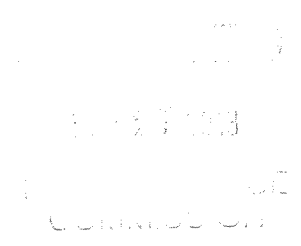


**DAMON R. TALLEY, P.S.C.**

112 N. Lincoln Blvd  
PO Box 150  
Hodgenville, Kentucky 42748

Tel: (270) 358-3187  
Fax: (270) 358-9560  
E-mail: drtalley@windstream.net



**Damon R. Talley**

**Attorney At Law**

September 27, 2013

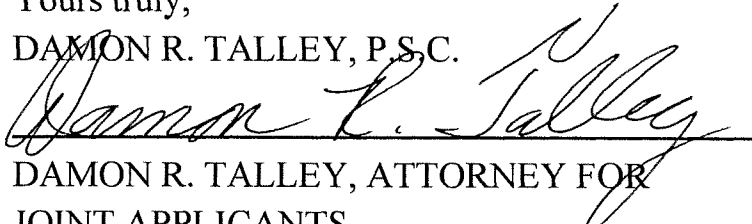
Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
PO Box 615  
Frankfort, KY 40602

RE: Case No. 2013-00311  
Transfer Application  
From: Mallard Point Disposal Systems, Inc.  
To: City of Georgetown, Kentucky

Dear Mr. Derouen:

Enclosed for filing are the original and ten (10) copies of the Joint Applicants' Response to the Commission Staff's First Information Request.

Yours truly,  
DAMON R. TALLEY, P.S.C.



DAMON R. TALLEY, ATTORNEY FOR  
JOINT APPLICANTS

cc: Mallard Point Disposal Systems, Inc.  
City of Georgetown, Kentucky

Enclosure

COMMONWEALTH OF KENTUCKY  
PUBLIC SERVICE COMMISSION  
10/27/13  
10:00 AM

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

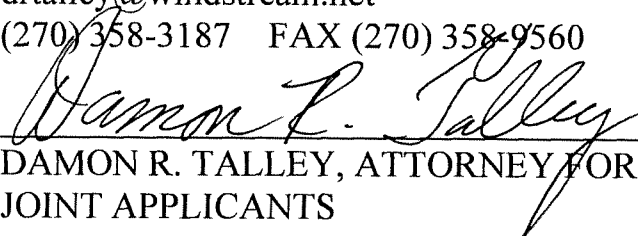
In the Matter of:

JOINT APPLICATION OF MALLARD )  
POINT DISPOSAL SYSTEMS, INC. AND )  
THE CITY OF GEORGETOWN, KENTUCKY )  
FOR AN ORDER APPROVING THE )  
TRANSFER OF OWNERSHIP OF THE ) CASE NO. 2013-00311  
WASTEWATER COLLECTION SYSTEM )  
OF THE MALLARD POINT DISPOSAL )  
SYSTEMS, INC. TO THE CITY OF )  
GEORGETOWN, KENTUCKY )

**RESPONSE OF JOINT APPLICANTS TO  
COMMISSION STAFF'S FIRST INFORMATION REQUEST**

Come the Joint Applicants, Mallard Point Disposal Systems, Inc. ("Mallard Point") and the City of Georgetown, Kentucky ("City"), for their Response to the Commission Staff's First Information Request, and state as shown on the following pages.

DAMON R. TALLEY, P.S.C.  
P. O. Box 150  
Hodgenville, KY 42748-0150  
drtalley@windstream.net  
(270) 358-3187 FAX (270) 358-9560

  
DAMON R. TALLEY, ATTORNEY FOR  
JOINT APPLICANTS

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

JOINT APPLICATION OF MALLARD )  
POINT DISPOSAL SYSTEMS, INC. AND )  
THE CITY OF GEORGETOWN, KENTUCKY )  
FOR AN ORDER APPROVING THE )  
TRANSFER OF OWNERSHIP OF THE ) CASE NO. 2013-00311  
WASTEWATER COLLECTION SYSTEM )  
OF THE MALLARD POINT DISPOSAL )  
SYSTEMS, INC. TO THE CITY OF )  
GEORGETOWN, KENTUCKY )

**CERTIFICATION OF RESPONSE TO COMMISSION**  
**STAFF'S FIRST INFORMATION REQUEST**

This is to certify that I have supervised the preparation of the portion of the Joint Applicants' Response to the Commission Staff's First Information Request for which Mallard Point Disposal Systems, Inc. is responsible. The responses to the questions where I am listed as the responsible witness are true and accurate to the best of my knowledge, information, and belief formed after reasonable inquiry.

Date: 9-27-13



Mark S. Smith, President  
Mallard Point Disposal Systems, Inc.

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

JOINT APPLICATION OF MALLARD )  
POINT DISPOSAL SYSTEMS, INC. AND )  
THE CITY OF GEORGETOWN, KENTUCKY )  
FOR AN ORDER APPROVING THE )  
TRANSFER OF OWNERSHIP OF THE ) CASE NO. 2013-00311  
WASTEWATER COLLECTION SYSTEM )  
OF THE MALLARD POINT DISPOSAL )  
SYSTEMS, INC. TO THE CITY OF )  
GEORGETOWN, KENTUCKY )

**CERTIFICATION OF RESPONSE TO COMMISSION**  
**STAFF'S FIRST INFORMATION REQUEST**

This is to certify that I have supervised the preparation of the Joint Applicants' Response to the Commission Staff's First Information Request. The responses submitted on behalf of Georgetown Municipal Water and Sewer Service and the City of Georgetown, Kentucky and the responses to the questions where I am listed as the responsible witness are true and accurate to the best of my knowledge, information, and belief formed after reasonable inquiry.

Date: 9-27-13

  
\_\_\_\_\_

Robert Wilhite, General Manager  
Georgetown Municipal Water & Sewer Service

1. List and describe the nature of all legal actions in which Georgetown or Georgetown Municipal Water and Sewer Service ("GMWSS") is a party and which involve the operations of its sewer operations.

**RESPONSE:**

There are **no** lawsuits nor administrative actions involving the GMWSS sewer operations in which Georgetown or GMWSS is a party.

**WITNESS:** Robert Wilhite, General Manager, GMWSS

2. List and provide a copy of each notice of violation ("NOV") that Georgetown or GMWSS has received regarding the operation of its sewer facilities from the Kentucky Division of Water since January 1, 2008. State the current status of each NOV.

**RESPONSE:**

GMWSS has received a total of five (5) NOVs since 2008. Attached are copies. The first four (4) NOVs have been satisfactorily resolved.

The fifth NOV is dated September 17, 2013 and was received by GMWSS on September 20, 2013. GMWSS is doing follow-up testing to ensure compliance.

**WITNESS:** Robert Wilhite, General Manager, GMWSS

STEVEN L. BESHEAR  
GOVERNOR



LEONARD K. PETERS  
SECRETARY

**ENERGY AND ENVIRONMENT CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
DIVISION OF ENFORCEMENT  
300 FAIR OAKS LANE  
FRANKFORT KENTUCKY 40601  
www.kentucky.gov

August 29, 2008

CERTIFIED MAIL No. 7005 3110 0000 3554 9636  
Return Receipt Requested

Mr. Bradley E. Parrent  
125 West Clinton Street  
PO Box 640  
Georgetown, KY 40324

Re: Notice of Violation  
AI ID: 3907  
AI Name: Georgetown WWTP No 1  
Activity ID: ENV20080002  
Facility No. KY0020150  
Scott County, KY

Dear Mr. Parrent:

The Kentucky Department for Environmental Protection (DEP) has issued the enclosed Notice of Violation for violations discovered at your facility. Please review this Notice of Violation carefully to ensure that all remedial measures are completed by the specified deadlines.

Your cooperation and attention to this matter is appreciated. If you have any questions, please contact Ms. Erin Comley of my staff at (502) 564-2150 at extension 619.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mark J. Cleland".

Mark J. Cleland, M.P.A., R.E.H.S.  
Environmental Control Manager  
Compliance and Operations Branch

MJC/emc

Enclosure

**COMMONWEALTH OF KENTUCKY**  
**ENERGY and ENVIRONMENT CABINET**  
**DEPARTMENT FOR ENVIRONMENTAL PROTECTION**  
**Division of Enforcement**

**NOTICE OF VIOLATION**

To: Mr. Bradley E. Parrent  
125 W Clinton St  
PO Box 640  
Georgetown, KY 40324

**AI Name:** Georgetown WWTP No 1    **AI ID:** 3907    **Activity ID:** ENV20080002  
**County:** Scott  
**Facility Number:** KY0020150  
**Date(s) Violation(s) Observed:** 08/27/2008

This is to advise that you are in violation of the provisions cited below:

**1 Violation Description for Subject Item GINS000000001(KPDES Individual):**

Conditions Applicable to all KPDES Permits. All conditions applicable to KPDES permits shall be incorporated into the permits either expressly or by reference. If incorporated by reference, a specific citation to these administrative regulations shall be given in the permit. In addition to conditions required in all KPDES permits, the cabinet shall establish conditions as required on a case-by-case basis under Section 2 of this administrative regulation and 401 KAR 5:070. Duty to Comply, General Requirement: The permittee shall comply with all conditions of this permit. Any permit noncompliance constitutes a violation of KRS Chapter 224, among which are the following remedies: enforcement action, permit revocation, revocation and reissuance, or modification; or denial of a permit renewal application. [401 KAR 5:065 Section 1(1)(a)]

**Description of Non Compliance:**

Failing to comply with the Kentucky Pollutant Discharge Elimination System (KPDES) permit limits for KY0020150, Outfall 001-2, for Total Ammonia Nitrogen (TAN) during the month of June 2008. The permitted limits for TAN Loading during the months of May through October are a monthly average of 75 lbs/dy and a maximum weekly average of 113 lbs/dy. The reported result was a maximum weekly average of 113 lbs/dy for Jun '08. The permitted limits for TAN Concentration during the months of May through October are a monthly average of 2 mg/l and a maximum weekly average of 3 mg/l. The reported result was a monthly average of 2.3 mg/l for Jun '08.

**The remedial measure(s), and date(s) to be completed by are as follows:**

The Kentucky Department for Environmental Protection (KDEP) acknowledges the explanation attached to the June 2008 Discharge Monitoring Reports (DMRs) detailing Georgetown WWTP #1 determination of the cause of this violation. Georgetown WWTP #1 shall comply with the terms and conditions KPDES Permit number KY0020150.

The KDEP does not currently intend to pursue a formal enforcement action at this time, but reserves its rights under KRS Chapter 224 and its administrative regulations to undertake such enforcement action hereafter as it deems appropriate.

No additional submittals are required for these violations at this time. The KDEP will continue to monitor your DMRs. Georgetown WWTP #1 will be required to demonstrate a return to compliance by **September 30, 2008**. [401 KAR 5:065]

**2 Violation Description for Subject Item GINS000000001(KPDES Individual):**

Conditions Applicable to all KPDES Permits. All conditions applicable to KPDES permits shall be



incorporated into the permits either expressly or by reference. If incorporated by reference, a specific citation to these administrative regulations shall be given in the permit. In addition to conditions required in all KPDES permits, the cabinet shall establish conditions as required on a case-by-case basis under Section 2 of this administrative regulation and 401 KAR 5:070. Duty to Comply, General Requirement: The permittee shall comply with all conditions of this permit. Any permit noncompliance constitutes a violation of KRS Chapter 224, among which are the following remedies: enforcement action, permit revocation, revocation and reissuance, or modification; or denial of a permit renewal application. [401 KAR 5:065 Section 1(1)(a)]

**Description of Non Compliance:**

Failing to comply with the Kentucky Pollutant Discharge Elimination System (KPDES) permit limits for KY0020150, Outfall 001-2, for Fecal Coliform Bacteria (FCB) during the month of April 2008. The permitted limits for FCB Concentration are a 30-day geometric average of 200 colony-forming units per 100ml (c.f.u./100ml) of water and a 7-day geometric average of 400 c.f.u./100ml. The reported result was a 7-day geometric average [REDACTED] /100ml for Apr '08.

**The remedial measure(s), and date(s) to be completed by are as follows:**

Georgetown WWTP #1 shall develop and submit a Corrective Action Plan: **Due 9/26/2008**. This plan shall provide a detailed written explanation of reasons for the violation, what is being done to maintain compliance at the facility, and a proposed schedule specifying when the corrective actions are to be completed.

The KDEP will continue to monitor your DMRs. Georgetown WWTP #1 will be required to demonstrate a return to compliance by **September 30, 2008**. [401 KAR 5:065]

---

Violations of the above cited statute(s) and/or regulation(s) are subject to a civil penalty per day per violation. Violations carry civil penalties of up to \$25,000 per day per violation depending on the statutes/regulations violated. In addition, violations may be concurrently enjoined. Compliance with remedial measures and their

deadlines does not provide exemption from liability for violations during the period of remediation, nor prevent additional remedial measures from being required.

If you have questions or need further information, write or call the undersigned:

Department for Environmental Protection  
Division of Enforcement  
300 Fair Oaks Lane  
Frankfort, KY 40601  
502-564-2150 extension 619 (8:00 AM – 4:30 PM)  
Ms. Erin Comley, Enforcement Specialist

Issued By:



Ms. Erin Comley  
Environmental Enforcement Specialist  
Compliance and Operations Branch  
Date: August 29, 2008

Issued By:



Mark J. Cleland, M.P.A., R.E.H.S.  
Environmental Control Manager  
Compliance and Operations Branch  
Date: August 29, 2008

How Delivered: Certified Mail Certified/Registered # 7005 3110 0000 3554 9636



September 5, 2007

Ms. Erin Comley  
Environmental Enforcement Specialist  
Compliance and Operations Branch  
Division of Enforcement  
300 Fair Oaks Lane  
Frankfort, KY 40601

Re: Notice of Violation  
AI ID: 3907  
AI Name: Georgetown WWTP No. 1  
Activity ID: ENV20080002  
Permit No. KY0020150  
Scott County, KY

Dear Ms. Comley:

I am responding to the Notice of Violation that was received on the 3<sup>rd</sup> of September 2008. After reviewing Violation 1 for the High Ammonia averages for June 2008, I understand that the explanation that was attached was acknowledged and no response is required.

I reviewed Violation 2 on the Fecal Coli form Bacteria (FCB) for April 2008. Looking at the April DMR I found that the number is less than the limit but has a greater than sign (>) which was the result of a FCB test that resulted in a "to numerous to count" (TNTC). On our OP10 program a TNTC will cause the greater than sign (>) to be used. The cause of the TNTC was a faulty Water Champ pump that injects the Chlorine into the water. Some plastic debris from the construction of the new Ultra Violet Disinfection System was tangled up in the impeller of the Water Champ and caused the unit to kick out. Once the error was found the unit was cleared of the debris and put back into service.

The new UV system was put into operation in mid May 2008 the project was completed in June 2008. We no longer use Chlorine or Sulfur Dioxide for disinfection or need the Water Champ injector pumps that caused the past issue. With the new equipment and treatment process in place WWTP#1 does not fore see any further violation related to the past issue.

Mr. Erin Comley  
Page 2  
September 5, 2008

Please feel free to contact me with any questions regarding our responses at (502) 863-7816.

Sincerely,

GEORGETOWN MUNICIPAL WATER &  
SEWER SERVICE

A handwritten signature in black ink, appearing to read "Bradley E. Parrent", with a long horizontal flourish extending to the right.

Bradley E. Parrent  
WWTP#1 & #3 Supervisor

BEP:peb

STEVEN L. BESHEAR  
GOVERNOR



LEONARD K. PETERS  
SECRETARY

**ENERGY AND ENVIRONMENT CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
DIVISION OF ENFORCEMENT  
300 FAIR OAKS LANE  
FRANKFORT KENTUCKY 40601  
www.kentucky.gov

September 9, 2008

CERTIFIED MAIL No. 7005 3110 0000 3554 9681  
Return Receipt Requested

Mr. Bradley E. Parrent  
125 West Clinton Street  
PO Box 640  
Georgetown, KY 40324

Re: Notice of Violation  
AI ID: 3907  
AI Name: Georgetown WWTP No 1  
Activity ID: ENV20080002  
Facility No. KY0020150  
Scott County, KY

Dear Mr. Parrent:

The Kentucky Department for Environmental Protection (DEP) has reissued the enclosed Notice of Violation for violations discovered at your facility. Please review this Notice of Violation carefully to ensure that all remedial measures are completed by the specified deadlines.

Your cooperation and attention to this matter is appreciated. If you have any questions, please contact Ms. Erin Comley of my staff at (502) 564-2150 at extension 619.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mark J. Cleland".

Mark J. Cleland, M.P.A., R.E.H.S.  
Environmental Control Manager  
Compliance and Operations Branch

MJC/emc

Enclosure

**COMMONWEALTH OF KENTUCKY  
ENERGY and ENVIRONMENT CABINET  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
Division of Enforcement**

**NOTICE OF VIOLATION**

**To:** Mr. Bradley E. Parrent  
125 W Clinton St  
PO Box 640  
Georgetown, KY 40324

**AI Name:** Georgetown WWTP No 1   **AI ID:** 3907   **Activity ID:** ENV20080002  
**County:** Scott  
**Facility Number:** KY0020150  
**Date(s) Violation(s) Observed:** 08/27/2008

This is to advise that you are in violation of the provisions cited below:

**1 Violation Description for Subject Item GINS0000000001(KPDES Individual):**

Conditions Applicable to all KPDES Permits. All conditions applicable to KPDES permits shall be incorporated into the permits either expressly or by reference. If incorporated by reference, a specific citation to these administrative regulations shall be given in the permit. In addition to conditions required in all KPDES permits, the cabinet shall establish conditions as required on a case-by-case basis under Section 2 of this administrative regulation and 401 KAR 5:070. Duty to Comply, General Requirement: The permittee shall comply with all conditions of this permit. Any permit noncompliance constitutes a violation of KRS Chapter 224, among which are the following remedies: enforcement action, permit revocation, revocation and reissuance, or modification; or denial of a permit renewal application. [401 KAR 5:065 Section 1(1)(a)]

**Description of Non Compliance:**

Failing to comply with the Kentucky Pollutant Discharge Elimination System (KPDES) permit limits for KY0020150, Outfall 001-2, for Total Ammonia Nitrogen (TAN) during the month of June 2008. The permitted limits for TAN Loading during the months of May through October are a monthly average of 75 lbs/dy and a maximum weekly average of 113 lbs/dy. The reported result was a maximum weekly average of 132.337 lbs/dy for Jun '08. The permitted limits for TAN Concentration during the months of May through October are a monthly average of 2 mg/l and a maximum weekly average of 3 mg/l. The reported result was a monthly average of 2.3 mg/l for Jun '08.

**The remedial measure(s), and date(s) to be completed by are as follows:**

The Kentucky Department for Environmental Protection (KDEP) acknowledges the explanation attached to the June 2008 Discharge Monitoring Reports (DMRs) detailing Georgetown WWTP #1 determination of the cause of this violation. Georgetown WWTP #1 shall comply with the terms and conditions KPDES Permit number KY0020150.

The KDEP does not currently intend to pursue a formal enforcement action at this time, but reserves its rights under KRS Chapter 224 and its administrative regulations to undertake such enforcement action hereafter as it deems appropriate.

No additional submittals are required for these violations at this time. The KDEP will continue to monitor your DMRs. Georgetown WWTP #1 will be required to demonstrate a return to compliance by **September 30, 2008**. [401 KAR 5:065]

**2 Violation Description for Subject Item GINS0000000001(KPDES Individual):**

Conditions Applicable to all KPDES Permits. All conditions applicable to KPDES permits shall be

incorporated into the permits either expressly or by reference. If incorporated by reference, a specific citation to these administrative regulations shall be given in the permit. In addition to conditions required in all KPDES permits, the cabinet shall establish conditions as required on a case-by-case basis under Section 2 of this administrative regulation and 401 KAR 5:070. **Duty to Comply, General Requirement:** The permittee shall comply with all conditions of this permit. Any permit noncompliance constitutes a violation of KRS Chapter 224, among which are the following remedies: enforcement action, permit revocation, revocation and reissuance, or modification; or denial of a permit renewal application. [401 KAR 5:065 Section 1(1)(a)]

**Description of Non Compliance:**

Failing to comply with the Kentucky Pollutant Discharge Elimination System (KPDES) permit limits for KY0020150, Outfall 001-2, for Fecal Coliform Bacteria (FCB) during the month of April 2008. The permitted limits for FCB Concentration are a 30-day geometric average of 200 colony-forming units per 100ml (c.f.u./100ml) of water and a 7-day geometric average of 400 c.f.u./100ml. The reported result was a 7-day geometric average [REDACTED]/100ml for Apr '08.

**The remedial measure(s), and date(s) to be completed by are as follows:**

Georgetown WWTP #1 shall develop and submit a Corrective Action Plan: **Due 9/26/2008**. This plan shall provide a detailed written explanation of reasons for the violation, what is being done to maintain compliance at the facility, and a proposed schedule specifying when the corrective actions are to be completed.

The KDEP will continue to monitor your DMRs. Georgetown WWTP #1 will be required to demonstrate a return to compliance by **September 30, 2008**. [401 KAR 5:065]

---

Violations of the above cited statute(s) and/or regulation(s) are subject to a civil penalty per day per violation. Violations carry civil penalties of up to \$25,000 per day per violation depending on the statutes/regulations violated. In addition, violations may be concurrently enjoined. Compliance with remedial measures and their

deadlines does not provide exemption from liability for violations during the period of remediation, nor prevent additional remedial measures from being required.

If you have questions or need further information, write or call the undersigned:


Department for Environmental Protection  
Division of Enforcement  
300 Fair Oaks Lane  
Frankfort, KY 40601  
502-564-2150 extension 619 (8:00 AM – 4:30 PM)  
Ms. Erin Comley, Enforcement Specialist

Issued By:



Ms. Erin Comley  
Environmental Enforcement Specialist  
Compliance and Operations Branch  
Date: September 9, 2008

Issued By:



Mark J. Cleland, M.P.A., R.E.H.S.  
Environmental Control Manager  
Compliance and Operations Branch  
Date: September 9, 2008

How Delivered: Certified Mail Certified/Registered # 7005 3110 0000 3554 9681





STEVEN L. BESHEAR  
- GOVERNOR

LEONARD K. PETERS  
SECRETARY

**ENERGY AND ENVIRONMENT CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
DIVISION OF ENFORCEMENT  
300 FAIR OAKS LANE  
FRANKFORT KENTUCKY 40601  
www.kentucky.gov

September 16, 2008

Mr. Bradley E. Parrent  
Georgetown WWTP #1  
P.O. Box 640  
Georgetown, KY 40324

Re: Notice of Violation  
AI Name: Georgetown WWTP No 1  
Activity ID: ENV20080002  
Facility No. KY0020150  
Scott County, KY

Dear Mr. Parrent:

The Kentucky Department for Environmental Protection (KDEP) has determined that you have taken sufficient action to address the violations cited in the Notice of Violation (NOV) issued on September 9, 2008. Thank you for your efforts to address the violations cited in this document.

The KDEP does not presently intend to pursue a formal enforcement action, including the assessment of civil penalties, for the violation cited in the NOV listed above. The KDEP, as part of the Energy and Environment Cabinet (EEC), reserves its rights under Chapter 224 of the *Kentucky Revised Statutes* and its administrative regulations to undertake formal enforcement action as it deems appropriate. These formal enforcement actions may include consideration of the compliance issues addressed by this NOV as deemed appropriate by the Cabinet.

Thank you for your efforts in addressing these violations. Please contact me at (502) 564-2150, ext. 619, if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Erin Comley".

Ms. Erin Comley  
Environmental Enforcement Specialist  
Compliance and Operations Branch

STEVEN L. BESHEAR  
GOVERNOR



LEONARD K. PETERS  
SECRETARY

**ENERGY AND ENVIRONMENT CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
DIVISION OF ENFORCEMENT  
300 FAIR OAKS LANE  
FRANKFORT KENTUCKY 40601  
www.kentucky.gov

November 24, 2008

CERTIFIED MAIL No. 7005 3110 0000 3554 9902  
Return Receipt Requested

Mr. Bradley E. Parrent  
Georgetown WWTP #1  
125 W Clinton St  
P.O. Box 640  
Georgetown, KY 40324

Re: Notice of Violation  
AI ID: 3907  
AI Name: Georgetown WWTP No 1  
Activity ID: ENV20080003  
Facility No. KY0020150  
Scott County, KY

Dear Mr. Parrent:

The Kentucky Department for Environmental Protection (DEP) has issued the enclosed Notice of Violation for violations discovered at your facility. Please review this Notice of Violation carefully to ensure that all remedial measures are completed by the specified deadlines.

Your cooperation and attention to this matter is appreciated. If you have any questions, please contact Ms. Erin Comley of my staff at (502) 564-2150 at extension 619.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark J. Cleland".

Mark J. Cleland, M.P.A., R.E.H.S.  
Environmental Control Manager  
Compliance and Operations Branch

MJC/emc

Enclosure

**COMMONWEALTH OF KENTUCKY  
ENERGY and ENVIRONMENT CABINET  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
Division of Enforcement**

**NOTICE OF VIOLATION**

**To: Mr. Bradley E. Parrent**  
Georgetown WWTP #1  
125 W Clinton St  
P.O. Box 640  
Georgetown, KY 40324

**AI Name:** Georgetown WWTP No 1   **AI ID:** 3907   **Activity ID:** ENV20080003  
**County:** Scott  
**Facility Number:** KY0020150  
**Date(s) Violation(s) Observed:** 11/18/2008

This is to advise that you are in violation of the provisions cited below:

**1 Violation Description for Subject Item GINS0000000001(KPDES Individual):**

Conditions Applicable to all KPDES Permits. All conditions applicable to KPDES permits shall be incorporated into the permits either expressly or by reference. If incorporated by reference, a specific citation to these administrative regulations shall be given in the permit. In addition to conditions required in all KPDES permits, the cabinet shall establish conditions as required on a case-by-case basis under Section 2 of this administrative regulation and 401 KAR 5:070. Duty to Comply, General Requirement: The permittee shall comply with all conditions of this permit. Any permit noncompliance constitutes a violation of KRS Chapter 224, among which are the following remedies: enforcement action, permit revocation, revocation and reissuance, or modification; or denial of a permit renewal application. [401 KAR 5:065 Section 1(1)(a)]

**Description of Non Compliance:**

Failing to comply with the Kentucky Pollutant Discharge Elimination System (KPDES) permit limits for KY0020150, Outfall 001-2, for Total Ammonia Nitrogen (TAN) during the month of September 2008. The permitted limits for TAN Concentration during the months of May through October are a monthly average of 2 mg/l and a maximum weekly average of 3 mg/l. The reported result was a maximum weekly average of 3.72 mg/l for Sept '08.

