (SSWWC), that serves 2,259 residential, commercial and industrial customers in the City and outlying areas of northwestern Greenup County and northeastern Lewis County. SSWWC is operating aging infrastructure and line breaks are frequent. In order to assure the public of dependable, affordable finished water, South Shore has chosen to acquire 100% of the controlling interest in the SSWWC and take over the ownership and operation of all treatment and distribution systems.

All assets are to be acquired: common stock, land, easements, 0.92 MGD water plant, wells, storage tanks, pump station, 65 miles of various size lines, office database, software, materials inventory and rolling stock. The water system is in good condition: WTP treats an average of 50% of its rated capacity, there are no outstanding Notices of Violation, water loss is 8-11% and there are no pending legal issues. In 2006, Raftelis Financial Consultants of Charlotte NC conducted an appraisal of the SSWWC assets and liabilities and established the fair market value of this property.

**6. FINANCING PACKAGE PROPOSED**

| Source       | Amount             | Type<br>Loan/Grant | Rate% | Term | Status      |
|--------------|--------------------|--------------------|-------|------|-------------|
| Fund B       | 1,600,000          | Loan               |       |      | Application |
|              |                    |                    |       |      |             |
|              |                    |                    |       |      |             |
|              |                    |                    |       |      |             |
| <b>TOTAL</b> | <b>\$1,600,000</b> |                    |       |      |             |

Attach evidence of commitment from other funds.

7. CERTIFICATION

To the best of my knowledge and belief, the information contained in this application is true and correct.

Cheryl Moore, Mayor  
Typed Name and Title  
Chief Executive Officer

Cheryl Moore, Mayor  
Signature

July 17, 2012  
Date

KENTUCKY INFRASTRUCTURE AUTHORITY  
 PROJECT BUDGET  
 PROJECT #

| Cost Classification |   | Infrastructure Revolving Loan (Fund B) | Other Funding Source A | Other Funding Source B | Other Funding Source C | Local Funds | Total Project Cost |
|---------------------|---|--|------------------------|------------------------|------------------------|-------------|--------------------|
| 1                   | Administrative Expenses (Including Interim Financing)     | 20,000                                 |                        |                        |                        |             | 20,000             |
| 2                   | Legal Expenses  | 30,000                                 |                        |                        |                        |             | 30,000             |
| 3                   | Land, Appraisals, Easements, Right-of-Way                 |  |                        |                        |                        |             |                    |
| 4                   | Relocation Expense & Payments                             |  |                        |                        |                        |             |                    |
| 5                   | Planning  |  |                        |                        |                        |             |                    |
| 6                   | Engineering Fees - Design                                 |  |                        |                        |                        |             |                    |
| 7                   | Engineering Fees - Construction                           |  |                        |                        |                        |             |                    |
| 8                   | Engineering Fees - Inspection                             |  |                        |                        |                        |             |                    |
| 9                   | Construction  |  |                        |                        |                        |             |                    |
| 10                  | Equipment   |  |                        |                        |                        |             |                    |
| 11                  | Contingency   | 150,000                                |                        |                        |                        |             | 150,000            |
| 12                  | Other- Acquisition of the South Shore Water Works Company | 1,400,000                              |                        |                        |                        |             | 1,400,000          |
|                     | Total   | 1,600,000                              |                        |                        |                        |             | 1,600,000          |

| Funding Sources | Amount | Date Committed |
|-----------------|--------|----------------|
| A               |        |                |
| B               |        |                |
| C               |        |                |

| Please identify all sources and amounts of Local Funding |  | Amount |
|--|--|--------|
| 1  |  |        |
| 2  |  |        |
| 3  |  |        |

*Cheryl Moore*  
 \_\_\_\_\_  
 Signature  
*Mayor*  
 \_\_\_\_\_  
 Title  
*July 17, 2012*  
 \_\_\_\_\_  
 Date

**II. GENERAL PROJECT INFORMATION**

1. Have business closings or disruptions occurred due to infrastructure inadequacy or failure?

Yes  No

If yes, describe.

Disruptions of water service are typical due to infrastructure inadequacy (line breaks) due to the aging of the distribution system.

2. Is the applicable infrastructure system under sanction from any enforcement agency?

Yes  No  N/A

If yes, describe (include deadlines, fines imposed and whether the project will satisfy sanction order.)