**The remedial measure(s), and date(s) to be completed by are as follows:**

The Kentucky Department for Environmental Protection (KDEP) acknowledges the explanation attached to the September 2008 Discharge Monitoring Reports (DMRs) detailing Georgetown WWTP #1 determination of the cause of this violation. Georgetown WWTP #1 shall comply with the terms and conditions KPDES Permit number KY0020150. The KDEP does not currently intend to pursue a formal enforcement action at this time, but reserves its rights under KRS Chapter 224 and its administrative regulations to undertake such enforcement action hereafter as it deems appropriate. No additional submittals are required for these violations at this time. The KDEP will continue to monitor your DMRs. Georgetown WWTP #1 will be required to demonstrate a return to compliance by 12/31/08. [401 KAR 5:065]

---

Violations of the above cited statute(s) and/or regulation(s) are subject to a civil penalty per day per violation. Violations carry civil penalties of up to \$25,000 per day per violation depending on the statutes/regulations violated. In addition, violations may be concurrently enjoined. Compliance with remedial measures and their

deadlines does not provide exemption from liability for violations during the period of remediation, nor prevent additional remedial measures from being required.

---

If you have questions or need further information, write or call the undersigned:

Department for Environmental Protection  
Division of Enforcement  
300 Fair Oaks Lane  
Frankfort, KY 40601  
502-564-2150 extension 619 (8:00 AM – 4:30 PM)  
Ms. Erin Comley, Enforcement Specialist

Issued By:



---

Ms. Erin Comley  
Environmental Enforcement Specialist  
Compliance and Operations Branch  
Date: November 24, 2008

Issued By:



---

Mark J. Cleland, M.P.A., R.E.H.S.  
Environmental Control Manager  
Compliance and Operations Branch  
Date: November 24, 2008

How Delivered: Certified Mail Certified/Registered # 7005 3110 0000 3554 9902



STEVEN L. BESHEAR  
GOVERNOR

LEONARD K. PETERS  
SECRETARY

ENERGY AND ENVIRONMENT CABINET  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
DIVISION OF ENFORCEMENT  
300 FAIR OAKS LANE  
FRANKFORT KENTUCKY 40601  
www.kentucky.gov

Received by  
JBT

MAY 27 2010

Georgetown Municipal Water  
& Sewer Service

May 25, 2010

CERTIFIED MAIL No. 7010 0780 0001 1438 5258

Return Receipt Requested

Georgetown WWTP No 2  
Mr. Robert Riddle  
125 W Clinton St  
PO Box 640  
Georgetown, KY 40324

Re: Notice of Violation  
AI ID: 3908  
AI Name: Georgetown WWTP No 2  
Activity ID: ENV20100001  
Facility No. KY0082007  
Scott County, KY

Dear Mr. Riddle:

The Kentucky Department for Environmental Protection (DEP) has issued the enclosed Notice of Violation for violations discovered at your facility. Please review this Notice of Violation carefully to ensure that all remedial measures are completed by the specified deadlines.

Your cooperation and attention to this matter is appreciated. If you have any questions, please contact me at (502) 564-2150, extension 230.

Sincerely,

Michelle M. Rice, Enforcement Specialist  
Compliance and Operations Branch

Enclosure

**COMMONWEALTH OF KENTUCKY  
ENERGY and ENVIRONMENT CABINET  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
Division of Enforcement**

**NOTICE OF VIOLATION**

**To:** Georgetown WWTP No 2  
Mr. Robert Riddle  
125 W Clinton St  
PO Box 640  
Georgetown, KY 40324

**AI Name:** Georgetown WWTP No 2    **AI ID:** 3908    **Activity ID:** ENV20100001  
**County:** Scott  
**Facility Number:** KY0082007  
**Date(s) Violation(s) Observed:** 05/20/2010

This is to advise that you are in violation of the provisions cited below:

- 1    **Violation Description for Subject Item AIOO0000003908():**  
No person shall, directly or indirectly, throw, drain, run or otherwise discharge into any of the waters of the Commonwealth, or cause, permit or suffer to be thrown, drained, run or otherwise discharged into such waters any pollutant, or any substance that shall cause or contribute to the pollution of the waters of the Commonwealth in contravention of the standards adopted by the cabinet or in contravention of any of the rules, regulations, permits, or orders of the cabinet or in contravention of any of the provisions of this chapter. [KRS 224.70-110]

**Description of Non Compliance:**

Failing to comply with 40 CFR 122.41(a), as adopted by 401 KAR 5:065 section 2(1), by failing to comply with the terms and conditions of KPDES Permit No. KY0082007, Outfall 001-1, for Total Ammonia Nitrogen (TAN) during the month of January 2010. The permitted limits for TAN Concentration during the months of November through April are a monthly average of 4.0 mg/l and a maximum weekly average of 6.0 mg/l. The reported result was a maximum weekly average of 6.79 mg/l.

**The remedial measure(s), and date(s) to be completed by are as follows:**

The Kentucky Department for Environmental Protection (KDEP) acknowledges the explanation attached to the January 2010 Discharge Monitoring Report (DMR) detailing Georgetown WWTP No 2's determination of the cause of this violation. Georgetown WWTP No 2 shall comply with the terms and conditions of KPDES Permit number KY0082007. The KDEP does not currently intend to pursue a formal enforcement action at this time, but reserves its rights under KRS Chapter 224 and its administrative regulations to undertake such enforcement action hereafter as it deems appropriate. No additional submittals are required for these violations at this time. The KDEP will continue to monitor your DMRs. Georgetown WWTP No 2 will be required to demonstrate a return to compliance by September 30, 2010. [KRS 224.70-110]

- 2    **Violation Description for Subject Item AIOO0000003908():**  
No person shall, directly or indirectly, throw, drain, run or otherwise discharge into any of the waters of the Commonwealth, or cause, permit or suffer to be thrown, drained, run or otherwise discharged into such waters any pollutant, or any substance that shall cause or contribute to the pollution of the waters of the Commonwealth in contravention of the standards adopted by the cabinet or in contravention of any of the rules, regulations, permits, or orders of the cabinet or in contravention of any of the provisions of this chapter. [KRS 224.70-110]

**Description of Non Compliance:**

Failing to comply with 40 CFR 122.41(a), as adopted by 401 KAR 5:065 section 2(1), by failing to comply with the terms and conditions of KPDES Permit No. KY0082007, Outfall 001-1, for Biochemical Oxygen Demand (BOD) during the month of January 2010. The permitted limits for BOD Concentration are a monthly average of 5.0 mg/l and a maximum weekly average of 7.5 mg/l. The reported results were a monthly average of 10.22 mg/l and a maximum weekly average of 21.03 mg/l.

**The remedial measure(s), and date(s) to be completed by are as follows:**

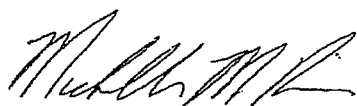
The Kentucky Department for Environmental Protection (KDEP) acknowledges the explanation attached to the January 2010 Discharge Monitoring Report (DMR) detailing Georgetown WWTP No 2's determination of the cause of this violation. Georgetown WWTP No 2 shall comply with the terms and conditions of KPDES Permit number KY0082007. The KDEP does not currently intend to pursue a formal enforcement action at this time, but reserves its rights under KRS Chapter 224 and its administrative regulations to undertake such enforcement action hereafter as it deems appropriate. No additional submittals are required for these violations at this time. The KDEP will continue to monitor your DMRs. Georgetown WWTP No 2 will be required to demonstrate a return to compliance by September 30, 2010. [KRS 224.70-110]

Violations of the above cited statute(s) and/or regulation(s) are subject to a civil penalty per day per violation. Violations carry civil penalties of up to \$25,000 per day per violation depending on the statutes/regulations violated. In addition, violations may be concurrently enjoined. Compliance with remedial measures and their deadlines does not provide exemption from liability for violations during the period of remediation, nor prevent additional remedial measures from being required.

If you have questions or need further information, write or call the undersigned:

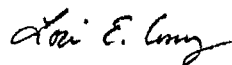
Department for Environmental Protection  
Division of Enforcement  
300 Fair Oaks Lane  
Frankfort, KY 40601  
502-564-2150 extension 230 (7:45 AM – 3:45 PM)  
Michelle Rice, Enforcement Specialist

Issued By:



Michelle M. Rice  
Environmental Enforcement Specialist  
Compliance and Operations Branch  
Date: May 25, 2010

Issued By:



For Mark J. Cleland, M.P.A., R.E.H.S.  
Environmental Control Manager  
Compliance and Operations Branch  
Date: May 25, 2010

How Delivered: Certified Mail Certified/Registered # 7010 0780 0001 1438 5258

To Whom It May Concern

Due to the annual TMM shut down from December 23<sup>rd</sup> thru January 3<sup>rd</sup>, plant operations were a struggle for the first two or three weeks of January. Beginning on December 23<sup>rd</sup>, TMM reduced the Industrial flow to WWTP#2 to 125 gpm and the sanitary flow to practically nothing and maintained that level of flow thru the 3<sup>rd</sup> of January. During the same time frame the temperature dropped below freezing for twelve days. The lack of BOD, and NH3-N entering the plant in warm wastewater along with the cold temperatures that allowed oxidation ditch temperature to dip to 43 degrees inhibited the bacteria in the plant.

On January 4<sup>th</sup>, TMM began to discharge both Industrial and sanitary flow at the normal rate but with higher than normal COD's. The bacteria in the oxidation ditch were not able to efficiently handle the loading, resulting in weekly maximum violations for BOD and NH3-N and a monthly average violation for BOD.

Once the temperatures moderated and the temperature of the oxidation ditch returned to normal levels, the operation returned to normal.

I would like to point out that although the COD from TMM was higher than normal they did not violate any limits in their pretreatment permit.

I am hopeful that the future additional sanitary flows from the sewer project to the North end of Scott county will help prevent this kind of operational problem during these uncommon conditions.

  
Rick Mulberry, Superintendent



STEVEN L. BESHEAR  
GOVERNOR



LEONARD K. PETERS  
SECRETARY

**ENERGY AND ENVIRONMENT CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
DIVISION OF ENFORCEMENT  
300 FAIR OAKS LANE  
FRANKFORT KENTUCKY 40601  
www.kentucky.gov

**Received by Joy Tevis**

**JAN 06 2012**

**Georgetown Municipal Water  
& Sewer Service**

January 3, 2012

CERTIFIED MAIL No. 7011 2000 0001 4515 0959  
Return Receipt Requested

Georgetown WWTP No 1  
Mr. Robert Riddle  
125 W Clinton St  
PO Box 640  
Georgetown, KY 40324

Re: Notice of Violation  
AI ID: 3907  
AI Name: Georgetown WWTP No 1  
Activity ID: ENV20120001  
Facility No. KY0020150  
Scott County, KY  
Case No. DOW 110107

Dear Mr. Riddle:

The Kentucky Department for Environmental Protection (DEP) has issued the enclosed Notice of Violation for violations discovered at your facility. Please review this Notice of Violation carefully to ensure that all remedial measures are completed by the specified deadlines.

Your cooperation and attention to this matter is appreciated. If you have any questions, please contact me at (502) 564-2150, extension 3230.

Sincerely,

A handwritten signature in black ink, appearing to read "Michelle M. Rice".

Michelle M. Rice, Enforcement Specialist  
Compliance and Operations Branch

Enclosure

**COMMONWEALTH OF KENTUCKY**  
**ENERGY and ENVIRONMENT CABINET**  
**DEPARTMENT FOR ENVIRONMENTAL PROTECTION**  
**Division of Enforcement**

**NOTICE OF VIOLATION**

To: Georgetown WWTP No 1  
Mr. Robert Riddle  
125 W Clinton St  
PO Box 640  
Georgetown, KY 40324

**AI Name:** Georgetown WWTP No 1   **AI ID:** 3907   **Activity ID:** ENV20120001  
**County:** Scott  
**Enforcement Case ID:** DOW 110107  
**Facility Number:** KY0020150  
**Date(s) Violation(s) Observed:** 01/03/2012

This is to advise that you are in violation of the provisions cited below:

1 Violation Description for Subject Item AIOO0000003907():

No person shall, directly or indirectly, throw, drain, run or otherwise discharge into any of the waters of the Commonwealth, or cause, permit or suffer to be thrown, drained, run or otherwise discharged into such waters any pollutant, or any substance that shall cause or contribute to the pollution of the waters of the Commonwealth in contravention of the standards adopted by the cabinet or in contravention of any of the rules, regulations, permits, or orders of the cabinet or in contravention of any of the provisions of this chapter. [KRS 224.70-110]

**Description of Non Compliance:**

Failing to comply with 401 KAR 5:065, which cites 40 CFR 122.41(a), by failing to comply with the terms and conditions of KPDES Permit No. KY0020150, Outfall 001-2, for Total Ammonia Nitrogen (TAN) during the month of July 2011. The permitted limits for TAN Concentration are a monthly average of 2 mg/l and a maximum weekly average of 3 mg/l. The reported result was a maximum weekly average of 4.06 mg/l.

**The remedial measure(s), and date(s) to be completed by are as follows:**

Georgetown WWTP No 1 shall comply with the terms and conditions of Agreed Order DOW 110107 executed on October 17, 2011. The Kentucky Department for Environmental Protection (KDEP) recognizes compliance with the terms and conditions of the Agreed Order may be necessary to address the violation cited above. The KDEP does not currently intend to pursue an additional enforcement action at this time, but reserves its rights under KRS Chapter 224 and its administrative regulations to undertake such enforcement action hereafter as it deems appropriate. [KRS 224.70-110]

2 Violation Description for Subject Item AIOO0000003907():

No person shall, directly or indirectly, throw, drain, run or otherwise discharge into any of the waters of the Commonwealth, or cause, permit or suffer to be thrown, drained, run or otherwise discharged into such waters any pollutant, or any substance that shall cause or contribute to the pollution of the waters of the Commonwealth in contravention of the standards adopted by the cabinet or in contravention of any of the rules, regulations, permits, or orders of the cabinet or in contravention of any of the provisions of this chapter. [KRS 224.70-110]

**Description of Non Compliance:**

Failing to comply with 401 KAR 5:065, which cites 40 CFR 122.41(a), by failing to comply with the terms and conditions of KPDES Permit No. KY0020150, Outfall 001-2, for Dissolved Oxygen (DO) during the month of September 2011. The permitted limit for DO Concentration is a minimum of 7 mg/l. The reported result was a minimum of 4.71 mg/l. *SENT IN A RETURNED MAIL 4.71 WAS INSTEAD DMR*

**The remedial measure(s), and date(s) to be completed by are as follows:** *7.26 WAS EFF D.O.*

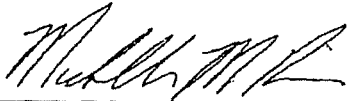
Georgetown WWTP No 1 shall comply with the terms and conditions of Agreed Order DOW 110107 executed on October 17, 2011. The Kentucky Department for Environmental Protection (KDEP) recognizes compliance with the terms and conditions of the Agreed Order may be necessary to address the violation cited above. The KDEP does not currently intend to pursue an additional enforcement action at this time, but reserves its rights under KRS Chapter 224 and its administrative regulations to undertake such enforcement action hereafter as it deems appropriate. [KRS 224.70-110]

Violations of the above cited statute(s) and/or regulation(s) are subject to a civil penalty per day per violation. Violations carry civil penalties of up to \$25,000 per day per violation depending on the statutes/regulations violated. In addition, violations may be concurrently enjoined. Compliance with remedial measures and their deadlines does not provide exemption from liability for violations during the period of remediation, nor prevent additional remedial measures from being required.

If you have questions or need further information, write or call the undersigned:

Department for Environmental Protection  
Division of Enforcement  
300 Fair Oaks Lane  
Frankfort, KY 40601  
502-564-2150 extension 3230 (8:00 AM – 4:00 PM)  
Michelle Rice, Enforcement Specialist

Issued By:



Michelle M. Rice  
Environmental Enforcement Specialist  
Compliance and Operations Branch  
Date: January 3, 2012

How Delivered: Certified Mail Certified/Registered # 7011 2000 0001 4515 0959

STEVEN L. BESHEAR  
GOVERNOR



LEONARD K. PETERS  
SECRETARY

**ENERGY AND ENVIRONMENT CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
DIVISION OF ENFORCEMENT  
300 FAIR OAKS LANE  
FRANKFORT KENTUCKY 40601  
www.kentucky.gov

**Received by Joy Tevis**

**JAN 12 2012**

**Georgetown Municipal Water  
& Sewer Service**

January 9, 2012

Georgetown WWTP No  
Mr. Bill Jenkins  
125 W Clinton St  
PO Box 640  
Georgetown, KY 40324

Re: Notice of Violation  
AI ID: 3907  
AI Name: Georgetown WWTP No 1  
Activity ID: ENV20120001  
Facility No. KY0020150  
Scott County, KY  
Case No. DOW 110107

Dear Mr. Jenkins:

The Department for Environmental Protection (KDEP) is in receipt of your amended September 2011 Discharge Monitoring Report (DMR), dated January 6, 2012. Therefore, violation #2, for failure to comply with the Kentucky Pollutant Discharge Elimination System (KPDES) permit limit for Dissolved Oxygen (DO) Effluent, on the Notice of Violation (NOV) issued to your facility on January 3, 2012, has been rescinded.

The re-submittal of the September 2011 DMR with the corrected information indicated your facility was within the KPDES permit limits for DO Effluent.

Please feel free to contact me at (502) 564-2150, extension 3230 if you have any questions regarding this correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Michelle M. Rice".

Michelle M. Rice  
Environmental Enforcement Specialist  
Compliance and Operations Branch

**Kentucky**



STEVEN L. BESHEAR  
GOVERNOR

LEONARD K. PETERS  
SECRETARY

Received by Joy Tevis

**ENERGY AND ENVIRONMENT CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
DIVISION OF ENFORCEMENT  
300 FAIR OAKS LANE  
FRANKFORT KENTUCKY 40601  
www.kentuckv.gov

SEP 20 2013

Georgetown Municipal Water  
& Sewer Service

September 17, 2013

CERTIFIED MAIL No. 7013 1090 0000 6752 5266

City of Georgetown  
Attn: Bill Jenkins  
PO Box 640  
Georgetown, KY 40324-0640

Re: Notice of Violation  
AI ID: 3907  
AI Name: Georgetown WWTP No 1  
Activity ID: ENV20130001  
Facility No.: KY0020150  
Scott County, KY

Dear Mr. Jenkins:

The Kentucky Department for Environmental Protection (DEP) has issued the enclosed Notice of Violation for violations discovered at your facility. Please review this Notice of Violation carefully to ensure that all remedial measures are completed by the specified deadlines.

Your cooperation and attention to this matter is appreciated. If you have any questions, please contact me at 502-564-2150 at extension 3346 or Ms. Lynne Brosius of the Division of Water at 502-564-3410.

Sincerely,

Tim Harrod  
Environmental Enforcement Specialist III  
Compliance and Operations Branch

Enclosure

**COMMONWEALTH OF KENTUCKY  
ENERGY and ENVIRONMENT CABINET  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
Division of Enforcement**

**NOTICE OF VIOLATION**

To: City of Georgetown  
Attn: Bill Jenkins  
PO Box 640  
Georgetown, KY 40324-0640

**AI Name:** Georgetown WWTP No 1   **AI ID:** 3907   **Activity ID:** ENV20130001  
**County:** Scott  
**Facility Number:** KY0020150  
**Date(s) Violation(s) Observed:** 09/04/2013

This is to advise that you are in violation of the provisions cited below:

**1 Violation Description for Subject Item AIOO0000003907():**

No person shall, directly or indirectly, throw, drain, run or otherwise discharge into any of the waters of the Commonwealth, or cause, permit or suffer to be thrown, drained, run or otherwise discharged into such waters any pollutant, or any substance that shall cause or contribute to the pollution of the waters of the Commonwealth in contravention of the standards adopted by the cabinet or in contravention of any of the rules, regulations, permits, or orders of the cabinet or in contravention of any of the provisions of this chapter. [KRS 224.70-110]

**Description of Non Compliance:**

Failing to comply with 401 KAR 5:065 section 2(1), which cites 40 CFR 122.41(a), by failing to comply with the terms and conditions of KPDES Permit No. KY0020150 for Whole Effluent Toxicity (WET). The facility significantly failed the WET test completed on June 19, 2013 and the follow-up test completed on July 3, 2013 using *Ceriodaphnia dubia*. The KPDES limit for WET is  $TUc \leq 1.10$ . The result for the June 19, 2013 test was  $TUc = 3.41$  using *Ceriodaphnia dubia*. The result for the July 3, 2013 follow-up test was  $TUc = 11.87$  using *Ceriodaphnia dubia*.

**The remedial measure(s), and date(s) to be completed by are as follows:**

- 1) Initiate a Toxicity Reduction Evaluation (TRE) immediately by performance of monthly chronic toxicity testing on a series of three (3) 24-hour composite samples taken approximately one day apart. Tests shall be conducted with both *Ceriodaphnia dubia* and *Pimephales promelas* species. This testing frequency and species requirement is subject to change by DOW following review and approval of the TRE plan and subsequent test results.
- 2) The TRE plan shall include Toxic Identification Evaluation (TIE) procedures, treatability studies, and evaluations of: chemical usage including changes in types, handling and suppliers; operational and process procedures; housekeeping and maintenance activities; and raw materials. The TRE will establish an implementation schedule not to exceed twenty-four (24) months for completion of these activities. The implementation schedule shall include monthly progress reports and a final report.
- 3) Develop a TRE plan and submit it for approval to Lynne Brosius, Surface Water

Permitting Branch, within ninety (90) days from receipt of this Notice of Violation. This plan shall be developed in accordance with the latest USEPA and Kentucky Division of Water guidance documents and requirements, to include:

- Generalized Methodology for Conducting Industrial Toxicity Reduction Evaluations (TREs), EPA/600/2-88/070, March 1989.
  - Toxicity Reduction Evaluation Guidance for Municipal Wastewater Treatment Plants, EPA/833/B-99/002, August 1999.
  - Methods for Aquatic Toxicity Identification Evaluations, Phase I Toxicity Characterization Procedures, 2<sup>nd</sup> ed., EPA/600/6-91/003, February 1991.
  - Toxicity Identification Evaluation: Characterization of Chronically Toxic Effluents, Phase I, EPA/600/6-91/0005F, May 1992.
  - Methods for Aquatic Toxicity Identification Evaluations, Phase II Toxicity Identification Procedures for Samples Exhibiting Acute and Chronic Toxicity, EPA/600/R-92/080, September 1993.
  - Methods for Aquatic Toxicity Identification Evaluations, Phase III Toxicity Confirmation Procedures for Samples Exhibiting Acute and Chronic Toxicity.
- 4) The DOW shall be notified within 5 days of any failed test completion.
  - 5) Copies of all test results/reports shall be submitted to the DOW within 30 days of completion.
  - 6) Quarterly reports of TRE updates shall be submitted to the DOW by the end of the month following each calendar quarter.
  - 7) Comply with all terms and conditions of KPDES Permit No. KY0020150.


[KRS 224.70-110]

Violations of the above cited statute(s) and/or regulation(s) are subject to a civil penalty per day per violation. Violations carry civil penalties of up to \$25,000 per day per violation depending on the statutes/regulations violated. In addition, violations may be concurrently enjoined. Compliance with remedial measures and their deadlines does not provide exemption from liability for violations during the period of remediation, nor prevent additional remedial measures from being required.

If you have questions or need further information, write or call the undersigned:

Department for Environmental Protection  
Division of Enforcement  
300 Fair Oaks Lane  
Frankfort, KY 40601  
502-564-2150 extension 3346 (9:00 AM – 5:00 PM)  
Mr. Tim Harrod, Environmental Enforcement Specialist III

AI: Georgetown WWTP No 1 -- 3907

Issued By: 

Mr. Tim Harrod, Environmental Enforcement Specialist III  
Compliance and Operations Branch  
Division of Enforcement  
Date: September 17, 2013

Issued By: 

Lynne Brosius, Environmental Technologist II  
Surface Water Permits Branch  
Division of Water  
Date: September 17, 2013

How Delivered: Certified Mail #: 7013 1090 0000 6752 5266



3. List and provide a copy of each NOV that Mallard Point Disposal has received regarding the operation of its sewer facilities from the Kentucky Division of Water since January 1, 2008. State the current status of each NOV.

**RESPONSE:**

Mallard Point Disposal has received a total of three (3) NOVs since 2008. All of these NOVs are addressed in the Agreed Order attached in response to Question 4. The Agreed Order resolves all these NOVs.

A copy of each of these three (3) NOVs and related correspondence is attached.

**WITNESS:** Mark S. Smith, President and Sole Shareholder, Mallard Point Disposal

**2008**

**NOV**

STEVEN L. BESHEAR  
GOVERNOR



LEONARD K. PETERS  
SECRETARY

**ENERGY AND ENVIRONMENT CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Division of Water  
663 Teton Trail  
Frankfort, KY 40601  
www.kentucky.gov

September 4, 2008

Certified No. 7007 0710 0003 3753 0609  
Return Receipt Requested

Mr. Mark Smith, President  
Mallard Point Disposal Systems, Inc  
104 Teal Court  
Georgetown, Kentucky 40324

Re: Inspection Report/Notice of Violation  
AI ID: 3917  
AI Name: Mallard Point WWTP  
Activity ID: ENV20080001  
Permit No. KY0074829  
Scott County, Kentucky

Dear Mr. Smith:

The Kentucky Department for Environmental Protection (DEP) has issued the enclosed inspection report and duly executed Notice of Violation for violations discovered during a Division of Water inspection of your facility on August 26, 2008. Please review this Notice of Violation carefully to ensure that all remedial measures are completed by the specified deadlines.

Your cooperation and attention to this matter is appreciated. If you have any questions, please contact me at 502-564-3358.

Sincerely,

A handwritten signature in cursive script that reads "Deborah E. Singleton".