---

---

---

3. Are easements or land acquisition needed for the project?

Yes  No Number of Parcels

Explain status of each parcel.

---

---

---

4. If applicant has obtained the necessary land, indicate if by:

Leasehold interest  Fee simple title  Other (Specify)

---

5. Have plans and specifications been reviewed and approved by the Division of Water?

Yes  No N/A; acquisition only



If no, explain status.

---

---

---

6. Does the Public Service Commission have jurisdiction over this project?

  X   Yes           No

If yes, describe their role and estimated schedule of review.

PSC must review and approve of sale; review time is estimated to be 6 months.

### III. CURRENT INFRASTRUCTURE SYSTEM ANALYSIS

Answer each question as it relates to the system affected by the proposed infrastructure development.

1. Number of existing customers, if any:

|             |  |
|-------------|--|
| Residential | <u>1,943 + 173 multiple family dwellings</u> |
| Business    | <u>140</u>                                   |
| Industrial  | <u>3</u>                                     |
| Total       | <u>2,259</u>                                 |

2. System capacity:

|                |                               |
|----------------|-------------------------------|
| Type of system | <u>Reverse osmosis system</u> |
| Design         | <u>0.92 MGD</u>               |
| Current        | <u>0.47 MGD</u>               |
| Peak           | <u>0.68 MGD</u>               |
| Proposed       | <u>No expansion proposed</u>  |

3. Method of treatment employed. If a new method is proposed, describe.

Reverse osmosis system, filter media employed, 12 drilled wells as raw water source

4. Operator Certification:  
 Number of certified operators required for system One  
 Level of certification required Class II  
 Number of operators employed by system One  
 Are all operators properly certified  Yes  No

**IV. FINANCIAL ANALYSIS**

1. Are revenues and expenses for this system accounted for separately from other utility services?

Yes  No  
 If no, explain.

---



---

2. Identify all revenues, other than service fees, which are dedicated to the system.

A. Fire Protection \$6,550  
 B. \_\_\_\_\_ \$ \_\_\_\_\_  
 C. \_\_\_\_\_ \$ \_\_\_\_\_

3. Is there outstanding debt on the system?  Yes  No

**NOTE: this is an Asset Only Acquisition, so all outstanding debt shall be Satisfied by Seller**

A. Source Loan & Demand Note  
 B. Principal outstanding \$77,489 & \$60,000  
 C. Annual debt requirement \$21,500 & \$1,800  
 D. Date of final payment 12-15-2017 & Demand

Attach a copy of debt service schedule(s).

4. Has a rate study been prepared in anticipation of a rate increase?

Yes  No  
 If yes, attach a copy.

5. Are water or sewer services provided by other communities or districts to this system?

\_\_\_\_\_ Yes     No

Attach copy of service agreements and briefly describe terms.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. Does this system provide services to other communities or districts?

\_\_\_\_\_ Yes     No

| <u>Community/District</u> | <u># of Customers</u> | <u>Amount of Revenue Derived</u> |
|---------------------------|-----------------------|----------------------------------|
| _____                     | _____                 | \$ _____                         |
| _____                     | _____                 | \$ _____                         |
| _____                     | _____                 | \$ _____                         |

Attach copy of service agreement(s) and briefly describe terms.

\_\_\_\_\_  
\_\_\_\_\_

7. Rate structure (attach copy of current rate ordinance).

- A. Current \$29.84/4,000 gal.
- B. Proposed None proposed
- C. Average usage/bill \$4,500 gal./\$33
- D. Date last rate increase/amount of change 8-12-2011
- E. Method of collection of service fees \_\_\_\_\_
- F. Percentage rate of collection 100%

G. Do any users provide more than 5% of the service revenue for the system?

\_\_\_\_\_ Yes     No  
If yes, list.

Company

% Service Revenue

8. Compare rates with other providers in your area.

City of Greenup \$29.00/4,000 gal.

City of Wurtland \$16.50/4,000 gal.

City of Raceland \$22.22/4,000 gal.

9. Operation and Maintenance.

|   | <u>Year</u> | <u>Cost</u>       |
|---|-------------|-------------------|
| A. Annual operation and maintenance costs for last 3 years. | <u>2011</u> | <u>\$551,947</u>  |
|   | <u>2010</u> | <u>\$543,934</u>  |
|   | <u>2009</u> | <u>\$518,821</u>  |
| B. Estimated total cost after project completion.           | <u>2012</u> | <u>\$500,000*</u> |

\*Savings realized from ending disbursements for State & local property tax, private legal services, billing to City for water meter reading fee (in order for City to calculate sewer billings), water disconnect fees, rent and pension for Owner.