Deborah Singleton  
Environmental Inspector II  
Division of Water

Enclosures

**COMMONWEALTH OF KENTUCKY**  
**ENERGY AND ENVIRONMENT CABINET**  
**DEPARTMENT FOR ENVIRONMENTAL PROTECTION**  
**Division of Water**

**NOTICE OF VIOLATION**

**To:** Mr. Mark Smith, President  
Mallard Point Disposal Systems, Inc  
104 Teal Court  
Georgetown, KY 40324

**AI Name:** Mallard Point WWTP  
**AI ID:** 3917  
**Activity ID:** ENV20080001  
**County:** Scott  
**Enforcement Case ID:**  
**Date(s) Violation(s) Observed:** 08/26/2008

This is to advise that you are in violation of the provisions cited below:

**1 Violation Description for Subject Item GINS0000000001(KPDES Individual):**

Standard Permit Conditions: The permittee is also advised that all KPDES permit conditions in KPDES Regulation 401 KAR 5:065, Section 1 will apply to all discharges authorized by this permit. This permit has been issued under the provisions of KRS Chapter 224 and regulations promulgated pursuant thereto. Issuance of this permit does not relieve the permittee from the responsibility of obtaining any other permits or licenses required by this Cabinet and other state, federal, and local agencies. It is the responsibility of the permittee to demonstrate compliance with permit parameter limitations by utilization of sufficiently sensitive analytical methods. [401 KAR 5:065 Section 1(1)(a)]

**Description of Non Compliance:**

A review of the submitted Discharge Monitoring Reports (DMRs) from June 2006 through June 2007 revealed the following excursions: Ammonia for July, August, September 2006, June and July 2007, and June 2008; and E-coli form for July 2007.

**The remedial measure(s), and date(s) to be completed by are as follows:**

The permittee to comply with all its KPDES permit conditions upon the receipt of this notice. Within thirty (30) days from the receipt of this notice, the permittee to submit a written plan of action and schedule of implementation to the undersigned, specifying the proposed corrective measures in order to bring the facility to compliance. [401 KAR 5:065 Section 1(1)(a)]

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Violations of the above cited statute(s) and/or regulation(s) are subject to a civil penalty per day per violation. Violations carry civil penalties of up to \$25,000 per day per violation depending on the statutes/regulations violated. In addition, violations may be concurrently enjoined. Compliance with remedial measures and their deadlines does not provide exemption from liability for violations during the period of remediation, nor prevent additional remedial measures from being required.

---

If you have questions or need further information, write or call the undersigned:

Division of Water  
Frankfort Regional Office  
663 Teton Trail  
Frankfort, Kentucky 40601  
(502) 564-3358 (8:00 AM – 4:30 PM)  
Deborah Singleton, Environmental Inspector II

Issued By: *Deborah E. Singleton*  
Deborah Singleton, Environmental Inspector II  
Date: September 4, 2008

Issued By: *Massoud Shoa*  
Mr. Massoud Shoa, Environmental Control Supervisor  
Date: September 4, 2008

How Delivered: Certified Mail

Certified/Registered # 7007 0710 0003 3753 0609

**Environmental and Public Protection Cabinet  
Kentucky Department for Environmental Protection  
Division of Water**

**Activity:** CIN20080001 Inspection  
**Lead Investigator:** Singleton, Deborah  
**Agency Interest/Permit ID:** 3917  
**Agency Interest Name:** Mallard Point WWTP  
**Agency Interest Address:** Wright Ln  
 Georgetown (Scott), KY 40324  
**Program:** Wastewater  
**County:** Scott  
**Type of Agency Interest:** RESIDENCE- Subdivision (nec)  
**Agency Interest Contact:** Title: Phone:  
**Purpose:** Inspection  
**Inspection Type:** WW CEI-Minor Non-Mun  
**Inspection Date:** 08/26/2008 **Start Time:** 10:00 AM **End Time:** 11:30 AM  
**Latitude:** 38.32888900 **Longitude:** -84.57722200

**Coordinate Collection Method:**Decimal Degrees

**Incident ID(s):**

**General Comments:**

The facility has applied for and obtained KPDES Permit #KY0074829 for discharges associated with wastewater treatment facilities. The permit is current and expires on April 30, 2012.

The facility was clean and operational at the time of the inspection. A slight odor was detected during the inspection. The facility consists of two package treatment units. The plant consists of two individual plants, a 50,000 and a 100,000 gallon plant. Both aeration basins had a good roll and color. The RAS lines were operational. The clarifiers were clear with slight pin floc noted. The facility has recently pumped the digesters. The chlorine contact basins were clear. The effluent was clear and odorless. There was not any evidence of stream degradation observed. The facility performs the sampling, and McCoy & McCoy laboratories performs the analytical analysis. The chlorine test kit reagents were observed to be expired.

The facility has constructed a containment unit in order to store salt for deicing purposes. This deficiency was noted in the previous inspection report and is now addressed.

A review of the submitted Discharge Monitoring Reports (DMRs) from June 2006 through June 2008, revealed the following excursions: Ammonia for July, August, September 2008, June and July 2007, and June 2008; and E-coli form for July 2007.

**Person(s) Interviewed:**

Name	Organization
Noel Norton	WWTP operator

Status/Comments:

**GINS1**

Requirement	Status	Results or Comments
C/A (2) - Have all required permits been obtained from the Division of Water prior to the construction, modification, or operation of the facility? . [401 KAR 5:005 Section 1]	C	The facility has applied for and obtained KPDES Permit #KY0074829 for discharges associated with wastewater treatment facilities. The permit is current and expires on April 30, 2012.
C/A (8) - Did the facility notify the Division of Water by the most rapid means available whenever, by reason of emergency or accident, a spill or discharge occurs which results in pollution of the waters of the Commonwealth? . [401 KAR 5:015 Section 2]	C	The facility is aware of the requirement to report all spills, accidents, bypasses, releases, etc. to the Cabinet by the most rapid means available and within 24 hours of discovery. The 24-hour emergency reporting number is: (800) 928-2380.
R/OC (1) - Is the facility being operated under the supervision of a properly certified operator?. [401 KAR 5:010 Section 2(1)]	C	The facility is under the charge of Mr. Noel Norton, Active Class IV, license #5208.
C/RK (2) - Does the permittee retain records of all monitoring information including: the date, exact place, and time of sampling or measurements; the name of the individual who performed the sampling or measurements; the dates and times analyses were performed; the name of the individual who performed the analyses; the analytical techniques or methods used; the results of the analyses; all calibration and maintenance records and all original strip chart recordings for continuous monitoring instrumentation; copies of all reports required by this permit; and records of all data used to complete the application for this permit, for the period required by the cabinet and at a minimum of at least three (3) years from the date of the sample, measurement, report, or application? . [401 KAR 5:065 Section 1(10)(b)]	C	The permittee maintains the required records.
C/RR (1) - Is the permittee reporting monitoring results to the cabinet at the intervals specified in the permit? . [401 KAR 5:065 Section 1(12)(d)]	C	The permittee is reporting the monitoring results to the cabinet at the intervals specified in the KPDES Permit.
C/RR (2) - Are the monitoring results reported to the cabinet on a Discharge Monitoring Report (DMR)? . [401 KAR 5:065 Section 1(12)(d)1]	C	The monitoring results are being reported to the cabinet on a Discharge Monitoring Report.
C/RR (3) - If the permittee monitors any pollutant more frequently than required by the permit, using test procedures approved under 40 CFR Part 136 or as specified in the permit, are the results of this monitoring included in the calculation and reporting of the data submitted in the DMR? . [401 KAR 5:065 Section 1(12)(d)2]	C	The permittee is aware of this requirement.
C/RR (4) - Are the calculations for all limitations which require averaging of measurements utilizing an arithmetic mean unless otherwise specified by the Cabinet in the permit? . [401 KAR 5:065 Section 1(12)(d)3]	C	The permittee is aware of this requirement.
C/RR (7) - Is the permittee in compliance for the reporting of spills, bypasses, and non-compliance according KAR 401 5:065 Section 1(12)(f). [401 KAR 5:065 Section 1(12)(f)]	C	The facility is aware of the requirement to report all spills, accidents, bypasses, releases, etc. to the Cabinet by the most rapid means available and within 24 hours of discovery. The 24-hour emergency reporting number is: (800) 928-2380.

Requirement	Status	Results or Comments
<p>R/OM (1) - Is the facility being properly operated and maintained as specified in regulation 5:065? This includes:            (a) proper operation and maintenance of all facilities, systems of treatment and control, and related appurtenances which are installed or used by the permittee to achieve compliance with permit conditions;            (b) proper operation and maintenance also includes adequate laboratory controls, and appropriate quality assurance procedures;            (c) this provision also requires the operation of back-up or auxiliary facilities or similar systems which are installed by a permittee only when the operation is necessary to achieve compliance with the conditions of the permit. [401 KAR 5:065 Section 1(5)]</p>	C	<p>The facility was clean and operational at the time of the inspection. A slight odor was detected during the inspection. The facility consists of two package treatment units. The plant consists of two individual plants, a 50,000 and a 100,000 gallon plant. Both aeration basins had a good roll and color. The RAS lines were operational. The clarifiers were clear with slight pin floc noted. The facility has recently pumped the digesters. The chlorine contact basins were clear. The effluent was clear and odorless. There was not any evidence of stream degradation observed. The facility performs the sampling, and McCoy &amp; McCoy laboratories performs the analytical analysis. The chlorine test kit reagents were observed to be expired. The facility has constructed a containment unit in order to store salt for deicing purposes. This deficiency was noted in the previous inspection report and is now addressed.</p>
<p>R/OM (2) - Are the disinfection unit(s) maintained and operated properly to allow for compliance with permit conditions? . [401 KAR 5:005 Section 11(1)]</p>	C	<p>The facility utilizes liquid chlorine for disinfection.</p>
<p>C/OM (3) - Does the flow measuring device measure all flow received at the WWTP? For large wastewater facilities (average daily design capacity &gt;50,000 gpd), is flow measured by an indicating, recording, and totalizing flow measuring device? . [401 KAR 5:005 Section 12]</p>	C	<p>The facility has installed a new Stephens Digital flowmeter.</p>
<p>C/OM (7) - Is there a source of water provided for cleanup? If potable water is used, is a backflow preventor installed to protect the water supply?. [401 KAR 5:005 Section 10(6)]</p>	C	
<p>C/OM (8) - Has fencing and/or other adequate protection been installed around the wastewater treatment plant? . [401 KAR 5:005 Section 10(7)]</p>	C	<p>Facility is gated and secure.</p>
<p>C/OM (9) - Has an all-weather access road been installed to allow access to the wastewater treatment plant? Is the road adequately maintained to allow access to the facility for operation and maintenance activity? . [401 KAR 5:005 Section 10(8)]</p>	C	
<p>S/OM (11) - Is the sharp crested weir used to measure effluent flow installed in accordance with the criteria specified in regulation 401 KAR 5:005? . [401 KAR 5:005 Section 12(2)]</p>	E	
<p>S/OM (12) - Is the Parshall flume(s) used to measure influent or effluent flows installed and maintained in accordance with the criteria specified in regulation 401 KAR 5:005? . [401 KAR 5:005 Section 12(3)]</p>	N	<p>The facility does not maintain a Parshall flume.</p>
<p>C/OM (16) - Sewage sludge. Did the facility meet the requirements governing the disposal of sewage sludge from publicly owned treatment works, in accordance with 40 CFR Part 503? . [401 KAR 5:065 Section 2(15)]</p>	C	<p>Sludge disposal is handled by Martin Haulers to Georgetown WWTP #1 approximately three times a month.</p>
<p>C/OM (18) - Is the effluent in compliance with KPDES permit limitations? Do the Discharge Monitoring Reports indicate KPDES permit violations?. [401 KAR 5:065 Section 1(1)(a)]</p>	V	<p>A review of the submitted Discharge Monitoring Reports (DMRs) from June 2006 through June 2008, revealed the following excursions: Ammonia for July, August, September 2008, June and July 2007, and June 2008; and E-coliiform for July 2007.</p>
<p>R/DE (1) - Is the effluent causing degradation of the waters of the Commonwealth 401 KAR 5:031 Section 2 (1) (a, b, c, &amp; d). [401 KAR 5:031 Section 2]</p>	C	<p>The effluent discharge area was observed. There was not any evidence of stream degradation observed during the inspection.</p>



**GINSI**

Requirement	Status	Results or Comments
C/MA (1) - Are samples collected at sites specified in the KPDES permit and are they representative samples? Are flow proportioned samples obtained when required by the KPDES permit? Are grab samples collected according to the KPDES permit requirements? Are composite samples collected and analyzed according to the KPDES permit conditions? Are samples collected according to KPDES permit requirements?. [401 KAR 5:065 Section 1(1)(a)]	C	Grab and composite samples are collected as required. The division is not present when the samples are collected from the outfalls and assumes that the samples are collected using appropriate containers, preservative, refrigeration, that holding times are observed and analyses performed as per permit specifications. The facility utilizes McCoy/McCoy Laboratories to collect and analyze samples. The contracted lab maintains the sampling records.
C/MA (5) - Is sampling and analysis completed on all parameters specified in the KPDES permit? . [401 KAR 5:065 Section 1(1)(a)]	C	Sampling and analysis is being completes on all parameters specified in the KPDES Permit.
C/MA (6) - Are the facility sample collection procedures adequate? Are the samples collected in proper containers, preserved, and refrigerated properly? Are all samples analyzed within the allowed holding times? . [401 KAR 5:065 Section 1(10)(d)]	I	The division is not present when the samples are collected from the outfalls and assumes that the samples are collected using appropriate containers, preservative, refrigeration, that holding times are observed and analyses performed as per permit specifications. The facility utilizes McCoy/McCoy Laboratories to collect and analyze samples. The facility's chlorine kit was observed during the inspection. The chlorine reagent packets were observed to be expired. Upon the receipt of this report, the facility to discard the expired reagents.
C/MA (10) - Are samples taken in compliance with the monitoring requirements and taken at the following location(s): nearest accessible point after final treatment, but prior to actual discharge or mixing with receiving waters? . [401 KAR 5:065 Section 1(1)(a)]	C	
S/MA (11) - Is the facility sampling in accordance with sampling requirements specified for biomonitoring in the KPDES permit conditions? . [401 KAR 5:065 Section 1(1)(a)]	N	The facility is not required to perform biomonitoring analysis.

Investigator: Deborah E. Ingster Title: Env. Inspector II Date: Sept 5, 2008

- N - Not Applicable
- E - Not Evaluated
- V - Out of Compliance-NOV
- C - No Violations observed
- I - No Violations obs-but impending viol trends obs
- D - Out of Compliance-Violations Documented
- O - Out of Comp-LOW non-recurrent Adm. or O&M

Received By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

Delivery Method:

COPY

**Mallard Point Disposal Systems, Inc.**  
**118 South Broadway**  
**Georgetown, Kentucky 40324**

September 26, 2008

Ms. Deborah Singleton  
Environmental Inspector II  
Division of Water  
663 Teton Trail  
Frankfort, KY 40601

Ms. Singleton:

In response to the Notice of Violation dated 8/26/08 for permit outages over the period of June 2006 through June 2008 (25 months) regarding the six outages for ammonia, our air is on continuously and we will continue to tweak and adjust in a continuing effort for perfection.

The one outage on E. coli was a direct result of a chlorine pump burning up which was replaced immediately.

With regard to your inspection and report, I am sure you could see that we make all attempts to remain compliant at all times, and we appreciate your assistance towards that end.

As we discussed by phone after receipt of your inspection report, reference was made that, "The facility has constructed a containment unit in order to store salt for de-icing purposes. This deficiency was noted in the previous inspection report and is now addressed." For the record, this "facility" and its use have nothing to do with the utility (Mallard Point Disposal Systems, Inc.). It is located on property owned by Mark S. Smith and is not of the utility or its operations in any way.

If you have further questions, please feel free to contact me at your pleasure.

Most sincerely,



Mark S. Smith, President

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Deborah Singleton  
 Environmental Inspector II  
 Div of Water  
 663 Zeton Lane  
 Stratford KY 40601

2. Article Number

(Transfer from service label)

7007 2560 0002 2941 1529

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

K Sutherland

 Agent Addressee

B. Received by (Printed Name)

K Sutherland

C. Date of Delivery

10-1-08

D. Is delivery address different from item 1?  YesIf YES, enter delivery address below:  No

3. Service Type

 Certified Mail  Express Mail Registered  Return Receipt for Merchandise Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes



STEVEN L. BESHEAR  
GOVERNOR

LEONARD K. PETERS  
SECRETARY

**ENERGY AND ENVIRONMENT CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
DIVISION OF WATER  
643 TETON TRAIL  
FRANKFORT KY 40601  
[www.kentucky.gov](http://www.kentucky.gov)

October 3, 2008

Mr. Mark Smith, President  
Mallard Point Disposal Systems, Inc  
104 Teal Court  
Georgetown, Kentucky 40324

Re: Notice of Violation  
AI ID: 3917  
AI Name: Mallard Point WWTP  
Activity ID: ENV20080001  
Permit No. KY0074829  
Scott County, KY

Dear Mr. Smith:

On September 4, 2008, the Division of Water issued Mallard Point WWTP a Notice of Violation (NOV). The Frankfort Regional Office appreciates Mallard Point WWTP's efforts to address the compliance issues raised by the NOV. The actions taken by Mallard Point WWTP in response to the NOV are considered sufficient at this time with regard to the violations listed in the NOV. The Cabinet reserves its rights under KRS Chapter 224 and its administrative regulations to undertake such enforcement action hereafter as it deems appropriate, which may include consideration of the compliance issues addressed by the NOV. If you have any questions, please feel free to contact me at 502-564-3358.

Sincerely,

Deborah Singleton  
Environmental Inspector II

c: Regional Office  
Main File

**2010**

**NOV**

STEVEN L. BESHEAR  
GOVERNOR



LEONARD K. PETERS  
SECRETARY

**ENERGY AND ENVIRONMENT CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Division of Water  
200 Fair Oaks Lane, 3rd Floor  
Frankfort, Kentucky 40601  
www.kentucky.gov

September 22, 2010

Certified No. 7009 2820 0001 8017 0845  
Return Receipt Requested

Mr. Mark Smith, President  
Mallard Point Disposal Systems, Inc.  
104 Teal Court  
Georgetown, Kentucky 40324

Re: Inspection Report/Notice of Violation  
AI ID: 3917  
AI Name: Mallard Point WWTP  
Activity ID: ENV20100001  
Permit No. KY0074829  
Scott County, Kentucky

Dear Mr. Smith:

The Kentucky Department for Environmental Protection (DEP) has issued the enclosed inspection report and the Notice of Violation for violations discovered at your facility during a Division of Water inspection on September 13, 2010. Please review this Notice of Violation carefully to ensure that all remedial measures are completed by the specified deadlines.

Your cooperation and attention to this matter is appreciated. If you have any questions, please contact me at 502-564-3358.

Sincerely,

A handwritten signature in cursive script that reads "Deborah E. Singleton".

Deborah Singleton  
Environmental Inspector II  
Division of Water

Enclosures

**COMMONWEALTH OF KENTUCKY**  
**ENERGY AND ENVIRONMENT CABINET**  
**DEPARTMENT FOR ENVIRONMENTAL PROTECTION**  
**Division of Water**

**NOTICE OF VIOLATION**

**To:** Mr. Mark Smith, President  
Mallard Point Disposal Systems, Inc  
104 Teal Court  
Georgetown, Kentucky 40324

**AI Name:** Mallard Point WWTP

**AI ID:** 3917

**Activity ID:** ENV20100001

**County:** Scott

**Enforcement Case ID:**

**Date(s) Violation(s) Observed:** 09/13/2010

This is to advise that you are in violation of the provisions cited below:

**1 Violation Description for Subject Item AIOO0000003917():**

Standard Permit Conditions:

The permittee is also advised that all KPDES permit conditions in KPDES Regulation 401 KAR 5:065, Section 1 will apply to all discharges authorized by this permit. This permit has been issued under the provisions of KRS Chapter 224 and regulations promulgated pursuant thereto. Issuance of this permit does not relieve the permittee from the responsibility of obtaining any other permits or licenses required by this Cabinet and other state, federal, and local agencies.

It is the responsibility of the permittee to demonstrate compliance with permit parameter limitations by utilization of sufficiently sensitive analytical methods. [401 KAR 5:065 Section 1(1)(a)]

**Description of Non Compliance:**

A review of the submitted Discharge Monitoring Reports from July 2008 through July 2010 revealed the following parameter violations: Ammonia- August 2008, May 2009, June 2009, March 2010, May 2010, and July 2010. Biochemical Oxygen Demand: June 2009, and February 2010. Total Suspended Solids in January 2010. Total Residual Chlorine in May 2010.

**The remedial measure(s), and date(s) to be completed by are as follows:**

The permittee to comply with all its KPDES permit conditions upon the receipt of this notice. Within thirty (30) days from the receipt of this notice, the permittee to submit a written plan of action and schedule of implementation to the undersigned, specifying the proposed corrective measures in order to bring the facility to compliance. [401 KAR 5:065 Section 1(1)(a)]

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Violations of the above cited statute(s) and/or regulation(s) are subject to a civil penalty per day per violation. Violations carry civil penalties of up to \$25,000 per day per violation depending on the statutes/regulations violated. In addition, violations may be concurrently enjoined. Compliance with remedial measures and their deadlines does not provide exemption from liability for violations during the period of remediation, nor prevent additional remedial measures from being required.

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If you have questions or need further information, write or call the undersigned:

Division of Water  
Frankfort Regional Office  
200 Fair Oaks Lane, 3<sup>rd</sup> floor  
Frankfort, Kentucky 40601  
(8:00 AM – 4:30 PM)  
Deborah Singleton, Environmental Inspector II

Issued By: *Deborah E. Singleton*  
Deborah Singleton, Environmental Inspector II  
Date: September 22, 2010

Issued By: *Massoud Shoa*  
Mr. Massoud Shoa, Environmental Control Supervisor  
Date: September 22, 2010

How Delivered: Certified/Registered Mail    Certified/Registered # 7009 2820 0001 8017 0845



**Energy and Environment Cabinet  
Department for Environmental Protection  
Division of Water  
Wastewater Inspection Report**

**AI ID:** 3917

**AI Type:** RESIDENCE- Subdivision (nec)

**AI Name:** Mallard Point WWTP

**AI Address:** Wright Ln

**City:** Georgetown (Scott), **State:** Kentucky **Zip:** 40324

**County:** Scott **Regional Office:** Frankfort Regional Office

**Latitude:** 38.328889 **Longitude:** -84.577222

**Site Contact:** Mr. Mark Smith

**Title:** Permittee **Phone #:** 502-863-6741

**Inspection Type:** WW CEI-Minor Non-Mun

**Activity #:** CIN20100001

**Incident IDs:** N/A

**Inspection Start Date:** September 13, 2010 **Time:** 01:00 PM

**Inspection End Date:** September 13, 2010 **Time:** 02:30 PM

**Site/Permit ID:** KY0074829

**Lead DEP Investigator:** Deborah Singleton

**Other DEP Investigators:**

**External Investigators:**

**Persons Interviewed:** Noal Norton

**General Comments:**

The facility has applied for and obtained KPDES Permit #KY0074829 for discharges associated with wastewater treatment facilities. The permit is current and expires on April 30, 2012. The plant has an average flow on 0.114 MGD. GPS Location N 38.3289 W -84.5772.

The facility was clean and operational at the time of the inspection. Corrosion was noted in several areas of the plant and the operator has performed repairs when needed. The facility is in the process of connecting to the City of Georgetown. Plant personnel to continue to monitor the plant condition and make repairs when necessary to maintain integrity until the connection can be made.

A review of the submitted Discharge Monitoring Reports from July 2008 through July 2010 revealed the following parameter violations: Ammonia- August 2008, May 2009, June 2009,

March 2010, May 2010, and July 2010. Biochemical Oxygen Demand: June 2009, and February 2010. Total Suspended Solids in January 2010. Total Residual Chlorine in May 2010.

**Overall Compliance Status:** Out of Compliance- NOV

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**Investigation Results**

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**SI:** AIOO3917

**SI Description:**

**Inspector Comment:**

**Requirement:** C/A (2) - Have all required permits been obtained from the Division of Water prior to the construction, modification, or operation of the facility? . [401 KAR 5:005 Section 1]

**Compliance Status:** C-No Violations observed

**Comment:** The facility has applied for and obtained KPDES Permit #KY0074829 for discharges associated with wastewater treatment facilities. The permit is current and expires on April 30, 2012.

**Requirement:** C/A (8) - Did the facility notify the Division of Water by the most rapid means available whenever, by reason of emergency or accident, a spill or discharge occurs which results in pollution of the waters of the Commonwealth? . [401 KAR 5:015 Section 2]

**Compliance Status:** C-No Violations observed

**Comment:** The facility is aware of the requirement to report all spills, accidents, bypasses, releases, etc. to the Cabinet by the most rapid means available and within 24 hours of discovery. The 24-hour emergency reporting number is: (800) 928-2380.

**Requirement:** R/OC (1) - Is the facility being operated under the supervision of a properly certified operator?. [401 KAR 5:010 Section 2(1)]

**Compliance Status:** C-No Violations observed

**Comment:** The facility is under the charge of Mr. Noel Norton, Active Class IV, license #5208.

**Requirement:** C/RK (2) - Does the permittee retain records of all monitoring information including: the date, exact place, and time of sampling or measurements; the name of the individual who performed the sampling or measurements; the dates and times analyses were performed; the name of the individual who performed the analyses; the analytical techniques or methods used; the results of the analyses; all calibration and maintenance records and all original strip chart recordings for continuous monitoring instrumentation; copies of all reports required by this permit; and records of all data used to complete the application for this permit, for the period required by the cabinet and at a minimum of at least three (3) years from the date of the sample, measurement, report, or application? . [401 KAR 5:065 Section 1(10)(b)]

**Compliance Status:** C-No Violations observed

**Comment:** A limited review of the records was conducted. Chain of custodies and the maintenance logs were observed. All other records are maintained by Mr. Mark Smith at the facility office.

**Requirement:** C/RR (1) - Is the permittee reporting monitoring results to the cabinet at the intervals specified in the permit? . [401 KAR 5:065 Section 1(12)(d)]

**Compliance Status:** C-No Violations observed

**Comment:** The permittee is reporting the monitoring results to the cabinet at the intervals specified in the KPDES Permit.

**Requirement:** C/RR (2) - Are the monitoring results reported to the cabinet on a Discharge Monitoring Report (DMR)? . [401 KAR 5:065 Section 1(12)(d)1]

**Compliance Status:** C-No Violations observed

**Comment:** The monitoring results are being reported to the cabinet on a Discharge Monitoring Report.

**Requirement:** C/RR (3) - If the permittee monitors any pollutant more frequently than required by the permit, using test procedures approved under 40 CFR Part 136 or as specified in the permit, are the results of this monitoring included in the calculation and reporting of the data submitted in the DMR? . [401 KAR 5:065 Section 1(12)(d)2]

**Compliance Status:** C-No Violations observed

**Comment:** Permittee is aware of this requirement.

**Requirement:** C/RR (4) - Are the calculations for all limitations which require averaging of measurements utilizing an arithmetic mean unless otherwise specified by the Cabinet in the permit? . [401 KAR 5:065 Section 1(12)(d)3]

**Compliance Status:** C-No Violations observed

**Comment:** Permittee is aware of this requirement.

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**Requirement:** C/RR (7) - Is the permittee in compliance for the reporting of spills, bypasses, and non-compliance according KAR 401 5:065 Section 1(12)(f). [401 KAR 5:065 Section 1(12)(f)]

**Compliance Status:** C-No Violations observed

**Comment:** The facility is aware of the requirement to report all spills, accidents, bypasses, releases, etc. to the Cabinet by the most rapid means available and within 24 hours of discovery. The 24-hour emergency reporting number is: (800) 928-2380.