C. Current annual funding requirements for depreciation, and operation and maintenance reserves.

None

D. Are operation and maintenance payments required by prior bond or ordinance?

           Yes      X   No

If yes, are you in compliance?            Yes               No

If no, explain.

\_\_\_\_\_  
\_\_\_\_\_

E. Are operation and maintenance functions assigned to another party?

           Yes      X   No

If yes, provide details of the agreement.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

F. Provide a copy of the current operating budget of the system affected by this proposed funding.

10. Tap fee amounts.
- A. Residential            \$945
  - B. Commercial           \$945
  - C. Other                   Actual cost of installation
  - D. How collected         Payment due before service is started

11. Outline the applicant's plan for producing revenues sufficient to cover debt service and operations.

The system cash flows are adequate to cover new debt service and operations, presuming the savings realized from the deletion of disbursements for State & local property tax, private legal services, billing to City for water meter reading fee (in order for City to calculate sewer billings), water disconnect fees, rent and pension for Owner.

12. List any security available to support the proposed debt, if applicable. This may include liens on mortgages or projected revenues.

Projected revenues shall support proposed debt

**V. IMPLEMENTATION SCHEDULE**

1. Anticipated engineering design time required (including plan review).

N/A

2. Anticipated number of contracts. Please list contracts below:

| <u>Contract #/Name/Description</u> | <u>Estimated Amount</u> |
|------------------------------------|-------------------------|
| _____                              | \$ _____                |
| _____                              | \$ _____                |
| _____                              | \$ _____                |

3. Anticipated bid advertising date(s).            N/A

4. Anticipated bid opening date(s).                N/A

5. Anticipated construction start date(s). N/A

6. Anticipated construction completion date(s). N/A

7. Will force account labor be used?

       Yes   X   No  
If yes, list activities.

---

---

---

8. List any construction or bid requirements related to other funding sources, which could affect timely implementation. N/A

#### VI. MANAGEMENT CAPACITY

These questions relate to compliance with statutory mandates placed on each type of applicant. Answer each question as appropriate.

1. Audit Requirement.

A. Is applicant required to have annual audit performed?

  X   Yes        No  
If no, explain.

---

---

B. Date of last audit completed: 6-30-2010

C. Attach four (4) of the most recent financial statements, current year-to-date unaudited financials and current budget.

2. All Other Applicants

A. Explain designation of responsibility for financial accountability and personnel administration.

---

---

---

B. Have any public meetings been held on the proposed project or service fee increases in the last six months?

Yes  No  
If yes, provide minutes.

**VII. CAPITAL INVESTMENT**

Federal/State Funding History.

List all federal and state funding (grant and loan) awarded to the jurisdiction during the last five (5) years for infrastructure or economic development projects.

| YEAR | PROJECT                           | SOURCE | AMOUNT    |
|------|-----------------------------------|--------|-----------|
| 2006 | Stormwater & Sanitary Replacement | IEDF   | \$680,000 |
| 2009 | Lift Station Upgrade              | CDBG   | \$325,000 |
| 2008 |                                   | IEDF   | \$200,000 |
|      |                                   |        |           |
|      |                                   |        |           |
|      |                                   |        |           |

# FW: Southshore

**From:** Nancy Wylie <nancy@klc.org>  
**To:** "coss@zoomnet.net"  
**Subject:** FW: Southshore  
**Date:** May 11, 2012 10:24 AM  
**Attachments:** [Estimated 20 Year Transaction - South Shore.pdf](#) [Estimated 25 Year Transaction - South Shore.pdf](#)

Mayor Moore – Here are the payment schedules we discussed the other day for the water company. They were prepared by our Financial Advisor, Ross Sinclair. If you have any questions or need additional information please let me know. Also, if you would like, we would be happy to come over to discuss specifics in person.

Hope you are able to enjoy this beautiful day!

Thanks,

*Nancy C. Wylie*  
Municipal Finance Manager  
Kentucky League of Cities  
100 East Vine Street, Suite 800  
Lexington, KY 40507-3700  
800-876-4552 (toll free)  
859-977-3768 (office)  
859-230-7833 (cell)  
859-977-3703 (fax)

*KLC...Serving as the United Voice of Cities  
Your City. Your Future.*

---

This electronic mail transmission is intended solely for the named individual or entity to which it is addressed and may contain information that is confidential, proprietary and/or legally privileged. If you are not the intended recipient, do not read, copy, retain, forward or otherwise disseminate this message or any attachment. If you have received this transmission in error, please notify the Kentucky League of Cities via reply e-mail or at (859) 977-3700 and delete all copies of the message and any attachment from your system.

---

*Chose loan with RIA*



**Kentucky Bond Corporation**

Financing Program Revenue Bonds

Estimated 20 Year Transaction - South Shore

**Net Debt Service**

| Date         | Principal             | Coupon   | Interest            | Total P+I             | Expenses           | Net New D/S           |
|--------------|-----------------------|----------|---------------------|-----------------------|--------------------|-----------------------|
| 06/30/2012   | -                     | -        | -                   | -                     | -                  | -                     |
| 06/30/2013   | 80,000.00             | 1.250%   | 37,923.33           | 117,923.33            | 3,233.34           | 121,156.67            |
| 06/30/2014   | 65,000.00             | 1.450%   | 55,885.00           | 120,885.00            | 4,425.00           | 125,310.00            |
| 06/30/2015   | 65,000.00             | 1.650%   | 54,942.50           | 119,942.50            | 4,262.50           | 124,205.00            |
| 06/30/2016   | 65,000.00             | 1.950%   | 53,870.00           | 118,870.00            | 4,100.00           | 122,970.00            |
| 06/30/2017   | 70,000.00             | 2.150%   | 52,602.50           | 122,602.50            | 3,937.50           | 126,540.00            |
| 06/30/2018   | 70,000.00             | 2.550%   | 51,097.50           | 121,097.50            | 3,762.50           | 124,860.00            |
| 06/30/2019   | 70,000.00             | 2.850%   | 49,312.50           | 119,312.50            | 3,587.50           | 122,900.00            |
| 06/30/2020   | 75,000.00             | 3.100%   | 47,317.50           | 122,317.50            | 3,412.50           | 125,730.00            |
| 06/30/2021   | 75,000.00             | 3.350%   | 44,992.50           | 119,992.50            | 3,225.00           | 123,217.50            |
| 06/30/2022   | 75,000.00             | 3.550%   | 42,480.00           | 117,480.00            | 3,037.50           | 120,517.50            |
| 06/30/2023   | 80,000.00             | 3.750%   | 39,817.50           | 119,817.50            | 2,850.00           | 122,667.50            |
| 06/30/2024   | 85,000.00             | 3.850%   | 36,817.50           | 121,817.50            | 2,650.00           | 124,467.50            |
| 06/30/2025   | 85,000.00             | 3.950%   | 33,545.00           | 118,545.00            | 2,437.50           | 120,982.50            |
| 06/30/2026   | 90,000.00             | 4.050%   | 30,187.50           | 120,187.50            | 2,225.00           | 122,412.50            |
| 06/30/2027   | 95,000.00             | 4.150%   | 26,542.50           | 121,542.50            | 2,000.00           | 123,542.50            |
| 06/30/2028   | 95,000.00             | 4.200%   | 22,600.00           | 117,600.00            | 1,762.50           | 119,362.50            |
| 06/30/2029   | 100,000.00            | 4.250%   | 18,610.00           | 118,610.00            | 1,525.00           | 120,135.00            |
| 06/30/2030   | 105,000.00            | 4.300%   | 14,360.00           | 119,360.00            | 1,275.00           | 120,635.00            |
| 06/30/2031   | 110,000.00            | 4.350%   | 9,845.00            | 119,845.00            | 1,012.50           | 120,857.50            |
| 06/30/2032   | 115,000.00            | 4.400%   | 5,060.00            | 120,060.00            | 737.50             | 120,797.50            |
| <b>Total</b> | <b>\$1,670,000.00</b> | <b>-</b> | <b>\$727,808.33</b> | <b>\$2,397,808.33</b> | <b>\$55,458.34</b> | <b>\$2,453,266.67</b> |

**Yield Statistics**

|                          |            |
|--------------------------|------------|
| All Inclusive Cost (AIC) | 4.6392144% |
| Average Coupon           | 3.9164574% |
| Net Interest Cost (NIC)  | 4.0961883% |