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**Requirement:** R/OM (1) - Is the facility being properly operated and maintained as specified in regulation 5:065?

This includes: (a) proper operation and maintenance of all facilities, systems of treatment and control, and related appurtenances which are installed or used by the permittee to achieve compliance with permit conditions;

(b) proper operation and maintenance also includes adequate laboratory controls, and appropriate quality assurance procedures;

(c) this provision also requires the operation of back-up or auxiliary facilities or similar systems which are installed by a permittee only when the operation is necessary to achieve compliance with the conditions of the permit. [401 KAR 5:065 Section 1(5)]

**Compliance Status:** I-No Violations obs-but impending viol trends obs

**Comment:** The facility was clean and operational at the time of the inspection. Corrosion was noted in several areas of the plant and the operator has performed repairs when needed. The facility is in the process of connecting to the City of Georgetown. Plant personnel to continue to monitor the plant condition and make repairs when necessary to maintain structural integrity until the connection can be made. The plant consists of two individual plants, a 50,000 and a 100,000 gallon per day plant. The smaller plant has had a new motor and blower installed and the larger has had a blower and some diffusers replaced. Both aeration basins had a good roll and color. The RAS lines were operational. The clarifiers were clear with slight pin floc noted. Scum returns were operational. Additional chlorine tablets were observed in the weirs. The chlorine contact basins were good; however, one basin is due for scraping of some growth. The effluent was clear and odorless. There was not any evidence of stream degradation observed. The facility performs the sampling, and McCoy & McCoy laboratories perform the analytical analysis.

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**Requirement:** R/OM (2) - Are the disinfection unit(s) maintained and operated properly to allow for compliance with permit conditions? . [401 KAR 5:005 Section 11(1)]

**Compliance Status:** C-No Violations observed

**Comment:** The facility utilizes liquid chlorine for disinfection. A review of the submitted Discharge Monitoring Reports revealed the facility to be in compliance for E. Coliform.

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**Requirement:** C/OM (3) - Does the flow measuring device measure all flow received at the WWTP? For large wastewater facilities (average daily design capacity >50, 000 gpd), is flow measured by an indicating, recording, and totalizing flow measuring device? . [401 KAR 5:005 Section 12]

**Compliance Status:** C-No Violations observed

**Comment:** The facility utilizes a Stephens Digital flowmeter on each smaller plant effluent. The meter was calibrated by Stephens in April 2010.

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**Requirement:** C/OM (7) - Is there a source of water provided for cleanup? If potable water is used, is a backflow preventor installed to protect the water supply?. [401 KAR 5:005 Section 10(6)]

**Compliance Status:** C-No Violations observed

**Comment:**

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**Requirement:** C/OM (8) - Has fencing and/or other adequate protection been installed around the wastewater treatment plant? . [401 KAR 5:005 Section 10(7)]

**Compliance Status:** C-No Violations observed

**Comment:** The facility was fenced and secure at the time of the inspection.

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**Requirement:** C/OM (9) - Has an all-weather access road been installed to allow access to the wastewater treatment plant? Is the road adequately maintained to allow access to the facility for operation and maintenance activity? . [401 KAR 5:005 Section 10(8)]

**Compliance Status:** C-No Violations observed

**Comment:** An all weather access road allows easy access to the wastewater treatment facility.

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**Requirement:** S/OM (11) - Is the sharp crested weir used to measure effluent flow installed in accordance with the criteria specified in regulation 401 KAR 5:005? . [401 KAR 5:005 Section 12(2)]

**Compliance Status:** E-Not Evaluated

**Comment:**

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**Requirement:** S/OM (12) - Is the Parshall flume(s) used to measure influent or effluent flows installed and maintained in accordance with the criteria specified in regulation 401 KAR 5:005? . [401 KAR 5:005 Section 12(3)]

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**Compliance Status:** N-Not Applicable

**Comment:** The facility does not maintain a Parshall flume.

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**Requirement:** C/OM (16) - Sewage sludge. Did the facility meet the requirements governing the disposal of sewage sludge from publicly owned treatment works, in accordance with 40 CFR Part 503? . [401 KAR 5:065 Section 2(15)]

**Compliance Status:** C-No Violations observed

**Comment:** Sludge disposal is handled by Martin Haulers to Georgetown WWTP #1 approximately three times a month.

---

**Requirement:** C/OM (18) - Is the effluent in compliance with KPDES permit limitations? Do the Discharge Monitoring Reports indicate KPDES permit violations?. [401 KAR 5:065 Section 1(1)(a)]

**Compliance Status:** V-Out of Compliance-NOV

**Comment:** A review of the submitted Discharge Monitoring Reports from July 2008 through July 2010 revealed the following parameter violations: Ammonia- August 2008, May 2009, June 2009, March 2010, May 2010, and July 2010. Biochemical Oxygen Demand: June 2009, and February 2010. Total Suspended Solids in January 2010. Total Residual Chlorine in May 2010.

---

**Requirement:** R/DE (1) - Is the effluent causing degradation of the waters of the Commonwealth 401 KAR 10:031 Section 2 (1) (a, b, c, & d). [401 KAR 10:031 Section 2]

**Compliance Status:** C-No Violations observed

**Comment:** The effluent discharge area was observed during the inspection. The effluent was clear and odorless. There was not any evidence of stream degradation noted at the time of the inspection.

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**Requirement:** C/MA (1) - Are samples collected at sites specified in the KPDES permit and are they representative samples? Are flow proportioned samples obtained when required by the KPDES permit? Are grab samples collected according to the KPDES permit requirements? Are composite samples collected and analyzed according to the KPDES permit conditions? Are samples collected according to KPDES permit requirements?. [401 KAR 5:065 Section 1(1)(a)]

**Compliance Status:** C-No Violations observed

**Comment:** Grab and composite samples are collected as required. The facility uses a Global Water composite sampler for sample collection. Flow proportioned sampling is not required. The division is not present when the samples are collected from the outfalls and assumes that the samples are collected using appropriate containers, preservative, refrigeration, that holding times are observed and analyses performed as per permit specifications. The facility utilizes McCoy/McCoy Laboratories to analyze samples. The contracted lab maintains the sampling records.

---

**Requirement:** C/MA (5) - Is sampling and analysis completed on all parameters specified in the KPDES permit? . [401 KAR 5:065 Section 1(1)(a)]

**Compliance Status:** C-No Violations observed

**Comment:** Sampling and analysis is being completed on all parameters specified in the issued KPDES Permit.

---

**Requirement:** C/MA (6) - Are the facility sample collection procedures adequate? Are the samples collected in proper containers, preserved, and refrigerated properly? Are all samples analyzed within the allowed holding times? . [401 KAR 5:065 Section 1(10)(d)]

**Compliance Status:** I-No Violations obs-but impending viol trends obs

**Comment:** The division is not present when the samples are collected from the outfalls and assumes that the samples are collected using appropriate containers, preservative, refrigeration, that holding times are observed and analyses performed as per permit specifications. pH analysis is performed using a Testor pH meter. Standards were observed to be current; however, the smaller buffer bottled need to be labeled. The facility utilizes McCoy/McCoy Laboratories to analyze the samples. The contracted lab maintains the sampling records.

---

**Requirement:** C/MA (10) - Are samples taken in compliance with the monitoring requirements and taken at the following location(s): nearest accessible point after final treatment, but prior to actual discharge or mixing with receiving waters? . [401 KAR 5:065 Section 1(1)(a)]

**Compliance Status:** C-No Violations observed

**Comment:**

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**Requirement:** S/MA (11) - Is the facility sampling in accordance with sampling requirements specified for biomonitoring in the KPDES permit conditions? . [401 KAR 5:065 Section 1(1)(a)]

**Compliance Status:** N-Not Applicable

**Comment:** The facility is not required to perform biomonitoring analysis.

---

**Documentation**

Photos taken

Record of visual determination of opacity

- Documents obtained from facility
- Samples taken by outside source
- Request for Submission of Documents

- Samples taken by DEP
- Regional office instrument readings taken
- Other documentation

**Inspector:** Deborah Singleton, Environmental Inspector II

*Deborah E. Singleton*

**Date:** September 17, 2010

**Delivery Method:** Certified Mail

**Certified Mail Number:** 7009 2820 0001 8017 0845

Mallory Rain program system in  
118 etc 1

to:

Division of Water  
200 Fair Oaks Lane 3<sup>rd</sup> Floor  
Frankfort Ky 40601  
Deborah E. Dingleton Environmental Compliance II

Ms Dingleton,

In response to our Notice of Violation dated Sept 22, 2010, our plan for remedial corrective measures with regards to Ammonia violation is to continue to monitor daily and make such adjustments in the attempt to gain full compliance at all times. <sup>(DEFUSER)</sup> Also all Defusers were rebuilt to meet demand such adjustments have been made to regain & maintain compliance.

With regard to ~~total~~ total suspended solids, high rains were noted yet adjustments to chlorine were also made.

With regard to total residual chlorine, ~~total~~ total residual chlorine, ~~total~~ total residual chlorine were adjusted to regain & maintain compliance.

Should you require additional  
information please contact me at  
your convenience.

~~Best~~ Sincerely

Mark S. S. Jones



STEVEN L. BESHEAR  
GOVERNOR

LEONARD K. PETERS  
SECRETARY

**ENERGY AND ENVIRONMENT CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
DIVISION OF WATER  
200 FAIR OAKS LANE, 3RD FLOOR  
FRANKFORT KY 40601  
[www.kentucky.gov](http://www.kentucky.gov)

October 26, 2010

Mr. Mark Smith, President  
Mallard Point Disposal Systems, Inc.  
104 Teal Court  
Georgetown, Kentucky 40324

Re: Notice of Violation  
AI ID: 3917  
AI Name: Mallard Point WWTP  
Activity ID: ENV20100001  
Permit No. KY0074829 Scott County, KY

Dear Mr. Smith:

On September 22, 2010, the Division of Water issued Mallard Point WWTP a Notice of Violation (NOV). The Frankfort Regional Office appreciates Mallard Point WWTP's efforts to address the compliance issues raised by the NOV. The actions taken by Mallard Point WWTP in response to the NOV are considered sufficient at this time with regard to the violations listed in the NOV. The Cabinet reserves its rights under KRS Chapter 224 and its administrative regulations to undertake such enforcement action hereafter as it deems appropriate, which may include consideration of the compliance issues addressed by the NOV. If you have any questions, please feel free to contact me at 502-564-3358.

Sincerely,

Deborah Singleton  
Environmental Inspector II

c: Regional Office  
Main File



**2011**

**NOV**



STEVEN L. BESHEAR  
GOVERNOR

LEONARD K. PETERS  
SECRETARY

ENERGY AND ENVIRONMENT CABINET  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Division of Water  
200 Fair Oaks Ln 3rd Fl  
Frankfort, KY 40601  
www.kentucky.gov

May 12, 2011

Certified No. 7009 2820 0001 8016 6114  
Return Receipt Requested

Mr. Mark Smith, President  
Mallard Point Disposal Systems, Inc.  
104 Teal Court  
Georgetown, Kentucky 40324

Re: Inspection Report/Notice of Violation  
AI ID: 3917  
AI Name: Mallard Point WWTP  
Activity ID: ENV20110001  
Permit No. KY0074829  
Scott County, KY

Dear Mr. Smith:

The Kentucky Department for Environmental Protection (DEP) has issued the enclosed Inspection Report and Notice of Violation for violations discovered at your facility during a Division of Water inspection on April 14, 2011. Please review this Notice of Violation carefully to ensure that all remedial measures are completed by the specified deadlines.

Please note that due to the nature of the violations, this case is being considered for a referral to the Division of Enforcement; therefore, additional remedial measures may be required by that Division. Your cooperation and attention to this matter is appreciated. If you have any questions, please contact me at 502-564-3358.

Sincerely,

Connie Coy  
Environmental Inspector III  
Division of Water

Enclosures: Inspection Report/Notice of Violation  
c: Mr. Jeff Cummins, Division of Enforcement

**COMMONWEALTH OF KENTUCKY**  
**ENERGY AND ENVIRONMENT CABINET**  
**DEPARTMENT FOR ENVIRONMENTAL PROTECTION**  
**Division of Water**

**NOTICE OF VIOLATION**

**To:** Mr. Mark Smith, President  
Mallard Point Disposal Systems, Inc.  
104 Teal Court  
Georgetown, Kentucky 40324

**AI Name:** Mallard Point WWTP  
**AI ID:** 3917  
**Activity ID:** ENV20110001  
**Discovery ID:** CIN20110001  
**County:** Scott  
**Enforcement Case ID:**  
**Date(s) Violation(s) Observed:** 04/14/2011

This is to advise that you are in violation of the provisions cited below:

**1 Violation Description for Subject Item AIOO0000003917:**

The KPDES program requires permits for the discharge of pollutants from a point source into the waters of the Commonwealth. [401 KAR 5:055 Section 2]

**Description of Non Compliance:**

The facility holds KPDES Permit # KY0074829, which became effective on May 1, 2007 with an expiration date of April 30, 2012. The Division of Water processed a minor modification to this permit addressed in a letter from the division on June 25, 2007. The minor modification became effective on May 1, 2001, which is consistent with the original effective date of the permit. However, an investigation on the date of the inspection confirmed that sewage had knowingly been pumped from the lift station and released to a drainage ditch and the receiving waters on April 12, 2011. The facility does not hold an active KPDES permit for this discharge.

**The remedial measure(s), and date(s) to be completed by are as follows:**

Cease all unpermitted activities. The permittee and/or the parties responsible for operations and maintenance of the facility responsible must note that intentional pumping/discharging of sewage from the facility and/or its ancillary equipment directly to the environment is prohibited, unless prior written approval is obtained from the Division of Water. Within thirty (30) days from the receipt of this notice, the permittee shall submit a written notification to the undersigned that written procedures are in place in order to prevent similar releases in the future. The Division of Enforcement may require additional remedial measures. [401 KAR 5:055 Section 2]

**2 Violation Description for Subject Item AIOO0000003917:**

Each wastewater collection system which contains domestic sewage and consists of at least 5,000 linear feet of sewer line as described in 401 KAR 5:010 Section 2(1), (6), or (7)(a) or (e) shall be operated under the supervision of an individual holding a Kentucky collection system operator's certificate for at least the class of treatment or collection system supervised. [401 KAR 5:010 Section 2]

**Description of Non Compliance:**

The facility is not operated under the supervision of a properly certified collection system operator.

**The remedial measure(s), and date(s) to be completed by are as follows:**

Within thirty (30) days from the receipt of this notice, the permittee shall ensure the collection system is under the primary responsibility of an individual holding an active collection system certification at a level appropriate for the size of the collection or treatment facility receiving the sewage. Within the same time frame, the permittee shall submit written notification to the undersigned that the facility is in compliance with the requirements of this regulation. The Division of Enforcement may require additional remedial measures. [401 KAR 5:010 Section 2]

**3 Violation Description for Subject Item AIOO0000003917:**

Proper Operation and Maintenance. The permittee shall at all times properly operate and maintain all facilities and systems of treatment and control and related appurtenances which are installed or used by the permittee to achieve compliance with the conditions of this permit. Proper operation and maintenance also includes adequate laboratory controls, and appropriate quality assurance procedures. This provision requires the operation of back-up or auxiliary facilities or similar systems which are installed by a permittee only when the operation is necessary to achieve compliance with the conditions of the permit. [401 KAR 5:065 Section 2(1) as in 40 C.F.R. 122.41(e) ]

**Description of Non Compliance:**

An inspection of the wastewater treatment plant was conducted and an inspection/investigation of the associated lift station located at the Harbor Village subdivision. At the treatment plant the MLSS in oxidation ditches had good roll and color with aeration units working properly. The RAS units were working properly returning sludge from the bottom of the clarifiers. The sludge holding tanks were near the top level, and the digester had good aeration with some foam. The facility has Martin Sanitation scheduled for two 5,000 gallon loads to be pumped from the plant sludge tanks this week. The clarifiers had some floating "ashing", which the operator/owner stated was typical of springtime conditions, and will clear upon warmer weather. The skimmers were collecting and returning top waters to the oxidation ditches. Disinfection by tablets was observed in the weir channel and then treated by liquid chlorine in contact basin. Dechlorination is by tablet form. This treatment plant will be going offline as Georgetown completes construction of tie in for this area. After the plant inspection I was accompanied by Mark Smith to the lift station to investigate the recent reported overflow and complaint received by DOW. At the lift station there was evidence of the recent flow and lime was still observed on the ground. Mr. Smith explained that a broken line/valve on 4/12/11 had to be repaired, and he had reported this as an overflow of 500-600 gallons. He stated in discussion on 4/22/11 that he had pumped out about 100 gallons to the ground to be able to reach the valve point of the break, and that he had called Martin's but that no truck was available, and had to do what he felt necessary to get the lift station repaired. At the time of the investigation on 4/14/11, there were no odors with the 4 lift station doors opened. The facility is not being properly operated and maintained as required.

**The remedial measure(s), and date(s) to be completed by are as follows:**

The permittee must, at all times, properly operate & maintain the facility. With proper approval(s) from the Division of Water, upgrade/update the facility in order to meet the regulatory requirements and facility permit conditions. Within thirty (30) days of the receipt of this notice, the permittee shall submit a written notification to the undersigned that the permittee complies

with all requirements of its permit. The Division of Enforcement may require additional remedial measures. [401 KAR 5:065 Section 2(1)]

**4 Violation Description for Subject Item AIOO0000003917:**

No person shall directly, or indirectly, throw, drain, run or otherwise discharge into any of the waters of the Commonwealth, or cause, permit or suffer to be thrown, drained, run otherwise discharged into such waters any pollutant, or any substance that shall cause or contribute to the pollution of the waters of the commonwealth in contravention of the standards adopted by the cabinet or in contravention of any of the rules, regulations, permits, or orders of the cabinet or in contravention of any of the provisions of this chapter. [KRS 224.70-110]

**Description of Non Compliance:**

An investigation on the date of the inspection confirmed that the sewage had knowingly been pumped from the lift station and released to a drainage ditch and the receiving waters on April 12, 2011. Pollutants have entered and contributed to the pollution of the waters of the Commonwealth by a release of sewage.

**The remedial measure(s), and date(s) to be completed by are as follows:**

Immediately cease all activity, which is contributing or has contributed to the pollution of the waters of the Commonwealth. Within thirty (30) days of the receipt of this notice, the permittee/responsible party shall submit a plan of action and a schedule of implementation to the undersigned describing the necessary measures taken to address the non-compliance. Within the same time frame, the permittee shall submit a written notification to the undersigned that written procedures are in place in order to prevent similar releases in the future. The Division of Enforcement may require additional remedial measures. [KRS 224.70-110]

**5 Violation Description for Subject Item AIOO0000003917:**

Surface waters shall not be aesthetically or otherwise degraded. [401 KAR 10:031 Section 2]

**Description of Non Compliance:**

An investigation on the date of the inspection confirmed that the sewage had knowingly been pumped from the lift station and released to a drainage ditch and the receiving waters on April 12, 2011. The waters of the Commonwealth have been degraded by release of sewage to receiving waters.

**The remedial measure(s), and date(s) to be completed by are as follows:**

Immediately cease all discharges that are aesthetically or otherwise degrading the waters of the Commonwealth. The effluent must be brought into compliance so as to eliminate stream degradation. Within thirty (30) days of the receipt of this notice, the permittee/responsible party shall submit a plan of action and a schedule of implementation to the undersigned describing the necessary measures taken to address the non-compliance. Within the same time frame, the permittee shall submit a written notification to the undersigned that written procedures are in place in order to prevent similar releases in the future. The Division of Enforcement may require additional remedial measures. [401 KAR 10:031 Section 2]

**6 Violation Description for Subject Item AIOO0000003917:**

The permittee shall report any noncompliance which may endanger health or the environment. Any information shall be provided orally within 24 hours from the time the permittee becomes aware of the circumstances. A written submission shall also be provided within 5 days of the time the permittee becomes aware of the circumstances. The written submission shall contain a

description of the noncompliance and its cause; the period of noncompliance, including exact dates and times, and if the noncompliance has not been corrected, the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent reoccurrence of the noncompliance. [401 KAR 5:065 Section 2(1) as in 40 C.F.R. 122.41(1)6]

**Description of Non Compliance:**

On April 12, 2011, the Department for Environmental Protection (DEP) Emergency Response Team (ERT) received a notification from Mr. Mark Smith of Mallard Point WWTP that the Harbor Village Drive lift station was overflowing due to a line break or valve malfunction inside the pump station. However, it was later confirmed that during the repair of the lift station, an undetermined amount of sewage had knowingly been pumped from the lift station and released to a drainage ditch and the receiving waters. This release was never reported by the responsible party. The facility has failed to report spills, bypasses and/or non-compliance as required by 401 KAR 5:065 Section 2(1).

**The remedial measure(s), and date(s) to be completed by are as follows:**

The permittee must report spills, bypasses and non-compliance as required by 401 KAR 5:065 Section 2(1). Within thirty (30) days of the receipt of this notice, the permittee shall submit a written notification to the undersigned that the permittee complies with all requirements of its permit. Any permit non-compliance shall constitute a violation of the Clean Water Act and KRS 224, among which shall be the following remedies: Enforcement action, permit revocation, revocation and reissuance, or modification; or denial of permit renewal application. Within the same time frame, the permittee shall submit a written notification to the undersigned that written procedures are in place in order for the responsible parties at the facility to properly report to the Kentucky Department for Environmental Protection all releases, bypasses, non-compliances and/or overflows that are required to be reported by this regulation. The Division of Enforcement may require additional remedial measures. [401 KAR 5:065 Section 2(1)]

**7 Violation Description for Subject Item AIOO0000003917:**

Whenever, by reason of emergency or accident, a spill or discharge occurs which results in pollution of the waters of the Commonwealth, the Division of Water shall be notified by the most rapid means available. [401 KAR 5:015 Section 2]

**Description of Non Compliance:**

On April 12, 2011, the Department for Environmental Protection (DEP) Emergency Response Team (ERT) received a notification from Mr. Mark Smith of Mallard Point WWTP that the Harbor Village Drive lift station was overflowing due to a line break or valve malfunction inside the pump station. However, it was later confirmed that during the repair of the lift station, an undetermined amount of sewage had knowingly been pumped from the lift station and released to a drainage ditch and the receiving waters. This release was never reported by the responsible party. The responsible party/permittee has failed to report the spill or discharge to the Division of Water as required.

**The remedial measure(s), and date(s) to be completed by are as follows:**

All future spills/bypasses, which would result in or contribute to the pollution of the waters, must be reported to the Division of Water by the most rapid means available. Within thirty (30) days from the receipt of this notice, the permittee shall submit a written notification to the undersigned that written procedures are in place in order for the responsible parties at the facility to properly report to the Kentucky Department for Environmental Protection all releases, bypasses and/or overflows, which are required to be reported by this regulation. The Division of Enforcement may

require additional remedial measures. [401 KAR 5:015 Section 2]

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Violations of the above cited statute(s) and/or regulation(s) are subject to a civil penalty per day per violation. Violations carry civil penalties of up to \$25,000 per day per violation depending on the statutes/regulations violated. In addition, violations may be concurrently enjoined. Compliance with remedial measures and their deadlines does not provide exemption from liability for violations during the period of remediation, nor prevent additional remedial measures from being required.

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If you have questions or need further information, write or call the undersigned:

Division of Water  
Frankfort Regional Office  
200 Fair Oaks Lane, 3rd Floor  
Frankfort, KY 40601  
502-564-3358 (8:00 AM – 4:30 PM)  
Connie Coy, Environmental Inspector III



Issued By:

\_\_\_\_\_  
Connie Coy, Environmental Inspector III  
Date: May 12, 2011



Issued By:

\_\_\_\_\_  
Massoud Shoa, Environmental Control Supervisor  
Date: May 12, 2011

How Delivered: Certified Mail

Certified/Registered # 7009 2820 0001 8016 6114

**Energy and Environment Cabinet  
Department for Environmental Protection  
Division of Water  
Wastewater Inspection Report**

**AI ID:** 3917  
**AI Type:** RESIDENCE- Subdivision (nec)  
**AI Name:** Mallard Point WWTP  
**AI Address:** Wright Ln  
**City:** Georgetown (Scott), **State:** Kentucky **Zip:** 40324  
**County:** Scott **Regional Office:** Frankfort Regional Office  
**Latitude:** 38.328889 **Longitude:** -84.577222  
**Site Contact:** Mr. Mark Smith  
**Title:** Permittee/Owner **Phone #:** 502-863-6741  
**Inspection Type:** WW Routine-Min Nmun  
**Activity #:** CIN20110001  
**Incident IDs:** 2327572, 2327562  
**Inspection Start Date:** April 14, 2011 **Time:** 09:45 AM  
**Inspection End Date:** April 14, 2011 **Time:** 11:10 AM  
**Site/Permit ID:** KY0074829

**Lead DEP Investigator:** Connie Coy  
**Other DEP Investigators:**  
**External Investigators:**  
**Persons Interviewed:** Mark Smith; Noel G. Norton

**General Comments:**  
KPDES Permit #KY0074829  
GPS location at plant: N 38.3289 W -84.5772  
GPS location at lift station: N38° 18' 8.3", W84° 33' 47.6"

This report documents an inspection of the Mallard Point WWTP wastewater treatment plant, and an inspection/investigation of the associated lift station located at the Harbor Village subdivision. The wastewater treatment plant appeared to be operating properly at the time of the inspection. The plant is scheduled to go offline in the coming months as this area connects to the City of Georgetown. The plant operator has an active wastewater treatment plant operator's license, but does not hold a collection system certification. This additional license will need to be obtained for operation of this plant.

After the plant inspection, I was accompanied by Mark Smith to the Harbor Village lift station in order to investigate the recent reported overflow and complaint received by DOW that sewage is being pumped out of a lift station at Mallard Point WWTP and discharged to the street and the creek on 4/12/11. Mr. Smith had reported this release as an overflow of 500-600 gallons on 4/12/11. He stated in a further discussion with me on 4/22/11 that he had pumped out about 100 gallons to the ground to be able to reach the valve point of the break, and that he had called Martin's, but that no truck was available, and had to do what he felt necessary to get the lift station



repaired. At the time of my investigation on 4/14/11 there were no odors with the 4 lift station doors opened. This investigation confirmed that the sewage had knowingly been pumped from the lift station and released to a drainage ditch and the receiving waters.

**Overall Compliance Status:** Out of Compliance- NOV

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**Investigation Results**

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**SI:** AIO03917

**SI Description:**

**Inspector Comment:** Inspection of Mallard Point WWTP, and investigation of the associated Harbor Village lift station.

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**Requirement:** Does the facility hold the proper KPDES permit?. [401 KAR 5:055 Section 2]

**Compliance Status:** V-Out of Compliance-NOV

**Comment:** The facility holds KPDES Permit # KY0074829, which became effective on May 1, 2007 with an expiration date of April 30, 2012. The Division of Water processed a minor modification to this permit addressed in a letter from the division on June 25, 2007. The minor modification became effective on May 1, 2001, which is consistent with the original effective date of the permit. However, an investigation on the date of the inspection confirmed that sewage had knowingly been pumped from the lift station and released to a drainage ditch and the receiving waters on April 12, 2011. The facility does not hold an active KPDES permit for this discharge.

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**Requirement:** Is the facility being operated under the supervision of a properly certified operator? [401 KAR 5:010 Section 1].

**Compliance Status:** C-No Violations observed

**Comment:** The facility is operated under Noel G. Norton who holds an active Class IV operator's license # 5208.

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**Requirement:** Is the collection system under the primary responsibility of an individual who holds an active collection system certification at the level appropriate for the size of the treatment facility receiving the waste? [401 KAR 5:010 Section 2].

**Compliance Status:** V-Out of Compliance-NOV

**Comment:** The facility is not operated under the supervision of a properly certified collection system operator.

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**Requirement:** Is the facility being properly operated and maintained as specified in regulation 5:065? This includes:  
(a) proper operation and maintenance of all facilities, systems of treatment and control, and related appurtenances which are installed or used by the permittee to achieve compliance with permit conditions;  
(b) proper operation and maintenance also includes adequate laboratory controls, and appropriate quality assurance procedures;  
(c) this provision also requires the operation of back-up or auxiliary facilities or similar systems which are installed by a permittee only when the operation is necessary to achieve compliance with the conditions of the permit. [401 KAR 5:065 Section 2(1)].

**Compliance Status:** V-Out of Compliance-NOV

**Comment:** An inspection of the wastewater treatment plant was conducted and an inspection/investigation of the associated lift station located at the Harbor Village subdivision. At the treatment plant the MLSS in oxidation ditches had good roll and color with aeration units working properly. The RAS units were working properly returning sludge from the bottom of the clarifiers. The sludge holding tanks were near the top level, and the digester had good aeration with some foam. The facility has Martin Sanitation scheduled for two 5,000 gallon loads to be pumped from the plant sludge tanks this week. The clarifiers had some floating "ashing", which the operator/owner stated was typical of springtime conditions, and will clear upon warmer weather. The skimmers were collecting and returning top waters to the oxidation ditches. Disinfection by tablets was observed in the weir channel and then treated by liquid chlorine in contact basin. Dechlorination is by tablet form. This treatment plant will be going offline as Georgetown completes construction of tie in for this area. After the plant inspection I was accompanied by Mark Smith to the lift station to investigate the recent reported overflow and complaint received by DOW. At the lift station there was evidence of the recent flow and lime was still observed on the ground. Mr. Smith explained that a broken line/valve on 4/12/11 had to be repaired, and he had reported this as an overflow of 500-600 gallons. He stated in discussion on 4/22/11 that he had pumped out about 100 gallons to the ground to be able to reach the valve point of the break, and that he had called Martin's but that no truck was available, and had to do what he felt necessary to get the lift station repaired. At the time of the investigation on 4/14/11, there were no odors with the 4 lift station doors opened. The facility is not being properly operated and maintained as required.

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**Requirement:** Are the disinfection unit(s) maintained and operated properly to allow for compliance with permit

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conditions? [401 KAR 5:005 Section 11]

**Compliance Status:** C-No Violations observed

**Comment:** Disinfection by tablets was observed in the weir channel and then further treatment is by liquid chlorine in contact basin. Dechlorination is by tablet form.

**Requirement:** Have pollutants entered the waters of the Commonwealth? [KRS 224.70-110].

**Compliance Status:** V-Out of Compliance-NOV

**Comment:** An investigation on the date of the inspection confirmed that the sewage had knowingly been pumped from the lift station and released to a drainage ditch and the receiving waters on April 12, 2011. Pollutants have entered and contributed to the pollution of the waters of the Commonwealth by a release of sewage.

**Requirement:** Have surface waters been aesthetically or otherwise degraded? [401 KAR 10:031 Section 2].

**Compliance Status:** V-Out of Compliance-NOV

**Comment:** An investigation on the date of the inspection confirmed that the sewage had knowingly been pumped from the lift station and released to a drainage ditch and the receiving waters on April 12, 2011. The waters of the Commonwealth have been degraded by release of sewage to receiving waters.

**Requirement:** Is the permittee in compliance for the reporting of spills, bypasses, and non-compliance according 401 KAR 5:065 Section 2(1). [401 KAR 5:065 Section 2(1)].

**Compliance Status:** V-Out of Compliance-NOV

**Comment:** On April 12, 2011, the Department for Environmental Protection (DEP) Emergency Response Team (ERT) received a notification from Mr. Mark Smith of Mallard Point WWTP that the Harbor Village Drive lift station was overflowing due to a line break or valve malfunction inside the pump station. However, it was later confirmed that during the repair of the lift station, undetermined amount sewage had knowingly been pumped from the lift station and released to a drainage ditch and the receiving waters. This release was never reported by the responsible party. The facility has failed to report spills, bypasses and/or non-compliance as required by 401 KAR 5:065 Section 2(1).

**Requirement:** Did the facility notify the Division of Water by the most rapid means available whenever, by reason of emergency or accident, a spill or discharge occurs which results in pollution of the waters of the Commonwealth? [401 KAR 5:015 Section 2].

**Compliance Status:** V-Out of Compliance-NOV

**Comment:** On April 12, 2011, the Department for Environmental Protection (DEP) Emergency Response Team (ERT) received a notification from Mr. Mark Smith of Mallard Point WWTP that the Harbor Village Drive lift station was overflowing due to a line break or valve malfunction inside the pump station. However, it was later confirmed that during the repair of the lift station, undetermined amount sewage had knowingly been pumped from the lift station and released to a drainage ditch and the receiving waters. This release was never reported by the responsible party. The responsible party/permittee has failed to report the spill or discharge to the Division of Water as required.

**Documentation**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Photos taken                        | <input type="checkbox"/> Record of visual determination of opacity |
| <input type="checkbox"/> Documents obtained from facility               | <input type="checkbox"/> Samples taken by DEP                      |
| <input type="checkbox"/> Samples taken by outside source                | <input type="checkbox"/> Regional office instrument readings taken |
| <input checked="" type="checkbox"/> Request for Submission of Documents | <input type="checkbox"/> Other documentation                       |

**Inspector:** Connie Coy, Environmental Inspector III



**Date:** May 12, 2011

**Delivery Method:** Certified Mail

**Certified Mail Number:** 7009 2820 0001 8016 6114

Mark ✓

**Mallard Point Disposal Systems, Inc.**  
**118 South Broadway**  
**Georgetown, Kentucky 40324**

May 28, 2011

Ms. Connie Coy  
Environmental Inspector III  
Division of Water  
200 Fair Oaks Lane 3<sup>rd</sup> Floor  
Frankfort, KY 40601

Dear Ms. Coy:

I am in receipt of the Notice of Violation and am stunned at its content.

The occurrence that precipitated the Division of Water (DOW) inspection was not only quite rare, but very simple. The occurrence of all the following actions taken by the utility were the most appropriate and expeditious that could have been taken to correct what would be later determined as a line break within the Harbor Village pump station, to contain the spillage of any addition wastewater as a result of that break.

A) Utility's Statement of Occurrence

On April 12, 2011, I was contacted by a resident of Harbor Village at or about 11 a.m. and informed that wastewater was flowing out of the Harbor Village pump station. I arrived with my maintenance staff in less than fifteen minutes of that notification to survey the situation, and determine what had occurred.

Simultaneously, I contacted the EPA notification line (800-928-2380) and reported a "bypass or line break" at the Harbor Village pump station. I was asked by them to call back when repairs were completed. At this time, I did not know *if* the break was in a line inside the pump station or outside of the pump station.

I then called Mike Thornton of Martin Sanitation to see if a pumper truck was available *if* it was determined that the line break was inside the pump station so wastewater could be relieved to facilitate inspection and repairs. I was informed that they had no truck available at that time. I also

attempted to contact Wilson Pumping and was unable to contact anyone with that service. During this entire time residents of adjacent homes are taking pictures of our efforts.

Upon determining by the roll of water within the pump station that the line break was indeed inside, the pump station was shut down and it was necessary and essential that approximately 100 gallons were relieved by pump to gain access to the line to be inspected and repaired.

In pumping the approximate 100 gallons, NO WASTEWATER WAS ADDED TO THE SPILL RESULTING FROM THE LINE BREAK THAT ALREADY EXISTED AND WAS FLOWING. THIS WASTEWATER HAD ALREADY SPILLED AN WAS MERELY BROUGHT TO A LEVEL BELOW THE BREAK SO REPAIRS COULD BE MADE.

Had these actions not been taken, further spillage in the 1000's of gallons would have continued to occur before "other alternatives" could have been implemented and employed. Repairs were completed in approximately 2 ½ hours and so reported to the EPA by a call to (800) 928-2380.

During this call I was informed by the gentleman (whose name I do not recall at this time) that a complaint had been filed against us for this occurrence by a Harbor Village resident. I could only assume it was the same individual who had been present taking pictures. That was later confirmed by Ms. Coy during her inspection.

Upon completion of repairs, clean up efforts were made to the entire area and a hydrated line was applied to the spill including the drainage ditch by the roadway to a length of approximately 300 feet.

Simply put, we relieved 100 gallons and fixed the problem as opposed to waiting up to twenty-four hours for an available truck and allowing 10,000+ gallons to continue to spill.

B) Synopsis of Occurrence

1. On 4/12/11, a sewer line broke at the Harbor Village pump station.
2. The utility's owner and maintenance staff responded in less than fifteen minutes to the phone call reporting this occurrence to them.
3. The utility's owner immediately reported this occurrence to the EPA reporting line.

4. All actions were taken to correct the occurrence and minimize any and all spillage. Occurrence was corrected in approximately 2 ½ hours and reported same to the EPA report line.
5. All clean-up efforts were made.

C) Statement of pumping approximately 100 gallons of wastewater from the Harbor Village pump station on the ground.

A primary pump station had a line break, wastewater was flowing from it across the ground. Calls were made to multiple pumpers which were unavailable or contact could not be made.

The utility was placed in the position of doing nothing, while waiting on a pumper to become available, estimated at the next day, with an estimate that 10,000 gallons would spill, or relieve approximately 100 gallons from the pump station which allowed for the repairs to be made, end the occurrence and allow clean up to be facilitated.

It is our opinion that we acted in all ways, expeditiously and professionally to eliminate the occurrence with the least environmental impact possible.

Response to Notice of Violation by Number

- 1) Repairs are complete. Utility does note that pumping of wastewater will not occur without prior permission of the DOW. Written procedures are in place.
- 2) The utility's class IV operator was present during our inspection with Ms. Coy and discussed with her that he is in the process of obtaining this newly required certification and even whom he discussed this with at the DOW.

I would ask that the time frame be extended to allow him to fulfill his requirements in this area. He has operated this utility for over twenty years. Further, this utility is in negotiations to be acquired by Georgetown Municipal Water and Sanitary Sewer within the coming months. It is my hope that these circumstances justify this request.

- 3) This numbered NOV references the pump station at Harbor Village with a single sentence. "The facility is not being properly operated and maintained as required. The utility takes exception to this statement.
  - a. A line broke through no fault of anyone.

- b. Upon DOW inspection the pump station was in good working order.
  - c. Pump station was clean with no residual build-up.
  - d. Pump station had no odor as referenced in the report.
  - e. Utility has operated this pump station for over two decades with stellar results. The utility complies with its requirement on operations with regard to this pump station.
- 4) With regard to the violation I would direct you to Utility's Statement of Occurrence A), Synopsis of Occurrence B), Statement of Pumping C) preceding.
- 5) Same as answers to 4).
- 6) Same as answers to 5).
- 7) Same as answer to 6).

It is with the utmost respect that I state in closing that the utility did act with the utmost haste, professionalism, and in all ways to minimize the April 12, 2011, occurrence from its impact to the environment and undertook all efforts to neutralize health concerns during its clean up.

Lines, pipes, and mechanical systems break. It has always been our attempt to provide best service, and best efforts in our duties and performance.

Most Respectfully,

Mark S. Smith  
President

Cc: Mr. Tom Gabbard, Director, Division of Water  
Mr. James Mooney, Moynahan, Irvin & Mooney Attorneys  
Mr. Jeff Cummins, Division of Enforcement

4. Describe the current status of the proposed agreed order that is attached to the Asset Transfer Agreement.

**RESPONSE:**

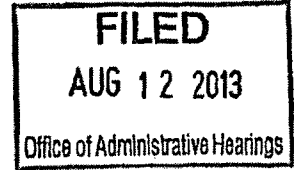
The proposed Agreed Order has now been executed by all the necessary parties. The executed Agreed Order is identical to the proposed Agreed Order, which was attached as Exhibit 2 to the Asset Purchase Agreement.

The Agreed Order was approved by Leonard K. Peters, Secretary of the Energy and Environment Cabinet, on August 12, 2013.

Mallard Point Disposal has already paid the first \$1,000 installment of the \$4,000 civil penalty. The remaining \$3,000 will be paid by Mallard Point Disposal at the Closing.

**WITNESS:** Mark S. Smith, President and Sole Shareholder, Mallard Point Disposal

DOW 110147



COMMONWEALTH OF KENTUCKY  
ENERGY AND ENVIRONMENT CABINET  
DIVISION OF ENFORCEMENT  
CASE NO. DOW 110147

IN RE: Mallard Point Disposal Systems, Inc.  
Wright Lane  
Georgetown, KY 40324  
AI No. 3917  
Activity ID No. ERF 20110001

**AGREED ORDER**

\*\*\*\*\*

WHEREAS, the parties to this Agreed Order, the Energy and Environment Cabinet (hereinafter "Cabinet") and Mallard Point Disposal Systems, Inc (hereinafter "MPDS") state:

**STATEMENTS OF FACT**

1. The Cabinet is charged with the statutory duty of enforcing KRS Chapter 224 and the regulations promulgated pursuant thereto.
2. MPDS, a Kentucky corporation in good standing with the Kentucky Secretary of State Office, owns and operates a wastewater treatment plant (hereinafter "facility"), as that term is defined in 401 KAR 5:002, in Georgetown, Scott County, Kentucky.
3. MPDS holds Kentucky Pollutant Discharge Elimination System (hereinafter "KPDES") Permit Number KY0074829, issued by the Cabinet's Division of Water, for the facility described in paragraph 2.
4. On or about August 26, 2008, an authorized representative of the Cabinet conducted a file review of MPDS's Discharge Monitoring Reports, and identified alleged violations of KRS Chapter 224 and the regulations promulgated pursuant thereto at the facility described in paragraph 2. On September 4, 2008, the Cabinet issued MPDS a Notice of Violation citing 401 KAR 5:065 Section 1(1)(a), for the following alleged violations:



- a. MPDS failed to comply with the terms and conditions of KPDES Permit No. KY0074829, for Ammonia during the months of June and July of 2007, June, July, August, and September of 2008; and for E. coli during the month of July 2007.

5. On or about September 13, 2010, an authorized representative of the Cabinet conducted a file review of MPDS's Discharge Monitoring Reports, and identified alleged violations of KRS Chapter 224 and the regulations promulgated pursuant thereto at the facility described in paragraph 2. On September 22, 2010, the Cabinet issued MPDS a Notice of Violation citing 401 KAR 5:065 Section 1(1)(a), for the following alleged violations:

- a. MPDS failed to comply with the terms and conditions of KPDES Permit No. KY0074829, for Ammonia during the months of May and June of 2009, March, May, and July of 2010; for Biochemical Oxygen Demand during the months of June of 2009 and February of 2010; for Total Suspended Solids during the month of January of 2010; and for Total Residual Chlorine during the month of May of 2010.

6. On or about April 14, 2011, an authorized representative of the Cabinet conducted an inspection of the facility described in paragraph 2, and identified the following alleged violations of KRS Chapter 224 and the regulations promulgated pursuant thereto:

- a. 401 KAR 5:055 Section 2: Unpermitted discharge of sewage from MPDS' lift station to a drainage ditch on April 12, 2011;
- b. 401 KAR 5:010 Section 2: MPDS was operating without the supervision of a properly certified collection system operator;

- c. 401 KAR 5:065 Section 2(1): MPDS was not properly operating and maintaining its facility as required;
- d. KRS 224.70-110: MPDS cause pollutants to enter and contribute to the pollution of the waters of the Commonwealth by a release of sewage;
- e. 401 KAR 10:031 Section 2: MPDS degraded the waters of the Commonwealth by a release of sewage;
- f. 401 KAR 5:065 Section 2(1): MPDS failed to report a release of sewage as required; and
- g. 401 KAR 5:015 Section 2: MPDS failed to notify the Division of Water of a release of sewage.

7. On May 12, 2011, the Cabinet issued MPDS a Notice of Violation for the alleged violations described in paragraph 6, above.

8. MPDS represents that the City of Georgetown will accept all of its flow and connection will be completed no later than one year from the execution of this Agreed Order.

9. A representative of MPDS attended administrative conferences at the Cabinet's Division of Enforcement (hereinafter "DENF") in Frankfort, Kentucky on July 21, 2011, and July 30, 2012. After continued negotiations, MPDS agreed to the entry of this Agreed Order to resolve the alleged violations. MPDS neither admits nor denies the allegations contained in the Notices of Violation.

**NOW THEREFORE**, in the interest of settling all civil claims and controversies involving the alleged violations described above, the parties hereby consent to the entry of this Agreed Order and agree as follows:

**REMEDIAL MEASURES**

10. MPDS shall perform the following remedial measures as specified herein:
  - a. At all times, report to the Cabinet all spills, bypass discharges, upset condition discharges, or the releases of substances from its facility, which would result in or contribute to the pollution of the waters of the Commonwealth, including emergency and accidental releases, in accordance with KRS 224.01-400, 401 KAR 5:015, and 401 KAR 5:065. MPDS shall make its initial report of the above discharges or releases to the Division of Water's Frankfort Regional Office or the Cabinet's 24-hour notification number;
  - b. At all times, provide for proper and regular operation and maintenance to its sewage collection system and wastewater treatment plant, in accordance with 401 KAR 5:065 and its permit conditions; and,
  - c. Within one year of the execution of this Agreed Order, connect to Georgetown's wastewater treatment plant, and submit a Closure Plan and a completed No Discharge Certification for the existing wastewater treatment plant, to the Division of Water in accordance with 401 KAR 5:005.

**CIVIL PENALTIES**

11. MPDS shall pay the Cabinet a civil penalty in the amount of four thousand dollars (\$4,000) for the alleged violations described in paragraphs 4 through 7 above. The civil penalty shall be paid in four (4) equal installments of one thousand dollars (\$1,000) each. The first payment shall be due within thirty (30) days of the execution of the Agreed Order. The remaining three (3) payments shall be due within one hundred twenty (120), two hundred ten (210), and three hundred (300) days of the execution of the Agreed Order. If MPDS fails to pay any installment in full by the due dates stated in this paragraph, the entire outstanding balance of

the civil penalty shall be immediately due and payable in full within fifteen (15) days of receipt of written notice from the Cabinet.

12. Payment of the civil penalty shall be by cashier's check, certified check, or money order, made payable to "Kentucky State Treasurer" and sent to the attention of the Director, Division of Enforcement, Department for Environmental Protection, 300 Fair Oaks Lane, Frankfort, Kentucky 40601; note DOW 110147 on the instrument of payment.

#### MISCELLANEOUS PROVISIONS

13. This Agreed Order addresses only the alleged violations specifically described above. Other than those matters resolved by entry of this Agreed Order nothing contained herein shall be construed to waive or to limit any remedy or cause of action by the Cabinet based on statutes or regulations under its jurisdiction and MPDS reserves its defenses thereto. The Cabinet expressly reserves its right at any time to issue administrative orders and to take any other action it deems necessary that is not inconsistent with this Agreed Order, including the right to order all necessary remedial measures, assess penalties for violations, or recover all response costs incurred, and MPDS reserves its defenses thereto.

14. This Agreed Order shall not prevent the Cabinet from issuing, reissuing, renewing, modifying, revoking, suspending, denying, terminating, or reopening any permit to MPDS. MPDS reserves its defenses thereto, except that MPDS shall not use this Agreed Order as a defense.

15. MPDS waives its right to any hearing on the matters admitted herein. However, failure by MPDS to comply strictly with any or all of the terms of this Agreed Order shall be grounds for the Cabinet to seek enforcement of this Agreed Order in Franklin Circuit Court and to pursue any other appropriate administrative or judicial action under KRS Chapter 224, and the

regulations promulgated pursuant thereto.

16. The Agreed Order may not be amended except by a written order of the Cabinet's Secretary or his designee. MPDS may request an amendment by writing the Director of the Division of Enforcement at 300 Fair Oaks Lane, Frankfort, Kentucky 40601 and stating the reasons for the request. If granted, the amended Agreed Order shall not affect any provision of this Agreed Order unless expressly provided in the amended Agreed Order.

17. The Cabinet does not, by its consent to the entry of this Agreed Order, warrant or aver in any manner that MPDS's complete compliance with this Agreed Order will result in compliance with the provisions of KRS Chapter 224, and the regulations promulgated pursuant thereto. Notwithstanding the Cabinet's review and approval of any plans formulated pursuant to this Agreed Order, MPDS shall remain solely responsible for compliance with the terms of KRS Chapter 224, and the regulations promulgated pursuant thereto, this Agreed Order and any permit and compliance schedule requirements.

18. MPDS shall give notice of this Agreed Order to any purchaser, lessee or successor in interest prior to the transfer of ownership and/or operation of any part of its now-existing facility occurring prior to termination of this Agreed Order, shall notify the Cabinet that such notice has been given, and shall follow all statutory and regulatory requirements for a transfer. Whether or not a transfer takes place, MPDS shall remain fully responsible for payment of all civil penalties and response costs and for performance of all remedial measures identified in this Agreed Order.

19. The Cabinet agrees to allow the performance of the above-listed remedial measures and payment of civil penalties by MPDS to satisfy MPDS's obligations to the Cabinet generated by the violations described above.

20. The Cabinet and MPDS agree that the remedial measures agreed to herein are facility-specific and designed to comply with the statutes and regulations cited herein. This Agreed Order applies specifically and exclusively to the unique facility referenced herein and is inapplicable to any other facility.

21. Compliance with this Agreed Order is not conditional on the receipt of any federal, state, or local funds.

22. This Agreed Order shall be of no force and effect unless and until it is entered by the Secretary or his designee as evidenced by his signature thereon. If this Agreed Order contains any date by which MPDS is to take any action or cease any activity, and the Secretary enters the Agreed Order after that date, then MPDS is nonetheless obligated to have taken the action or ceased the activity by the date contained in this Agreed Order.

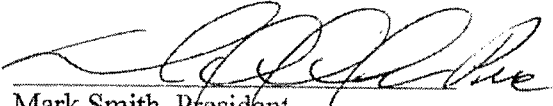
**TERMINATION**

23. This Agreed Order shall terminate upon MPDS's completion of all requirements described in this Agreed Order. MPDS may submit written notice to the Cabinet when it believes all requirements have been performed. The Cabinet shall respond to MPDS's written request within sixty (60) days of receipt. The Cabinet reserves its right to enforce this Agreed Order, and MPDS reserves its right to file a petition for hearing pursuant to KRS 224.10-420(2) contesting the Cabinet's determination.

DOW 110147

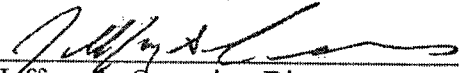
CASE NO. DOW 110147

**AGREED TO BY:**

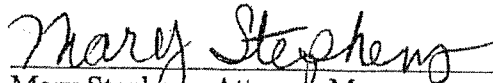
  
\_\_\_\_\_  
Mark Smith, President  
Mallard Point Disposal Systems, Inc.

7-18-13  
Date


**APPROVAL RECOMMENDED BY:**

  
\_\_\_\_\_  
Jeffrey A. Cummins, Director  
Division of Enforcement

7/22/2013  
Date

  
\_\_\_\_\_  
Mary Stephens, Attorney Manager  
Water Legal Section  
Environmental Protection Legal Division

7/25/13  
Date

  
\_\_\_\_\_  
C. Michael Haines, General Counsel  
Energy and Environment Cabinet

7.26.13  
Date



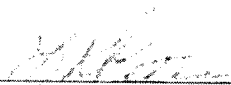
DOW 110147

CASE NO. DOW 110147

ORDER

Wherefore, the foregoing Agreed Order is entered as the final Order of the Energy and Environment Cabinet this 12<sup>th</sup> day of August, 2013.

ENERGY AND ENVIRONMENT CABINET

  
\_\_\_\_\_  
LEONARD K. PETERS, SECRETARY

**CERTIFICATE OF SERVICE**

I hereby certify that a true and accurate copy of the foregoing **AGREED ORDER** was mailed, postage prepaid, to the following this 12<sup>th</sup> day of August, 2013.

Mr. Mark Smith  
Mallard Point Disposal Systems, Inc.  
118 South Broadway  
Georgetown, KY 40324

And mailed, messenger to:

Jeffrey A Cummins, Director  
Division of Enforcement  
300 Fair Oaks Lane  
Frankfort, Kentucky 40601

Mary Stephens, Attorney Manager  
Office of General Counsel  
Water Legal Section  
200 Fair Oaks Lane, First Floor  
Frankfort, Kentucky 40601

  
\_\_\_\_\_  
DOCKET COORDINATOR

LTS  
BGD  
FBT  
SH  
BB

5. Provide a copy of the final engineering report, including the design specifications, for the wastewater pumping station that Georgetown intends to construct to serve the area that Mallard Point Disposal presently serves.

**RESPONSE:**

There is no Final Engineering Report. A compact disc (CD) containing an electronic version in portable document format (pdf) of the plans, engineering drawings, and design specifications for the wastewater pumping station is attached to this response (only 1 CD is being submitted). Previously, Georgetown's consulting engineering firm, Kentucky Engineering Group, submitted a copy of this CD to the Commission's Engineering Department to expedite the Commission's review.

Also attached to this response is a copy of the September 26, 2013 email memo from Bryan K. Lovan of the Kentucky Engineering Group to George W. Wakim of the PSC Engineering Staff. This email memo answers three (3) questions posed by Mr. Wakim to Mr. Lovan concerning hydraulic calculations, design capacity, and flow rates.