Estimated 20 Year Transac | SINGLE PURPOSE | 5/11/2012 | 8:41 AM



Public Finance - BSkinner

56

**Kentucky Bond Corporation**  
Financing Program Revenue Bonds  
Estimated 20 Year Transaction - South Shore

**Sources & Uses**

Dated 06/01/2012 | Delivered 06/01/2012

|                                       |                |
|---------------------------------------|----------------|
| <b>Sources Of Funds</b>               | \$1,670,000.00 |
| Par Amount of Bonds                   | \$1,670,000.00 |
| <b>Total Sources</b>                  |                |
| <b>Uses Of Funds</b>                  | 33,400.00      |
| Total Underwriter's Discount (2.000%) | 33,400.00      |
| Costs of Issuance                     | 1,600,000.00   |
| Deposit to Project Construction Fund  | 3,200.00       |
| Rounding Amount                       | \$1,670,000.00 |
| <b>Total Uses</b>                     |                |

Estimated 20 Year Transac | SINGLE PURPOSE | 5/11/2012 | 8:41 AM



Public Finance - BSkinner

**Kentucky Bond Corporation**

Financing Program Revenue Bonds

Estimated 25 Year Transaction - South Shore

**Net Debt Service**

| Date         | Principal             | Coupon   | Interest              | Total P+I             | Expenses           | Net New D/S           |
|--------------|-----------------------|----------|-----------------------|-----------------------|--------------------|-----------------------|
| 06/30/2012   | -                     | -        | -                     | -                     | -                  | -                     |
| 06/30/2013   | 65,000.00             | 1.250%   | 41,511.67             | 106,511.67            | 3,233.34           | 109,745.01            |
| 06/30/2014   | 45,000.00             | 1.450%   | 61,455.00             | 106,455.00            | 4,462.50           | 110,917.50            |
| 06/30/2015   | 45,000.00             | 1.650%   | 60,802.50             | 105,802.50            | 4,350.00           | 110,152.50            |
| 06/30/2016   | 45,000.00             | 1.950%   | 60,060.00             | 105,060.00            | 4,237.50           | 109,297.50            |
| 06/30/2017   | 50,000.00             | 2.150%   | 59,182.50             | 109,182.50            | 4,125.00           | 113,307.50            |
| 06/30/2018   | 50,000.00             | 2.550%   | 58,107.50             | 108,107.50            | 4,000.00           | 112,107.50            |
| 06/30/2019   | 50,000.00             | 2.850%   | 56,832.50             | 106,832.50            | 3,875.00           | 110,707.50            |
| 06/30/2020   | 50,000.00             | 3.100%   | 55,407.50             | 105,407.50            | 3,750.00           | 109,157.50            |
| 06/30/2021   | 55,000.00             | 3.350%   | 53,857.50             | 108,857.50            | 3,625.00           | 112,482.50            |
| 06/30/2022   | 55,000.00             | 3.550%   | 52,015.00             | 107,015.00            | 3,487.50           | 110,502.50            |
| 06/30/2023   | 55,000.00             | 3.750%   | 50,062.50             | 105,062.50            | 3,350.00           | 108,412.50            |
| 06/30/2024   | 60,000.00             | 3.850%   | 48,000.00             | 108,000.00            | 3,212.50           | 111,212.50            |
| 06/30/2025   | 60,000.00             | 3.950%   | 45,690.00             | 105,690.00            | 3,062.50           | 108,752.50            |
| 06/30/2026   | 65,000.00             | 4.050%   | 43,320.00             | 108,320.00            | 2,912.50           | 111,232.50            |
| 06/30/2027   | 65,000.00             | 4.150%   | 40,687.50             | 105,687.50            | 2,750.00           | 108,437.50            |
| 06/30/2028   | 70,000.00             | 4.200%   | 37,990.00             | 107,990.00            | 2,587.50           | 110,577.50            |
| 06/30/2029   | 75,000.00             | 4.250%   | 35,050.00             | 110,050.00            | 2,412.50           | 112,462.50            |
| 06/30/2030   | 75,000.00             | 4.300%   | 31,862.50             | 106,862.50            | 2,225.00           | 109,087.50            |
| 06/30/2031   | 80,000.00             | 4.350%   | 28,637.50             | 108,637.50            | 2,037.50           | 110,675.00            |
| 06/30/2032   | 80,000.00             | 4.400%   | 25,157.50             | 105,157.50            | 1,837.50           | 106,995.00            |
| 06/30/2033   | 85,000.00             | 4.450%   | 21,637.50             | 106,637.50            | 1,637.50           | 108,275.00            |
| 06/30/2034   | 90,000.00             | 4.500%   | 17,855.00             | 107,855.00            | 1,425.00           | 109,280.00            |
| 06/30/2035   | 95,000.00             | 4.550%   | 13,805.00             | 108,805.00            | 1,200.00           | 110,005.00            |
| 06/30/2036   | 100,000.00            | 4.600%   | 9,482.50              | 109,482.50            | 962.50             | 110,445.00            |
| 06/30/2037   | 105,000.00            | 4.650%   | 4,882.50              | 109,882.50            | 712.50             | 110,595.00            |
| <b>Total</b> | <b>\$1,670,000.00</b> | <b>-</b> | <b>\$1,013,351.67</b> | <b>\$2,683,351.67</b> | <b>\$71,470.84</b> | <b>\$2,754,822.51</b> |