Finally, to assist the Commission's review of this matter, a copy of the Kentucky Division of Water's Approval Letter dated August 12, 2013 is attached.

**WITNESS:** Bryan K. Lovan, P.E., PLS, Kentucky Engineering Group, PLLC

## Damon Talley

---

**From:** Bryan Lovan <blovan@kyengr.com>  
**Sent:** Thursday, September 26, 2013 3:30 PM  
**To:** 'Wakim, George W (PSC)'; 'Damon Talley'  
**Cc:** 'Wuetcher, Jerry (PSC)'; 'Rice, James D (PSC)'; 'Robert Wilhite'; 'Daryl Mulder'; 'Vickie Dunn'  
**Subject:** RE: Mallard Point - Response to PSC Comments

George,

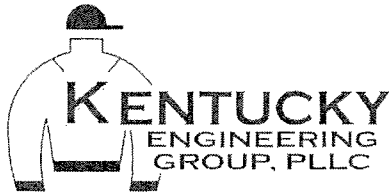
Here are my responses to your comments. Let me know if you have any questions.

1. The hydraulic calculations and the assumptions used to size the proposed pumps in the proposed lift station and the corresponding force main that ties into the existing Georgetown system existing force main. - **The Mallard Point WWTP has a customer count of approximately 500 customers with an estimated sewer flow of 300 gallons per day (500 customers x 300 GPD = 150,000 GPD). The Wrights Lane pump station was sized based on the design capacity of the Mallard Point Disposal WWTP of 150,000 gpd (ADF) with a peaking factor (PF) of 4 times the average daily flow. The pump station capacity will be 150,000 GPD x 4 PF = 600,000 GPD (420 gpm). The actual pumping capacity of the selected pumps will be approximately 500 gpm. The pump station is designed for a future capacity of 820 gpm, should additional growth occur in the area.**

**Additional, the Harbor Village pump station will be pumping directly into the existing GMWSS force main with this project and not to the Mallard Point WWTP, thus off-loading the Mallard Point WWTP (and ultimately Wrights Lane pump station). The existing capacity of the Harbor Village pump station was approximately 200 gpm and GMWSS will be upgrading the station to 300 gpm.**

**The existing GMWSS 10-inch force main along US HWY 25 has a capacity of approximately 1,000 gpm.**

2. The design capacity of the Georgetown WWTP2 and its corresponding KPDES permitted capacity. - **The design capacity and the KPDES permitted capacity of GMWSS WWTP #2 is 2.2 MGD.**
3. The current flow rate through the Georgetown Plant no. 2. - **The current flow rate through GMWSS WWTP #2 is approximately on an annual average daily flow of 0.80 MGD to 1.1 MGD.**



**Bryan K. Lovan, PE, PLS**  
**Kentucky Engineering Group, PLLC**  
P.O. Box 1034  
Versailles, KY 40383  
Office: 859.251.4127  
Office Fax: 859.251.4137  
Cell: 859.351.1714  
e-mail: [blovan@kyengr.com](mailto:blovan@kyengr.com)

Notice: The information contained in this communication is privileged and confidential. It is intended only for the recipient named above. If you have received this communication in error, please contact the sender at (859) 251-4127 and delete this message from your system.

**From:** Wakim, George W (PSC) [<mailto:GeorgeW.Wakim@ky.gov>]  
**Sent:** Friday, September 20, 2013 10:24 AM  
**To:** Damon Talley  
**Cc:** Lovan, Bryan; Wuetcher, Jerry (PSC); Rice, James D (PSC)  
**Subject:** RE: Mallard Point

Dear Damon, in an effort to save time, in order for me to verify that the Georgetown Sewer System (WWTP2) has the additional capacity to receive the additional flow from Mallard Point, I would at least need the following:

4. The hydraulic calculations and the assumptions used to size the proposed pumps in the proposed lift station and the corresponding forcemain that ties into the existing Georgetown system existing forcemain.
5. The design capacity of the Georgetown WWTP2 and its corresponding KPDES permitted capacity.
6. The current flow rate through the Georgetown Plant no. 2.

Please advise. Thanks.

*George*

**From:** Damon Talley [<mailto:drtalley@windstream.net>]  
**Sent:** Thursday, September 19, 2013 4:19 PM  
**To:** Wakim, George W (PSC)

**Cc:** Lovan, Bryan  
**Subject:** Mallard Point

George,

Attached is the 8-12-13 DOW Approval Letter concerning the US 25 – Wright’s Lane Wastewater Pump Station. The Approval Letter will be included as part of Mallard Point and Georgetown’s Response to the PSC Information Request.

If you need a vicinity map or any other specific information that is not on the CD that was supplied to you, please contact Bryan Lovan directly. Bryan’s email address is; [blovan@kyengr.com](mailto:blovan@kyengr.com) . His cell number is; 859-351-1714.

Damon R. Talley  
Damon R. Talley, P.S.C.  
P O Box 150  
Hodgenville, KY 42748  
PH: (270) 358-3187  
Fax: (270) 358-9560  
[drtalley@windstream.net](mailto:drtalley@windstream.net)



STEVEN L. BESHEAR  
GOVERNOR

LEONARD K. PETERS  
SECRETARY

ENERGY AND ENVIRONMENT CABINET  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
DIVISION OF WATER  
200 FAIR OAKS LANE, 4TH FLOOR  
FRANKFORT, KENTUCKY 40601  
[www.kentucky.gov](http://www.kentucky.gov)

August 12, 2013

Mr. Robert Wilhite  
125 West Clinton Street  
Georgetown, KY 40324

Re: 2013 Wastewater System Improvements- US 25 Wrights Lane  
Pump Station and Force Main  
Scott County, Kentucky  
Project ID #: 13-0441  
Georgetown WWTP No 2  
Activity ID #: 3908, APE20130001  
Receiving Treatment Plant KPDES #: KY0082007

Dear Mr. Wilhite:

We have reviewed the plans and specifications for the above referenced project. The plans include the construction of approximately a Centrifugal Pump station with two pumps sized at 500 gpm/200 TDH and 600 ft of 8-inch PVC force main. This is to advise that plans and specifications for the above referenced project are APPROVED with respect to sanitary features of design, as of this date with the requirements contained in the attached construction permit.

If we can be of any further assistance or should you wish to discuss this correspondence, please do not hesitate to contact Mr. Fred Sarabi at 502-564-8158 extension 4825.

Sincerely,

Mark Rasche, P.E.  
Supervisor, Engineering Section  
Water Infrastructure Branch  
Division of Water

MR / FS

Enclosures

c: Scott County Health Department  
Bryan K. Lovan /KY Engineering Group, PLLC  
Division of Plumbing (by e-mail only)

**Sewer Line Construction**

Georgetown WWTP No 2  
Facility Requirements

Activity ID No.: APE20130001

**GACT0000000003 (2013 WW System Impro(US-25-Wrights) and FM) a Centrifugal Pump station with Two pumps sized at 500 gpm/200 TDH an 600 ft of 8-inch PVC force main.:**

**Submittal/Action Requirements:**

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Condition No.	Condition
S-1	When this project is completed, the applicant shall: submit written certification: Due 30 calendar days after Completion of Construction to the Division of Water that the facilities have been constructed and tested in accordance with the approved plans and specifications and the approval conditions. Such certification shall be signed by a registered professional engineer. Failure to certify may result in penalty assessment and/or future approvals being withheld. [401 KAR 5:005 Section 24(2)]

**Narrative Requirements:**

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Condition No.	Condition
T-1	The plans and specifications submitted for the project are approved by the Department of Environmental Protection as to sanitary features, subject to the requirements contained within the permit. [401 KAR 5:005 Section 24(3)]
T-2	Authority to construct these sewers is hereby granted. This approval is issued under the provisions of KRS Chapter 224.10-100 (19) regulations promulgated pursuant thereto. Issuance of this permit does not relieve the permittee from the responsibility of obtaining any permits or licenses required by this cabinet and other state, federal, and local agencies. [401 KAR 5:005 Section 24(3)(c)2]
T-3	A permit to construct a facility shall be effective and valid for twenty-four (24) months upon issuance unless otherwise conditioned. If construction has not commenced within twenty-four (24) months following a permit's issuance, a new permit shall be obtained before construction may begin. [401 KAR 5:005 Section 24(1)]
T-4	The permit is issued to the applicant, and the permittee shall remain the responsible party for compliance with all applicable statutes and administrative regulations until a notarized applicable change in ownership certification is submitted and the transfer of ownership is acknowledged by the cabinet. [401 KAR 5:005 Section 28(1)]
T-5	The issuance of a permit by the cabinet does not convey any property rights of any kind or any exclusive privilege. [401 KAR 5:005 Section 24(5)]
T-6	There shall be no deviations from the plans and specifications submitted with the application or the conditions specified, unless authorized in writing by the cabinet. [401 KAR 5:005 Section 24(3)(b)1]



## Sewer Line Construction

Georgetown WWTP No 2  
Facility Requirements

Activity ID No.: APE20130001

Page 2 of 5

### Narrative Requirements:

Condition No.	Condition
T-7	<p>For subfluvial pipe crossings, a floodplain construction permit will not be required pursuant to KRS 151.250, if the following requirements of 401 KAR 4:050 Section 2 are met:</p> <ol style="list-style-type: none"><li>1) During the construction of the crossing, no material may be placed in the stream or in the flood plain of the stream to form construction pads, coffer dams, access roads, etc., unless prior approval has been obtained from the cabinet.</li><li>2) The trench shall be backfilled as closely as possible to the original contour. All excess material from construction of the trench shall be disposed of outside of the flood plain, unless the applicant has received prior approval from the cabinet to fill within the flood plain.</li><li>3) For subfluvial crossings of erodible channels, there shall be at least thirty (30) inches of clear cover above the top of the pipe or conduit at all points.</li><li>4) For subfluvial crossings of nonerodible channels, there shall be at least six (6) inches of clear cover above the top of the pipe or conduit at all points, and the pipe or conduit shall be encased on all sides by at least six (6) inches of concrete.</li><li>5) The weight of a pipe and its contents during normal operating conditions at all points must exceed that of an equal volume of water, or the applicant must provide the division with sufficient information to show that the pipe and joints have sufficient strength.</li></ol> <p>Contact the Floodplain Management Section of the Surface Water Permits Branch at (502) 564-3410 with any question on these requirements. [KRS 151.250 &amp; 401 KAR 4:060]</p>
T-8	<p>If any portion of the sewer project will be constructed in or along a stream or wetland, contact the Water Quality Certification Section, located within the Water Quality Branch, at 502-564-3410, to determine if a 401 certification will be required. [KRS 224.16-050]</p>
T-9	<p>Facilities shall be designed and constructed in accordance with the "Recommended Standards for Wastewater Facilities" of the Great Lakes-Upper Mississippi River Board of State Public Health and Environmental Managers, commonly referred to as "Ten States' Standards", 2004 edition. [401 KAR 5:005 Section 7(1)(a)]</p>
T-10	<p>Gravity sewer lines and force mains shall be designed and constructed to give mean velocities, when flowing full, of not less than two (2) feet per second. Velocity calculations shall incorporate roughness coefficients pursuant to 401 KAR 5:005 Section 8(8). [401 KAR 5:005 Section 8(8)]</p>
T-11	<p>Sewer line pipe material, joints, fittings, and installation shall conform to the latest ASTM specifications. [Ten States (WW) 33.7-33.9]</p>
T-12	<p>Gravity sewer lines and force mains shall have a minimum of thirty (30) inches of cover or provide comparable protection. [401 KAR 5:005 Section 8(9)]</p>
T-13	<p>Sewer lines crossing water mains shall be laid to provide a vertical distance of eighteen (18) inches between the outside of the water main and the outside of the sewer line. This shall be the case where the water main is either above or below the sewer line. The crossing shall be arranged so that the sewer line joints are equidistant and as far as possible from the water main joints. Where a water main crosses under a sewer, adequate structural support shall be provided for the sewer line to prevent damage to the water main. [Ten States (WW) 38.32]</p>

**Sewer Line Construction**

Georgetown WWTP No 2

Facility Requirements

Activity ID No.: APE20130001

Narrative Requirements:

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Condition No.	Condition
T-14	Sewer lines shall be laid at least ten (10) feet horizontally from any existing or proposed water main. The distance shall be measured from edge to edge. [Ten States (WW) 38.31]
T-15	If gravity sewer lines and force mains are to be constructed in fill areas, the fill areas shall be compacted to ninety-five (95) percent density as determined by the Standard Proctor Density test or to a minimum of ninety (90) percent density as determined by the Modified Proctor Density test prior to the installation of the sewer lines. [401 KAR 5:005 Section 8(10)]
T-16	An audible and visible alarm shall be provided at any proposed wastewater pump station. [Ten States (WW) 46]
T-17	All proposed pump station wetwells shall be sized such that, based on the average flow, the time to fill the wetwell from the pump-off elevation to the pump-on elevation shall not exceed thirty (30) minutes. [401 KAR 5:005 Section 8(16)]
T-18	All pump stations shall provide a minimum of two (2) hours of detention time, based on the average design flow, above the high level alarm elevation or provide an alternate source of power with wetwell storage providing sufficient time for the alternate power source to be activated. [401 KAR 5:005 Section 8(18)]

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**Sewer Line Construction**

Georgetown WWTP No 2

Facility Requirements

Activity ID No.: APE20130001

**PORT000000016 (2013 WW System Impro(US-25-Wrights) and FM) 600 ft of 8-inch PVC force main:**

Narrative Requirements:

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Condition No.	Condition
T-1	The integrity of any proposed force main shall be verified by leakage tests. The specifications shall include testing methods and leakage limits. [401 KAR 5:005 Section 8(6)(b)]
T-2	Each high point in the sewer force main shall have an automatic air release valve. [401 KAR 5:005 Section 8(19)]
T-3	Adequate thrust blocks shall be provided at all significant bends in any proposed sewer force main, in order to prevent movement of the main. [Ten States (WW) 49.4]

**Sewer Line Construction**

Georgetown WWTP No 2

Facility Requirements

Activity ID No.: APE20130001

**PORT0000000017 (Centrifugal Pump) a Centrifugal Pump station with Two pumps sized at 500 gpm/200 TDH:**

**Narrative Requirements:**

---

Condition	
No.	Condition
T-1	Pumps and force mains handling raw wastewater shall be capable of passing spheres of at least three (3) inches in diameter. Pump suction and discharge openings, as well as sewer force main pipe, shall be a minimum of four (4) inches in diameter. The above requirements do not apply to grinder pump stations or force mains directly connected to grinder pump stations. [Ten States (WW) 42.33, 49.1]

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6. Provide all correspondence between Georgetown and the Kentucky Division of Water regarding Georgetown's acquisition of Mallard Point Disposal's facilities.

**RESPONSE:**

After a diligent search, the only correspondence that could be found is a letter from Sandra L. Gruzesky, Director of the Division of Water to Mark S. Smith dated February 15, 2012. GMWSS received a copy of this letter. A copy of the letter is attached.

Among other things, the letter states that the Mallard Point Disposal Service area **“is within the boundary of the GMWSS 201 facility planning area.”**

**WITNESS:** Robert Wilhite, General Manager, GMWSS



STEVEN L. BESHEAR  
GOVERNOR

**ENERGY AND ENVIRONMENT CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
DIVISION OF WATER  
200 FAIR OAKS LANE  
FRANKFORT, KENTUCKY 40601-1190  
www.kentucky.gov

LEONARD K. PETERS  
SECRETARY

February 15, 2012

Mr. Mark S. Smith  
President  
Mallard Point Disposal Systems  
118 South Broadway  
Georgetown, Kentucky 40324

Re: Meeting Follow-up of February 1, 2012


Dear Mr. Smith:

Thanks for the opportunity to meet with members of my staff here in the Division of Water (DOW) on February 1, 2012 to discuss issues surrounding the Mallard Point Disposal Systems (MPDS) and Georgetown Municipal Water and Sewer System (GMWSS). As we clarified in the meeting, the sewer line meets the definition of available as provided in 401 KAR 5:002 Section 1(10). The sewer line in question was designed and funded such that it would convey the wastewater from MPDS, as well as other development flows to GMWSS. Also, we clarified and resolved an issue from the January 5, 2012 letter from DOW that MPDS is within the boundary of the GMWSS 201 facility planning area. With those facts established, the Kentucky Pollutant Discharge Elimination System (KPDES) permit for MPDS contains applicable language to require the connection to be made. This language is based on 401 KAR 5:005 Section 4(6)(a) which reads in part "Permits to construct, expand, or operate a sewage system shall require connection to a regional facility if one (1) becomes available and shall not be renewed, reissued, or modified to remove that requirement unless a regional facility is no longer available." The provision is in Part II of the standard conditions found on page 2 of the KPDES permit.

Therefore, moving forward DOW would expect the MPDS October 28, 2011 permit renewal application to be denied once it has been reviewed. At that point, DOW would expect GMWSS to be prepared to intercept the flow from this development and treat it at the Georgetown #2 Wastewater Treatment Plant, KPDES Number KY0082007.

If you wish to have a meeting, have additional suggestions, or would like to discuss this further, please feel free to contact me at (502) 564-3410.

Sincerely,

  
Sandra L. Gruzesky, P.E., Director  
Kentucky Division of Water

Cc: Billy Jenkins – Georgetown Municipal Water and Sewer System

SLG:JMB

7. Provide all reports, analyses, and studies that Georgetown prepared or commissioned on the proposed acquisition, including the financing of proposed acquisition and construction of the proposed pumping facilities.

**RESPONSE:**

Attached is the Review and Evaluation of the Sanitary Sewer System for Mallard Point Disposal Systems, Inc. which was prepared for GMWSS by the Kentucky Engineering Group, PLLC.

There was no financing report prepared.

**WITNESS:** Robert Wilhite, General Manager, GMWSS and  
Bryan K. Lovan, P.E., PLS, Kentucky Engineering Group, PLLC

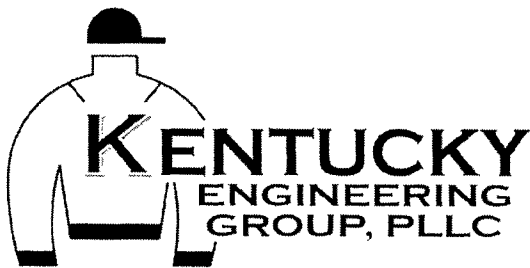
# **Review and Evaluation of the Sanitary Sewer System**

**For**

**Mallard Point Disposal Systems, Inc.**

**Georgetown Municipal Water & Sewer  
Service**

**Georgetown, Kentucky**



**Kentucky Engineering Group, PLLC**

**P.O. Box 1034**

**Versailles, Kentucky 40383**

**December 2010**

**KEG Project No. 10008**



## **Introduction**

Georgetown Municipal Water & Sewer Service (GMWSS) requested the assistance of Kentucky Engineering Group, PLLC to conduct a review, evaluation, and preparation of summary documents for the sanitary sewer collection system owned by Mallard Point Disposal Systems, Inc. facilities in northern Scott County. This review and evaluation would be conducted in phases with Phase I being a cursory review of the condition of the existing collection system, pumping stations, and existing plans and documents provided by the utilities and the feasibility of the sewer system to be served by GMWSS's facilities. Follow-up phases would include inspection and testing of each pumping station, hydraulic evaluations, and physical survey of the key features of the existing sewer collection system.

### **Mallard Point Disposal Systems, Inc.**

The Mallard Point Disposal Systems, Inc. (MPDS) was established in 1985 and operates a private wastewater treatment and collection facility in northern Scott County, Kentucky. MPDS is a regulated utility under the Kentucky Public Service Commission. The collection system is a low pressure sewer collection system. Low pressure sewer systems are a low-head pressure wastewater collection and treatment system and an alternative to gravity sewer or a septic tank. A low pressure sewer system consists of an interceptor (holding) tank and a pump chamber which houses a small, submersible electrical pump. The tank is installed below ground, much like a septic tank at each customer's property. The sewage or effluent is pumped automatically through a small diameter pressure line that transports it to a larger collection/transmission main and/or to a wastewater plant for treatment.

The sewer user charge is based on a monthly rate of \$41.35 per residential unit and \$41.35 per month per residential equivalent for commercial units and schools. The residential equivalent is defined as 12,000 gallons or fraction thereof per month.

MPDS provides sanitary sewer service for the following residential and commercial

customers for a total number of customers of 520 (518 residential customers, 2 commercial/industrial customers):

- Mallard Point Subdivision
- Harbor Village Subdivision
- Cedar Hills Subdivision
- Westwoods Subdivision
- Mallard Point Baptist Church
- Northern Elementary School

The wastewater treatment and collection system consists of a package wastewater treatment plant (WWTP) with a combined capacity of 150,000 gallons per day. The WWTP is divided into two package treatment plants located on one site with a capacity of 50,000 gallons per day and 100,000 gallons per day, respectively. The system includes two major sewage pumping stations; 843 installed taps with isolation valves (520 current customers and 323 future customers divided among the subdivisions within the service area); and over 20 miles of low pressure force mains varying in size from 1½- inch to 8-inch.

MPDS requires each customer or homeowner to provide for themselves and maintain in good order and in perpetuity, a pump and grinder lift station as is so designated by the utility's engineering firm. Such system requires a Meyers WGL20-21 or WGL20H-21 complete with a 6' tall, 30 in diameter basin, and an electronic central panel known in its complete form as a "Mallard Point Unit". All discharged lines and connections from this unit once installed shall be pressure PVC. MPDS is responsible for any leak or malfunction from and including, the customers tap, located at the front of their property, at their connection box, forward throughout the utility system. The customer is responsible for their own connection lines and apparatus including all maintenance from their home to the utilities tap point.

The collection force mains are generally located along the main streets or roadways and varying in size from 1½- inch to 8-inch with the force main size increasing as the

number of customers connected to the force main increase. All force mains are installed with isolation valves, clean-outs, and air release valves strategically located along the force main. Each residential connection has a "valve" allowing the flow from the customer into the utilities collection system.

MPDS is also responsible for two major sewage pumping station, one located near the entrance to Harbor Village subdivision and the other station located in Mallard Point subdivision along Mallard Point Drive.

The Harbor Village Pump Station is a submersible pump station consisting of a concrete wet well and concrete valve vault. The wet well is approximately 9'10" W x 6'0"L and approximately 11'6" feet deep. The wet well houses three 15 hp submersible pumps and discharges into the adjacent valve vault that houses the isolation plug and check valves. All piping in the valve vault is 6-inch ductile iron.

The Harbor Village Pump Station pumps the raw sewage via a 6-inch PVC force main along Harbor Village to the intersection with US 25, then proceeds north along US 25 for approximately 2,700 feet where the force main increases in size to 8-inch PVC. The 8-inch PVC force main continues north along US 25 to Wright Lane, then proceeds to the MPDS wastewater treatment plant (WWTP). The total length of force main from the Harbor Village pumping station to the WWTP is estimated at 3,450 feet of 6-inch and 12,500 feet of 8-inch. Both Cedar Hills and Westwoods Subdivision connect to this force main and the sewage is pumped to the WWTP via the 8-inch force main.

The Mallard Point Drive Pump Station is a submersible pump station consisting of a combination concrete wet well/valve vault. The wet well is approximately 4-foot diameter and approximately 14 feet deep. The wet well houses three 5 hp submersible pumps and discharges through isolation valves immediately outside of the wet well.

The Mallard Point Drive Pump Station pumps the raw sewage via a 4-inch PVC force main along Mallard Point Drive to the intersection with Woodduck Lane, then proceeds

north along Woodduck Lane for approximately 4,400 feet where the force main increases in size to 6-inch PVC, then continues north to the MPDS WWTP. The total length of force main from the Mallard Point Drive pumping station to the WWTP is estimated at 4,400 feet of 4-inch and 2,650 feet of 6-inch.

The Northern Elementary School maintains a submersible pump station on their property and pumps directly to the MPDS WWTP. The sewage flow from the school is metered via a buried flow meter with a control panel on the WWTP property. The sewer usage charge for the school is based on the measured flow from this meter and then divided by the residential equivalent to determine the number of equivalent residential units.

### **Existing Conditions Evaluation**

The pump stations for MPDS was inspected on July 29, 2010. This inspection was conducted merely to assess the condition of the pump station and to determine if the station was operational. No drawdown test, electrical readings, or detailed physical inspection was conducted. Appendix A contains photos of each station. The information that follows is based on the observations taken during the site inspection on July 29, 2010. **[ADD DISCLAIMER HERE]**

#### **Harbor Village Pump Station**

1. Exterior of the wet well and valve vault appeared to be in good condition.
2. Service access to the station is adequate.
3. Interior of the wet well shows signs of significant corrosion and deterioration of the concrete and piping from hydrogen sulfide gas. (Strong smell of hydrogen sulfide gas present upon opening wet well hatches.)
4. Two pumps were installed and operating. The third pump was stored in the maintenance building of MPDS.

5. The valve vault included piping and valves for all three pumps and appeared to be in good condition and free of any debris.
6. Electrical control panel was housed in a stainless steel enclosure and was operational and working. Panel appeared to be in fair condition.
7. Pumps are operated via float system and in a lead-lag set-up.
8. Bottom of the wet well was not inspected for grit or sediment build-up. Excessive amounts can cause blockage to inlet of pumps and/or deposits of grit and sediment in the force main causing partial blockage.
9. Actual flow rate was not determined and is recommended that a minimum cleansing velocity of 2.5 to 3 feet per second (fps) be achieved in the force main.
10. No inspection was conducted on any portion of the collection system, isolation valves, or air release valves to determine their condition.
11. No odor control was present at the pump station.
12. The wet well was located in close proximity to existing residents and with the strong presence of hydrogen sulfide gas, could generate numerous odor complaints.
13. The pump station does not currently meet the requirements per 401 KAR 5:005 - Ten States' Standards requirements for emergency pumping capability.
14. A portable pump connection to the force main and wet well is not present.

#### Mallard Point Drive Pump Station

1. Exterior of the wet well appeared to be in good condition.
2. Service access to the pump station is inadequate being located on the downstream slope of the reservoir embankment.
3. Interior of the wet well shows signs of significant corrosion and

deterioration of the concrete and piping from hydrogen sulfide gas. (Strong smell of hydrogen sulfide gas present upon opening wet well hatches.)