**Yield Statistics**

|                          |            |
|--------------------------|------------|
| All Inclusive Cost (AIC) | 4.8440829% |
| Average Coupon           | 4.2068152% |
| Net Interest Cost (NIC)  | 4.3454715% |

Estimated 25 Year Transac | SINGLE PURPOSE | 5/11/2012 | 8:42 AM



Public Finance - BSkinner

**Kentucky Bond Corporation**

Financing Program Revenue Bonds

Estimated 25 Year Transaction - South Shore

**Sources & Uses**

Dated 06/01/2012 | Delivered 06/01/2012

| <b>Sources Of Funds</b>               |                |
|---------------------------------------|----------------|
| Par Amount of Bonds                   | \$1,670,000.00 |
| <b>Total Sources</b>                  |                |
| <b>Uses Of Funds</b>                  |                |
| Total Underwriter's Discount (2.000%) | 33,400.00      |
| Costs of Issuance                     | 33,400.00      |
| Deposit to Project Construction Fund  | 1,600,000.00   |
| Rounding Amount                       | 3,200.00       |
| <b>Total Uses</b>                     | \$1,670,000.00 |

ALL-STATE LEGAL SUPPLY CO. 1-800-222-0510 ED11

RECYCLED



19. At Paragraph 11 of its Application, South Shore Water states that George Hannah has agreed to consult with the City of South Shore should any questions or issues arise concerning the operation of the water system.

a. State the provision of the “South Shore Water Works Co. Asset Purchase Agreement” in which Mr. Hannah makes this agreement.

b. Explain how this statement is consistent with Paragraph CC of the “South Shore Water Works Co. Asset Purchase Agreement.”

**RESPONSE:**

a. The South Shore Water Works Co. Asset Purchase Agreement does not contain an express provision addressing the consulting services that Mr. Hannah will provide to the City of South Shore, Kentucky (“City”) following the sale at issue in this proceeding. Rather, Mr. Hannah and the City have an oral agreement in place to this effect. This is also described in the affidavit of Cheryl Moore, Mayor of the City of South Shore, Kentucky, attached in response to Information Request 1-1.

b. Mr. Hannah’s consulting services are consistent with Paragraph CC of the Asset Purchase Agreement. Paragraph CC of the Asset Purchase Agreement contains a covenant intended to prohibit Mr. Hannah from owning or working in any capacity with another water company or water service provider in or around the area presently served by South Shore Water Works Company (“Water Works”). It is not intended to preclude Mr. Hannah from consulting with the City should the City determine it requires his services.

WITNESS: George J. Hannah

ALL-STATE LEGAL SUPPLY CO. 1-800-222-0510 ED11



RECYCLED

20. Refer to Application, Paragraph 13.

a. State the basis for South Shore Water's statement that the City of South Shore "does not have any existing plan in place to change rates going forward."

b. State the basis for South Shore Water's statement that "South Shore customers will continue to be charged in accordance with the rates, charges, and classifications set forth in the tariff currently on file with the Commission." Describe the authority under which South Shore Water may make such representation on behalf of the City of South Shore.

**RESPONSE:**

a. Affidavit of Cheryl Moore, Mayor of the City of South Shore, Kentucky, attached in response to Information Request 1-1.

b. Affidavit of Cheryl Moore, Mayor of the City of South Shore, Kentucky, attached in response to Information Request 1-1.

WITNESS: George J. Hannah