4. Three pumps were installed and operating.
5. No valve vault exists. Isolation valves are located buried outside of the wet well. Condition of the valves are unknown
6. Trash and floatables were noted in the wet well and attached to the cables and floats.
7. Electrical control panel was housed in a stainless steel enclosure and was operational and working. Panel appeared to be in fair condition.
8. Pumps are operated via float system and in a lead-lag set-up.
9. Bottom of the wet well was not inspected for grit or sediment build-up. Excessive amounts can cause blockage to inlet of pumps and/or deposits of grit and sediment in the force main causing partial blockage.
10. Actual flow rate was not determined and is recommended that a minimum cleansing velocity of 2.5 to 3 feet per second (fps) be achieved in the force main.
11. No inspection was conducted on any portion of the collection system, isolation valves, or air release valves to determine their condition.
12. No odor control was present at the pump station.
13. The wet well was located in a semi-remote area where strong odors from hydrogen sulfide gas would not generate numerous odor complaints.
14. The pump station does not currently meet the requirements per 401 KAR 5:005 - Ten States' Standards requirements for emergency pumping capability.
15. A portable pump connection to the force main and wet well is not present.

## Conclusions/Recommendations

Based on the information collected during the inspection, the following conclusions were made:

### General Comments

- Each pump station will need to be modified to comply with 401 KAR 5:005 - Ten States' Standards requirements for emergency pumping capability and a portable pump connection.
- Each pump station should have a drawdown test conducted to determine the pumping capacity and if the pumps are operating as designed (i.e., pump flow rate and discharge head/pressure) and to determine the cleansing velocity for the discharge force main.
- An electrical inspection should be conducted on each station's control panel and emergency generator (if applicable).
- Each pump station that has floatables and trash attached to the floats and cables should be cleaned.
- The bottom of each wet well should be cleaned and any grit/sediment removed to allow for inspection of the wet well bottom as well as inspection of the pump base and discharge elbow.
- Each pump station site should be checked to determine if the area is subject to flooding and if the station is fully operational during a 25 year flood event and protected from physical damage during the 100 year flood event per 401 KAR 5:005 - Ten States' Standards requirements.
- A reliable telemetry system shall be installed to monitor each pump station and report any alarms (i.e., levels, pump status, pump fail, run times, alarms, etc.)

### Harbor Village Pump Station

- Due to the severe deteriorated condition of the wet well from hydrogen sulfide corrosion, the complete interior of the wet well will require coating with a chemical resistant coating system.
- All corroded piping and guide rails will need to be replaced.
- Due to the proximity of the station to existing residents, an odor control system should be installed at this site.
- The third pump should be installed and placed in operation.
- Site shall be secured with chain link fencing and access gates.

### Mallard Point Drive Pump Station

- Due to the severe deteriorated condition of the wet well, piping, inadequate access, and noncompliance with 401 KAR 5:005, this station should be abandoned and re-constructed at another suitable location in order to comply with all requirements.

### US 25 & Wright Lane Pump Station

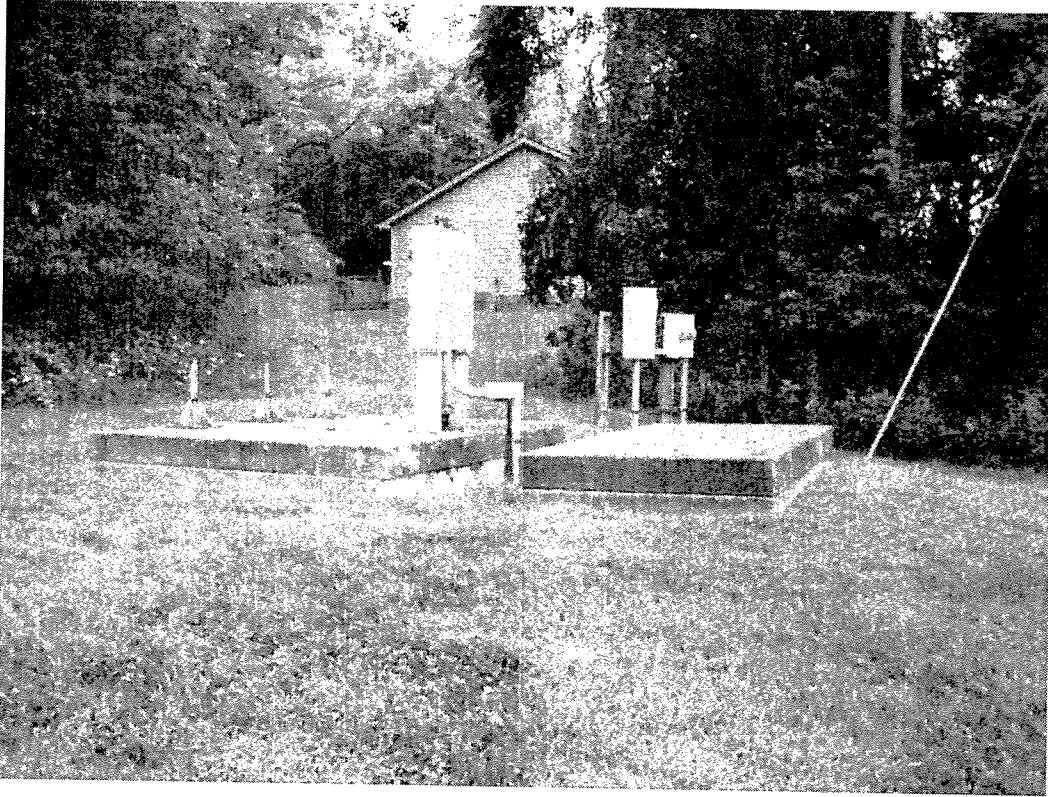
- In order for GMWSS to provide sewer service to the customers of MPDS, the existing WWTP would be abandoned and a new sewage pumping station will need to be constructed near the intersection of US 25 and Wright Lane. This new station would be an above ground suction lift pump station and comply with all requirements of 401 KAR 5:005.



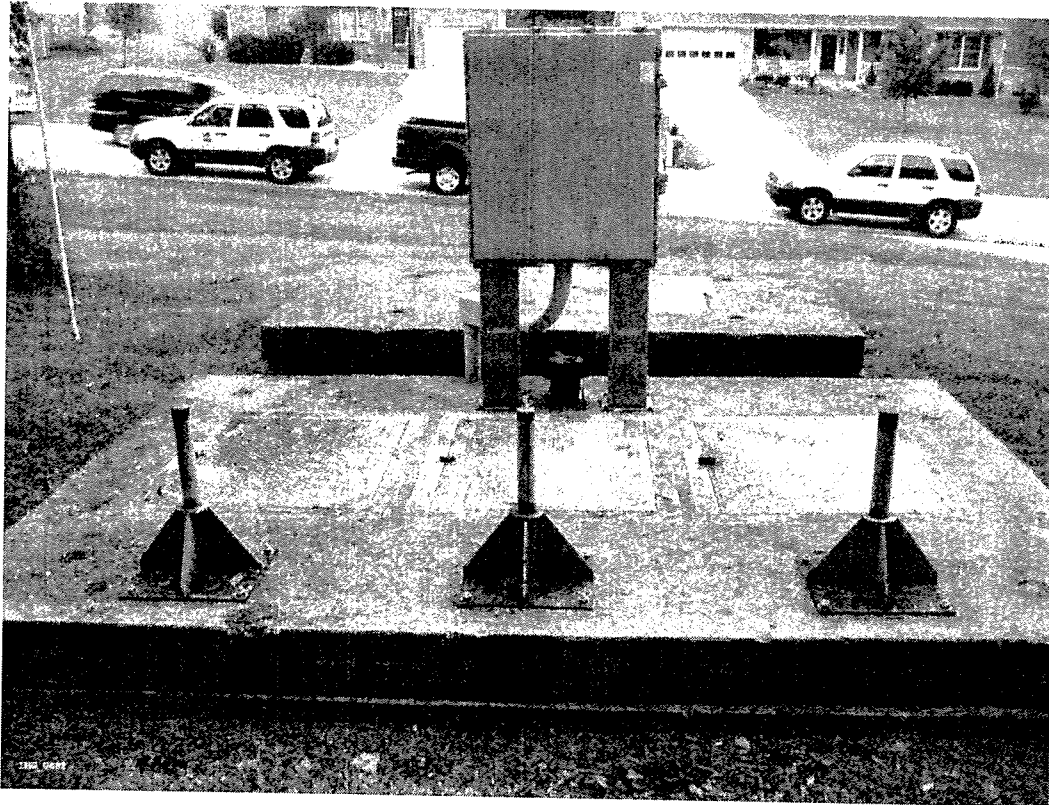
# **APPENDIX A**

## **Site Photos**

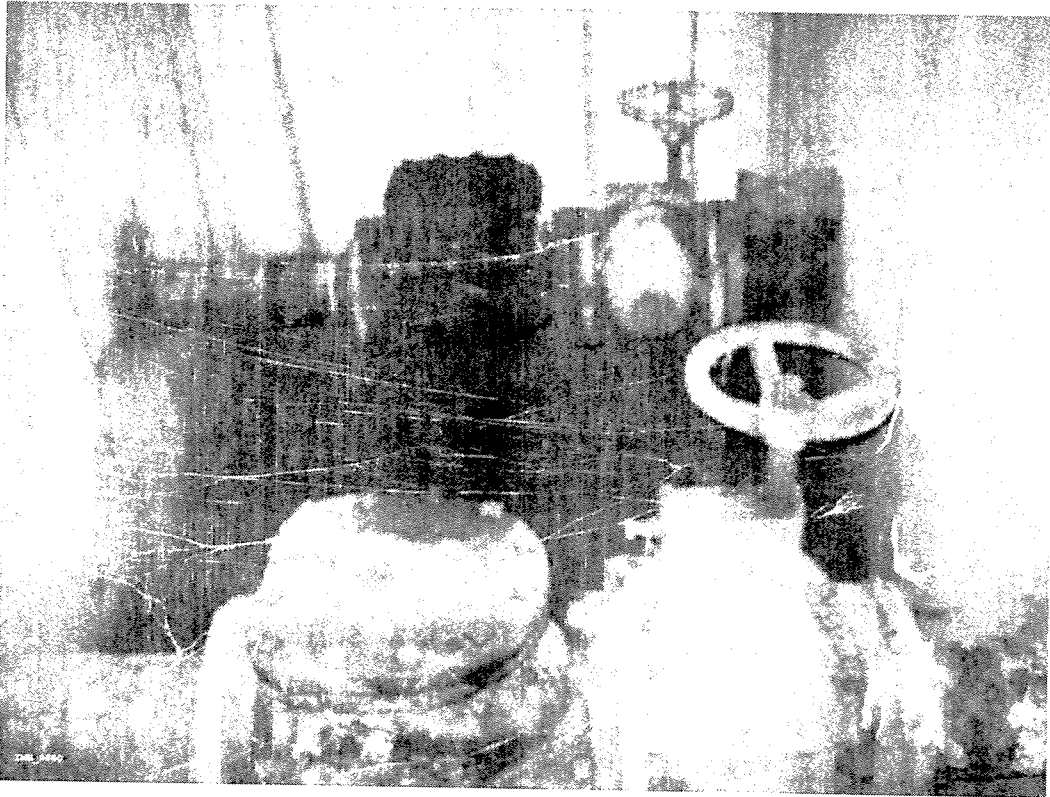
# Harbor Village Pump Station



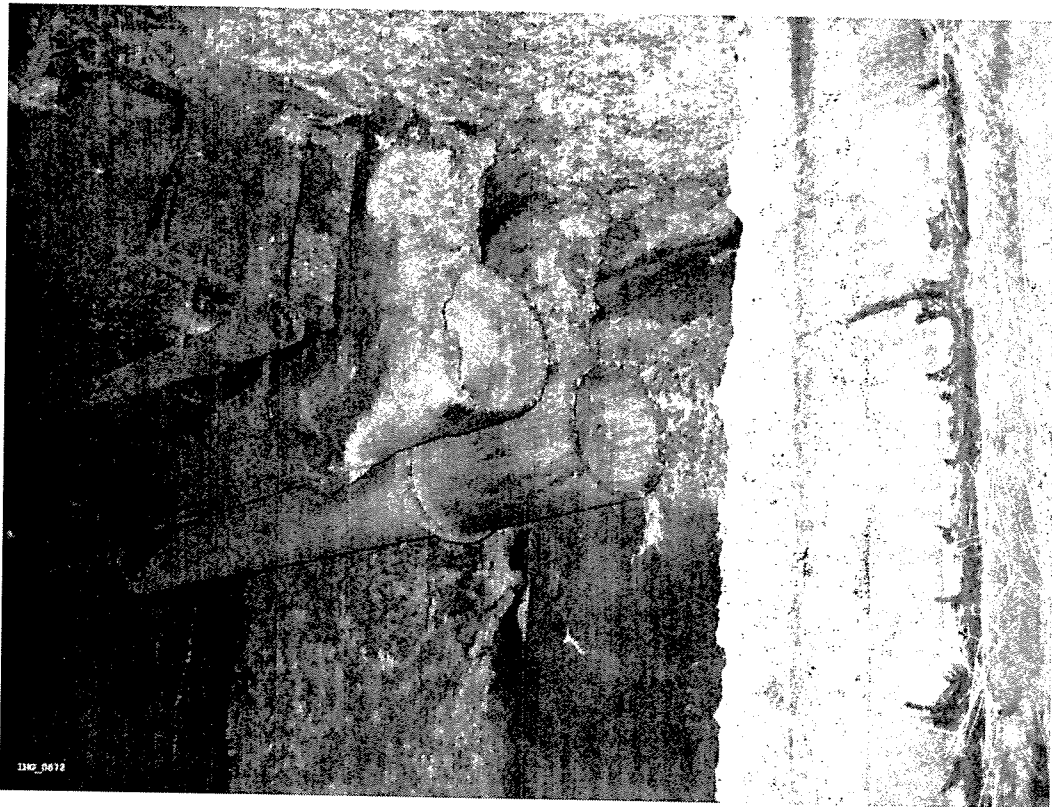
**Harbor Village Pump Station - Site Plan**



**Wet Well and Valve Vault**



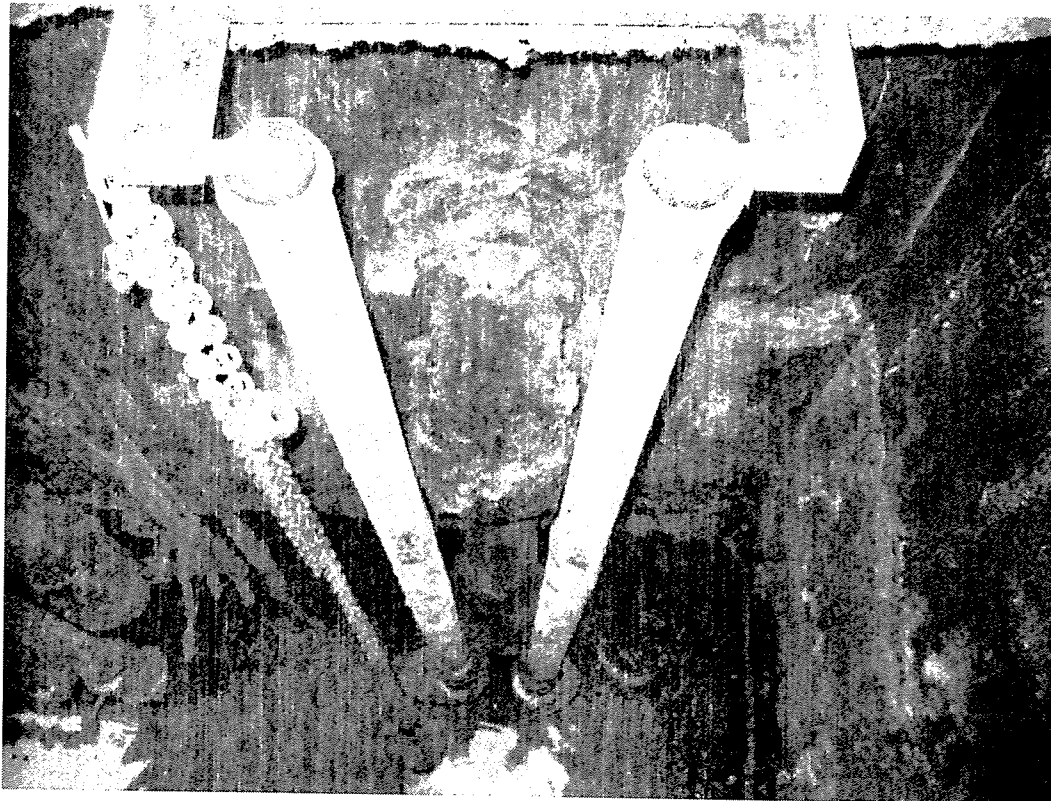
**Valve Vault – Discharge Piping with Check Valve and Plug Valve**



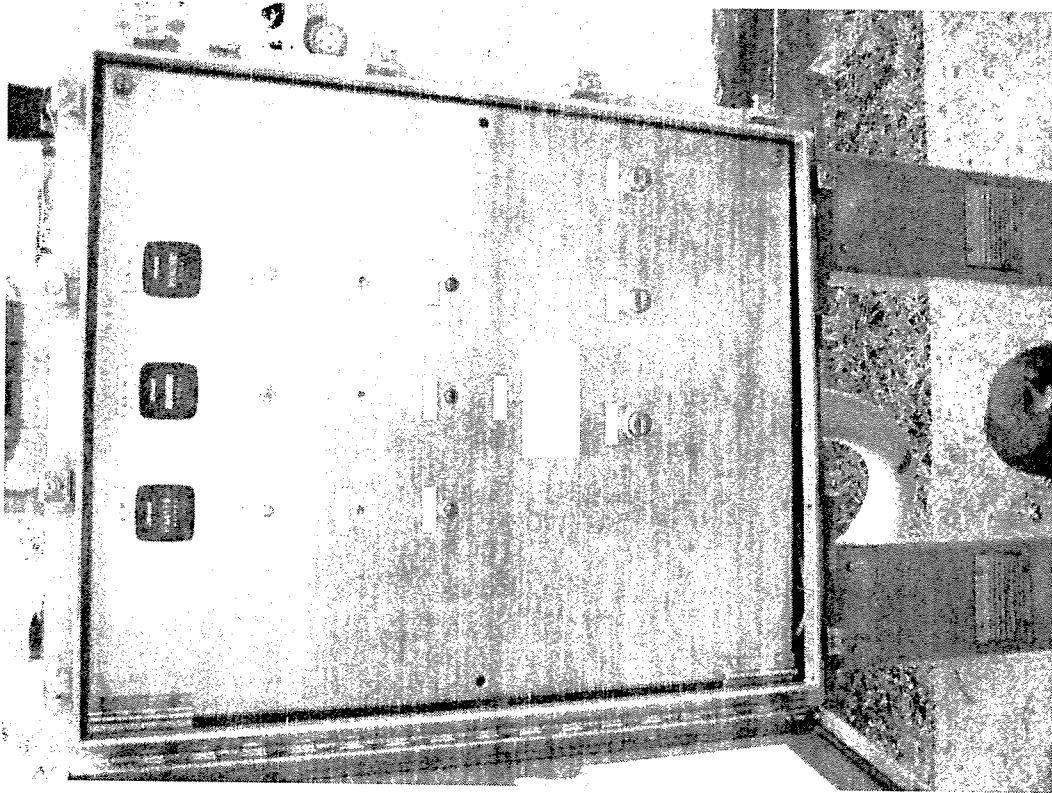
**Wet Well – Influent piping and signs of severe concrete deterioration**



**Wet Well – Signs of severe concrete deterioration**

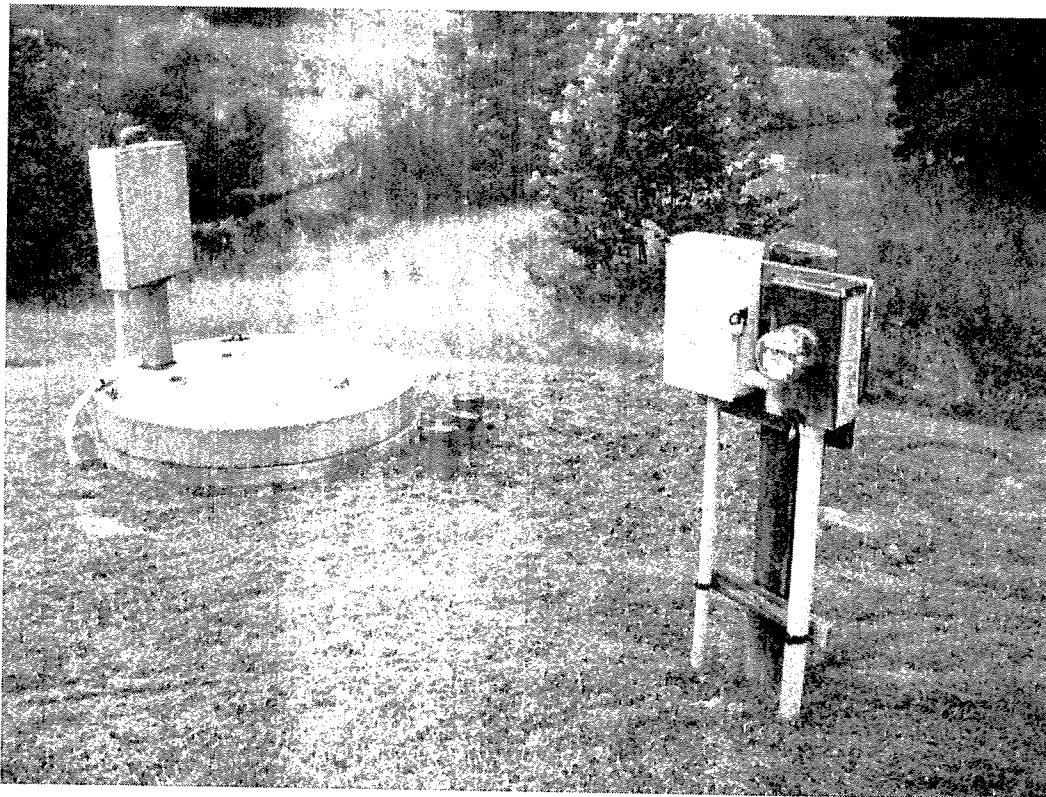


**Wet Well – Pump guide rails and signs of severe concrete deterioration**



**Electrical Control Panel**

# **Mallard Point Drive Pump Station**



**Mallard Point Drive Pump Station - Site Plan**



**Discharge piping isolation valves**

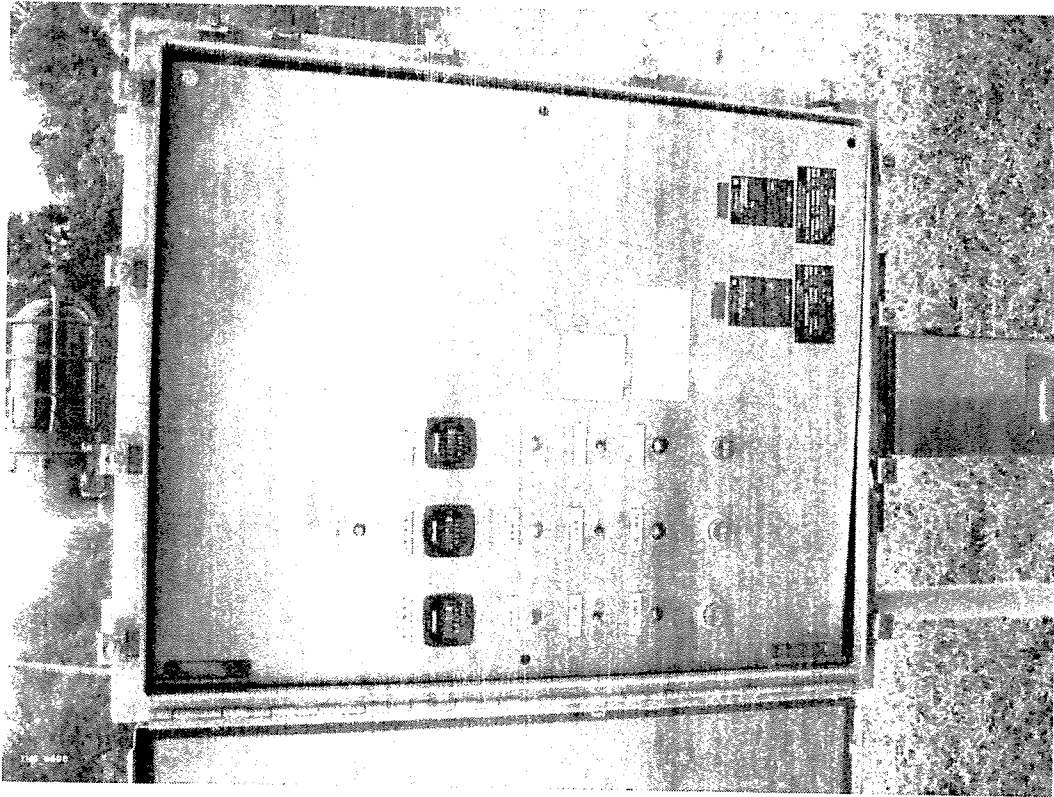




**Wet Well – Guide rails and signs of severe corrosion**



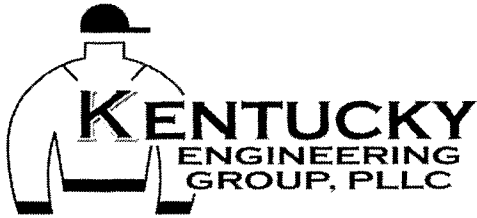
**Discharge piping with trash and floatables attached to the cables**



**Electrical Control Panel**

**APPENDIX B**

**Cost Estimates**



## Preliminary Project Cost Estimate

**Mallard Point - Delaplain Disposal Sewer System**

Project : Evaluation

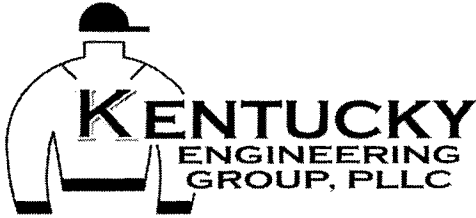
Date : 12/15/10

Job No. : 10008

Revised : 01/07/11

Est. By: BKL

ITEM NO.	SUMMARY OF: Mallard Point Disposal Systems, Inc. Harbor Village PS	QUANTITY		COST PER UNIT		TOTAL COST
		NO. OF UNITS	UNIT MEAS.			
1	Chain Link Fence & Access Gate	250	LF	\$ 15.00		\$ 3,750.00
2	Portable Pump Connection - Suction/Discharge	1	LS	\$ 5,000.00		\$ 5,000.00
3	Odor Control System	1	LS	\$ 15,000.00		\$ 15,000.00
4	Emergency Generator and ATS	1	LS	\$ 45,000.00		\$ 45,000.00
5	Wet Well Coating System	440	SF	\$ 60.00		\$ 26,400.00
6	Replace Piping and Guide Rails	1	LS	\$ 7,500.00		\$ 7,500.00
7	Installation of Third Pump	1	LS	\$ 500.00		\$ 500.00
8	Installation of Telemetry System	1	LS	\$ 12,000.00		\$ 12,000.00
<b>SUBTOTAL AMOUNT</b>						<b>\$ 115,150.00</b>
<b>10% CONST. CONTINGENCY</b>						<b>\$ 11,500.00</b>
<b>TOTAL ESTIMATED CONSTRUCTION COST</b>						<b>\$ 126,650.00</b>



## Preliminary Project Cost Estimate

**Mallard Point - Delaplain Disposal Sewer System**

Project : Evaluation

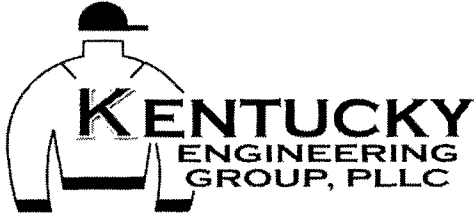
Date : 12/15/10

Job No. : 10008

Revised : 01/07/11

Est. By: BKL

ITEM NO.	SUMMARY OF: Mallard Point Disposal Systems, Inc. Mallard Point Drive PS	QUANTITY			TOTAL COST
		NO. OF UNITS	UNIT MEAS.	COST PER UNIT	
1	Chain Link Fence & Access Gate	250	LF	\$ 15.00	\$ 3,750.00
2	Odor Control System	1	LS	\$ 10,000.00	\$ 10,000.00
3	Installation of Telemetry System	1	LS	\$ 12,000.00	\$ 12,000.00
4	New Suction Lift Pump Station	1	LS	\$ 165,000.00	\$ 165,000.00
<b>SUBTOTAL AMOUNT</b>					<b>\$ 190,750.00</b>
<b>10% CONST. CONTINGENCY</b>					<b>\$ 19,100.00</b>
<b>TOTAL ESTIMATED CONSTRUCTION COST</b>					<b>\$ 209,850.00</b>



## Preliminary Project Cost Estimate

**Mallard Point - Delaplain Disposal Sewer System**

**Project : Evaluation**

**Date : 12/15/10**

**Job No. : 10008**

**Revised : 01/07/11**

**Est. By: BKL**

ITEM NO.	SUMMARY OF: Mallard Point Disposal Systems, Inc. US 25 & Wright Lane	QUANTITY		COST PER UNIT	TOTAL COST
		NO. OF UNITS	UNIT MEAS.		
1	Chain Link Fence & Access Gate	250	LF	\$ 15.00	\$ 3,750.00
2	Odor Control System	1	LS	\$ 15,000.00	\$ 15,000.00
3	Installation of Telemetry System	1	LS	\$ 12,000.00	\$ 12,000.00
4	New Suction Lift Pump Station	1	LS	\$ 450,000.00	\$ 450,000.00
<b>SUBTOTAL AMOUNT</b>					<b>\$ 480,750.00</b>
<b>10% CONST. CONTINGENCY</b>					<b>\$ 48,100.00</b>
<b>TOTAL ESTIMATED CONSTRUCTION COST</b>					<b>\$ 528,850.00</b>

**APPENDIX C**

**Sewer System Maps**

**MALLARD POINT AND HARBOR VILLAGE SUBDIVISIONS OF FRENCH ISLAND**

THESE SUBDIVISIONS SONT PROPOSEES EN VUE DE LA RECONSTRUCTION DE LA COMMUNAUTE DE FRENCH ISLAND. LEUR REALISATION PERMETTRA D'ACCROITRE LE NOMBRE DE LOGEMENTS ET DE MEILLORER LES CONDITIONS DE VIE DES HABITANTS. LES PROPRIETAIRES DES TERRES CONCERNES ONT DEMANDE LEUR RECONSTRUCTION ET LEUR DIVISION EN LOTS INDIVIDUELS. LE COMITE LOCAL D'AMENAGEMENT ET D'URBANISME A APPRUEVISE CE PROJET ET LE MAIRIE A EMISSIONNE UN AVERTEMENT EN FAVORI DE CE PROJET. LE MAIRIE A EMISSIONNE UN AVERTEMENT EN FAVORI DE CE PROJET.

**MALLARD POINT SUBDIVISION**

LE PROJET DE SUBDIVISION DE MALLARD POINT COMPREND 10 LOTS. LEUR SUPERFICIE TOTALE EST DE 100 000 M<sup>2</sup>. LEUR SUPERFICIE MOYENNE EST DE 10 000 M<sup>2</sup>. LEUR SUPERFICIE MOYENNE EST DE 10 000 M<sup>2</sup>.

**HARBOR VILLAGE SUBDIVISION**

LE PROJET DE SUBDIVISION DE HARBOR VILLAGE COMPREND 10 LOTS. LEUR SUPERFICIE TOTALE EST DE 100 000 M<sup>2</sup>. LEUR SUPERFICIE MOYENNE EST DE 10 000 M<sup>2</sup>. LEUR SUPERFICIE MOYENNE EST DE 10 000 M<sup>2</sup>.

**MALLARD POINT SUBDIVISION**

SUMMARY OF SITE DATA AND THE RECEIVED CONDITIONS OF EACH LOT

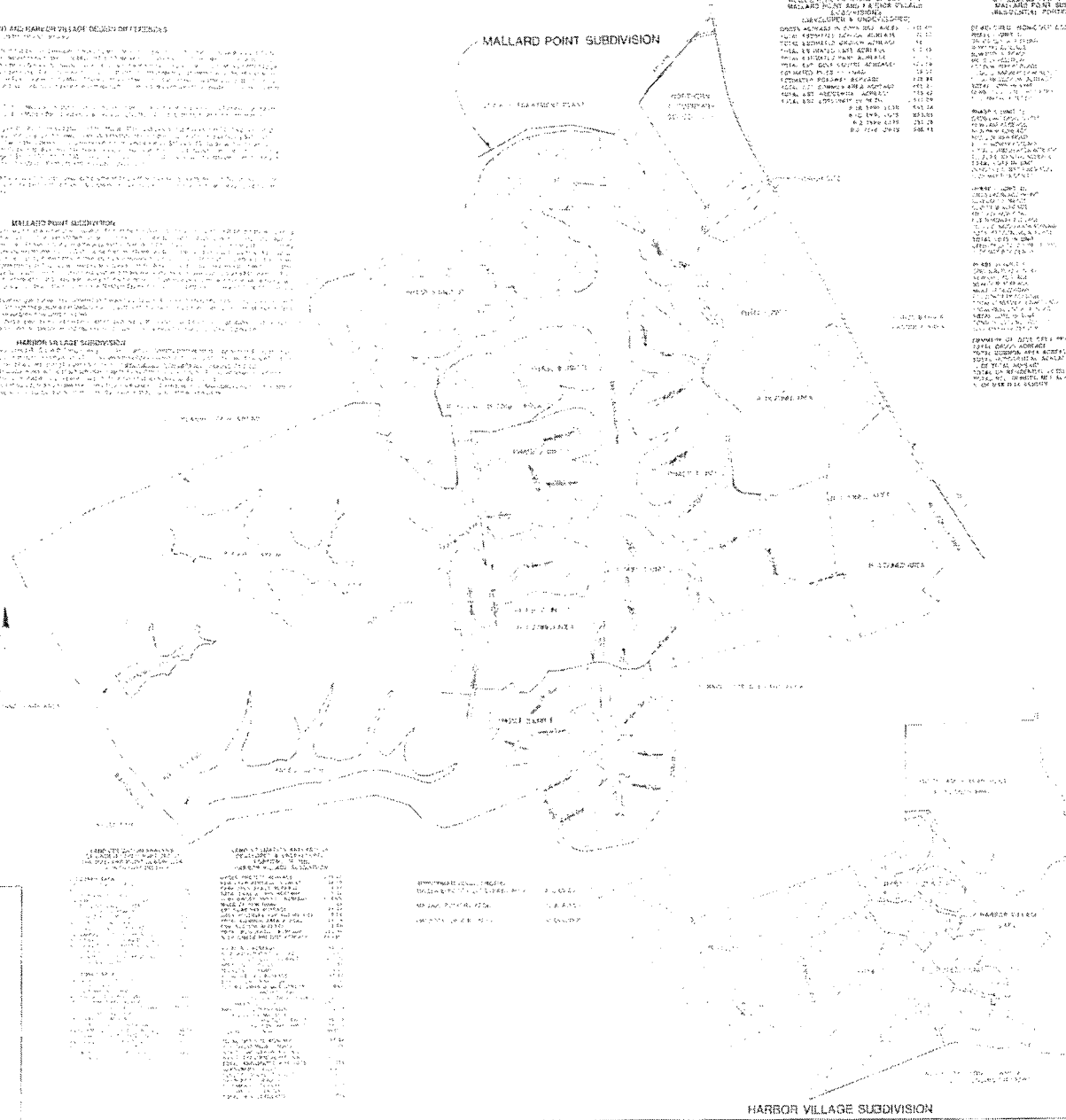
LOT NO.	AREA (M <sup>2</sup> )	PERMITS
1	10 000	10 000
2	10 000	10 000
3	10 000	10 000
4	10 000	10 000
5	10 000	10 000
6	10 000	10 000
7	10 000	10 000
8	10 000	10 000
9	10 000	10 000
10	10 000	10 000
TOTAL	100 000	100 000

**SUMMARY OF SITE DATA AND THE RECEIVED CONDITIONS OF EACH LOT**

LOT NO.	AREA (M <sup>2</sup> )	PERMITS
1	10 000	10 000
2	10 000	10 000
3	10 000	10 000
4	10 000	10 000
5	10 000	10 000
6	10 000	10 000
7	10 000	10 000
8	10 000	10 000
9	10 000	10 000
10	10 000	10 000
TOTAL	100 000	100 000

**SUMMARY OF SITE DATA AND THE RECEIVED CONDITIONS OF EACH LOT**

LOT NO.	AREA (M <sup>2</sup> )	PERMITS
1	10 000	10 000
2	10 000	10 000
3	10 000	10 000
4	10 000	10 000
5	10 000	10 000
6	10 000	10 000
7	10 000	10 000
8	10 000	10 000
9	10 000	10 000
10	10 000	10 000
TOTAL	100 000	100 000



**PROPOSED LOT DATA**

LOT NO.	AREA (M <sup>2</sup> )	PERMITS
1	10 000	10 000
2	10 000	10 000
3	10 000	10 000
4	10 000	10 000
5	10 000	10 000
6	10 000	10 000
7	10 000	10 000
8	10 000	10 000
9	10 000	10 000
10	10 000	10 000
TOTAL	100 000	100 000

**RECEIVED LOT DATA**

LOT NO.	AREA (M <sup>2</sup> )	PERMITS
1	10 000	10 000
2	10 000	10 000
3	10 000	10 000
4	10 000	10 000
5	10 000	10 000
6	10 000	10 000
7	10 000	10 000
8	10 000	10 000
9	10 000	10 000
10	10 000	10 000
TOTAL	100 000	100 000

**RECEIVED LOT DATA**

LOT NO.	AREA (M <sup>2</sup> )	PERMITS
1	10 000	10 000
2	10 000	10 000
3	10 000	10 000
4	10 000	10 000
5	10 000	10 000
6	10 000	10 000
7	10 000	10 000
8	10 000	10 000
9	10 000	10 000
10	10 000	10 000
TOTAL	100 000	100 000

**SUMMARY OF RECEIVED LOT DATA AND THE RECEIVED CONDITIONS OF EACH LOT**

LOT NO.	AREA (M <sup>2</sup> )	PERMITS
1	10 000	10 000
2	10 000	10 000
3	10 000	10 000
4	10 000	10 000
5	10 000	10 000
6	10 000	10 000
7	10 000	10 000
8	10 000	10 000
9	10 000	10 000
10	10 000	10 000
TOTAL	100 000	100 000

NOTE: ALL LOTS ARE TO BE DEVELOPED WITH RESIDENTIAL PERMITS. THE DEVELOPMENT OF THESE LOTS IS SUBJECT TO THE APPROVAL OF THE LOCAL AUTHORITY.

**MALLARD POINT SUBDIVISION**  
**HARBOR VILLAGE SUBDIVISION**  
 PREPARED BY  
**MSE**







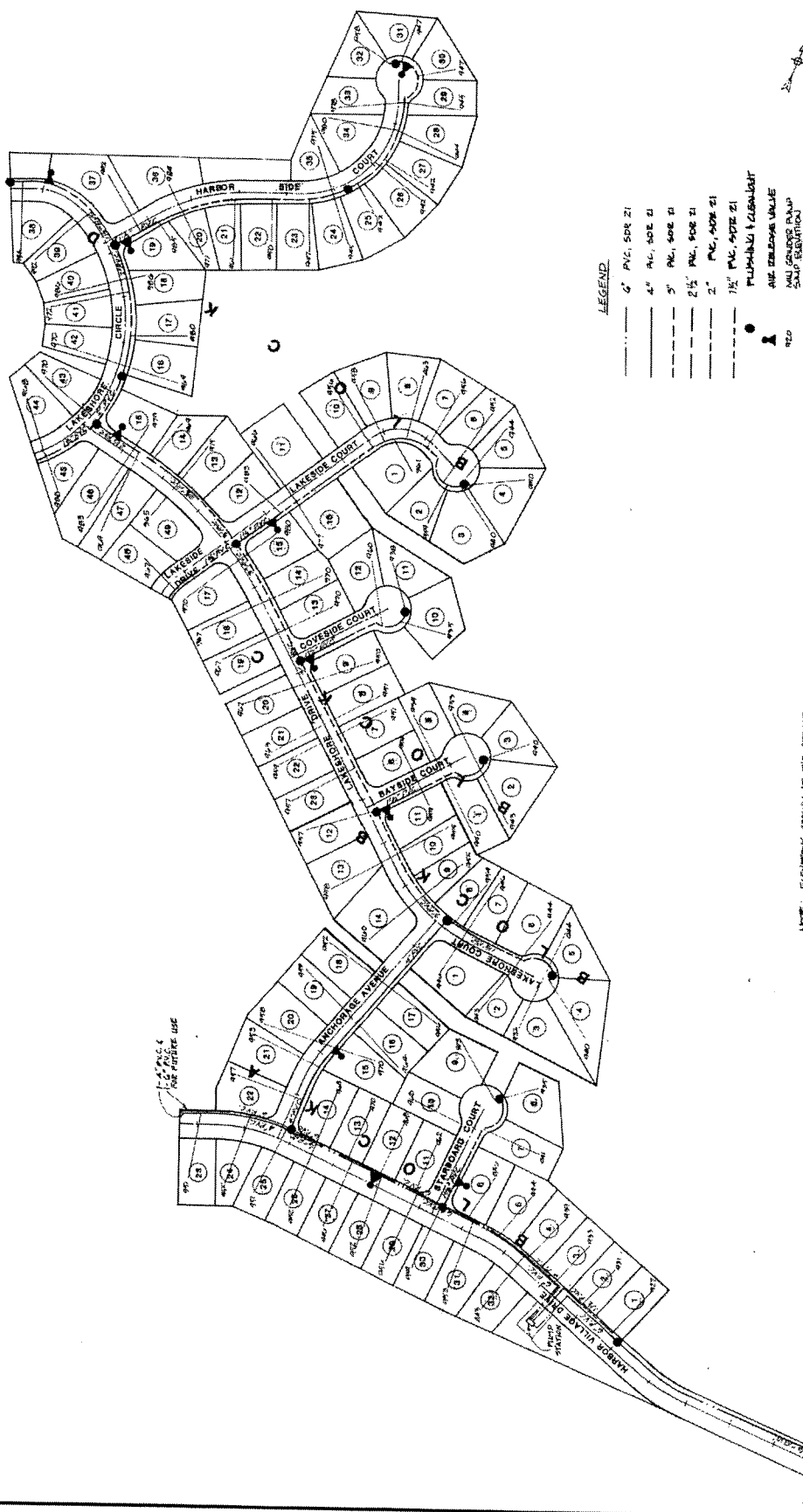
**PRESSURE SEWER SYSTEM PLANS**  
 HARBOR VILLAGE SUBDIVISION  
 PHASE 1 UNIT 1  
 FOR  
 MARIC DEVELOPMENT CORPORATION  
 188 E MAIN ST.  
 GEORGETOWN, KY, 40324

PROJECT NO. 2431-15	DATE 1-27-83
DESIGNED BY A. L. H.	CHECKED BY D. L. F.
DRAWN BY G. M. S.	SCALE 1" = 40'
CADRE	

MS&E  
 ENGINEERING & SURVEYING  
 1000 W. 12th St.  
 Louisville, KY 40203  
 (502) 582-1234

**MS&E**  
 ENGINEERING & SURVEYING

DRAWING NO. **7**  
 SHEET 7 OF 11



**LEGEND**

- 6" PVC, 50% ZI
- 4" PVC, 50% ZI
- 3" PVC, 50% ZI
- 2.5" PVC, 50% ZI
- 2" PVC, 50% ZI
- 1.5" PVC, 50% ZI
- PLUMBING VULNERABILITY
- AIR RELEASE VALVE
- MANHOLE
- 2" VALVE

NOTE: ALL PIPES SHALL BE Laid IN ACCORDANCE WITH THE SPECIFICATIONS OF THE 2007 ASCE STANDARD FOR CEMENT CONCRETE PIPE AND MANHOLES.

NOTE: ELEVATIONS SHOWN AT THE SERVICE LINES AND AT THE SERVICE LINES ARE THE ELEVATIONS OF THE CENTER OF GRAVITY OF THE SERVICE LINE. IN NO CASE SHALL INDIVIDUAL SERVICE LINES BE SET BELOW THE FINISH ELEVATION.

TO W.P. 12.3  
 12.3 P.S.

# WESTWOODS AT MALLARD POINT

## PHASE 2

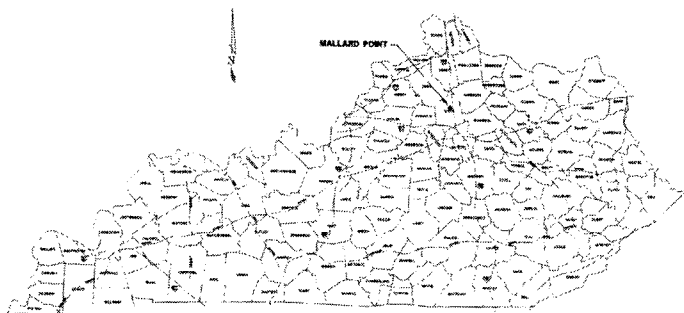
PROPOSED LOW PRESSURE SANITARY SEWER SYSTEM

FOR

# MARK S. SMITH

104 TEAL COURT, GEORGETOWN, KY. 40324

MAY 2005

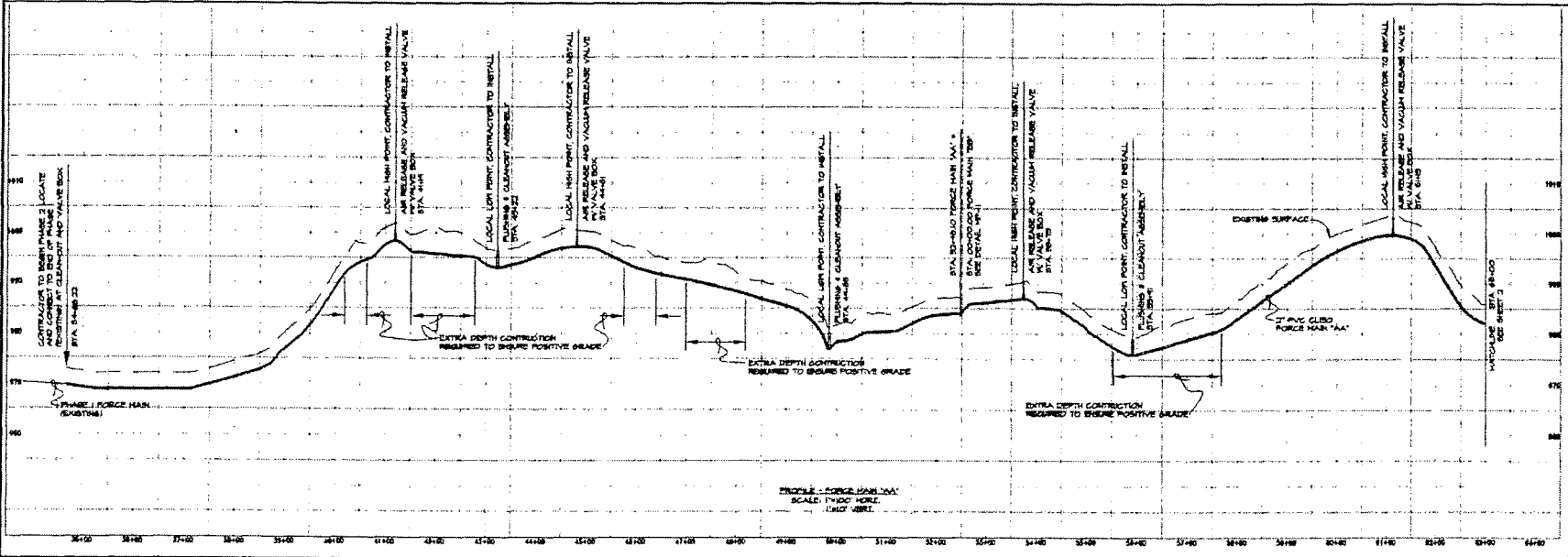
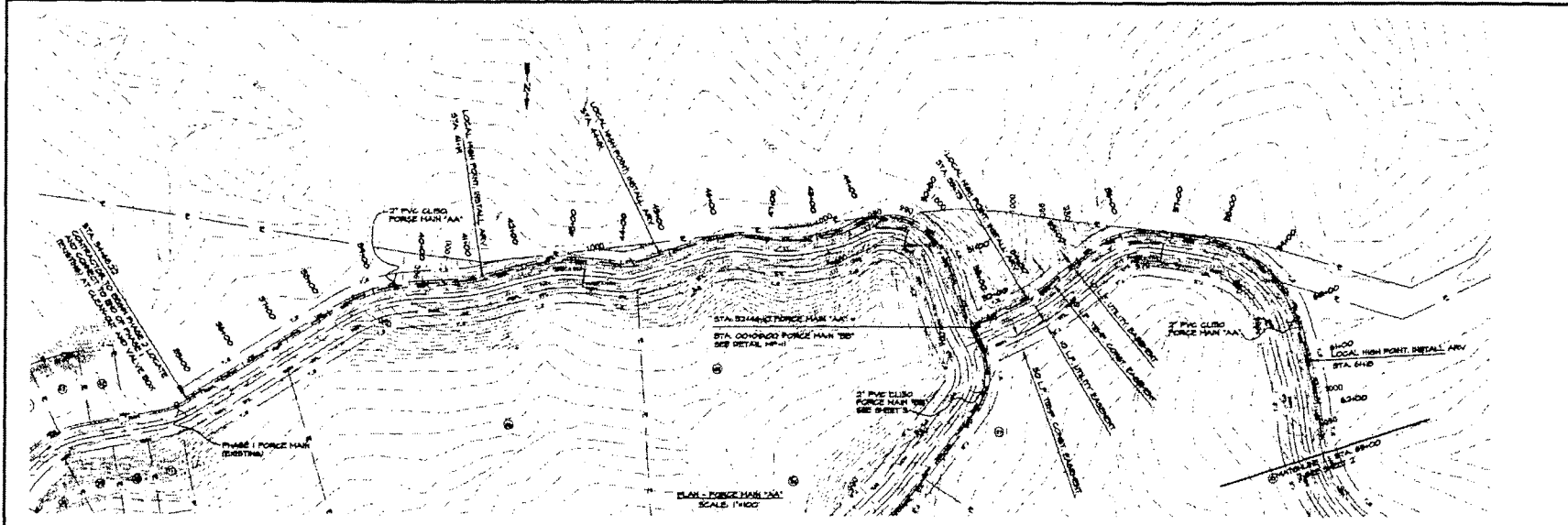


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INDEX	I
PLAN & PROFILE	1, 2 & 3
DETAILS	SD1 & SD2



SET NO. \_\_\_\_\_

MSE PROJECT No. 8378-03 \_\_\_\_\_

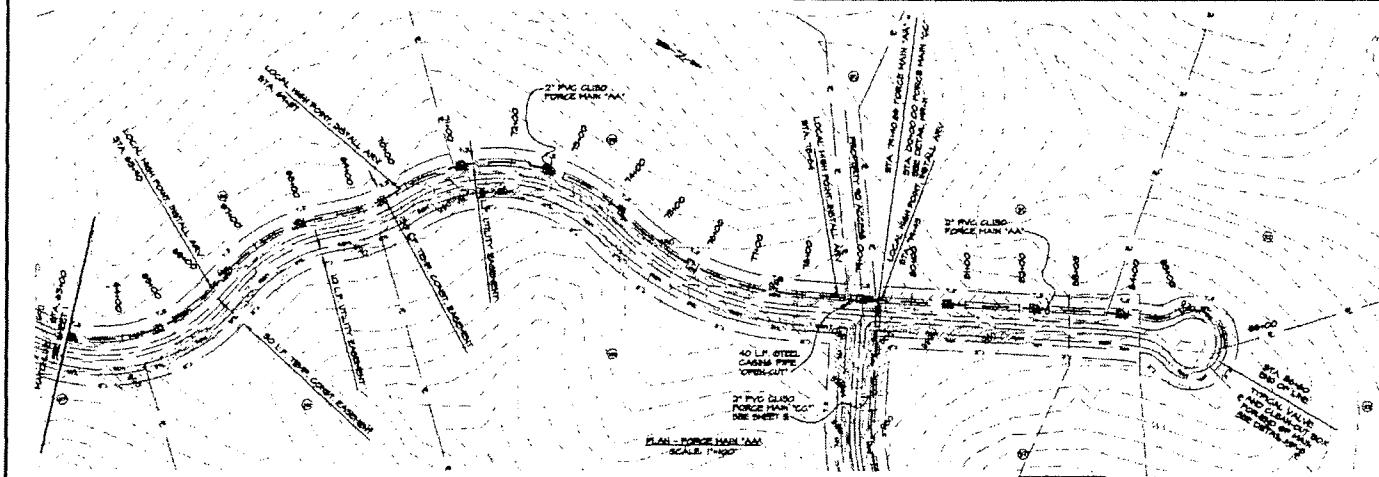


MIST WOODS AT MALLARD POINT  
 PHASE 2  
 PROPOSED LOW PRESSURE SANITARY SEWER SYSTEM  
 PLAN & PROFILE

DATE	REVISION
APPROVED BY: [Signature]	DATE: [Date]
DESIGNED BY: [Name]	DATE: [Date]
CHECKED BY: [Name]	DATE: [Date]
REVIEWED BY: [Name]	DATE: [Date]
SCALE: [Scale]	SCALE: [Scale]

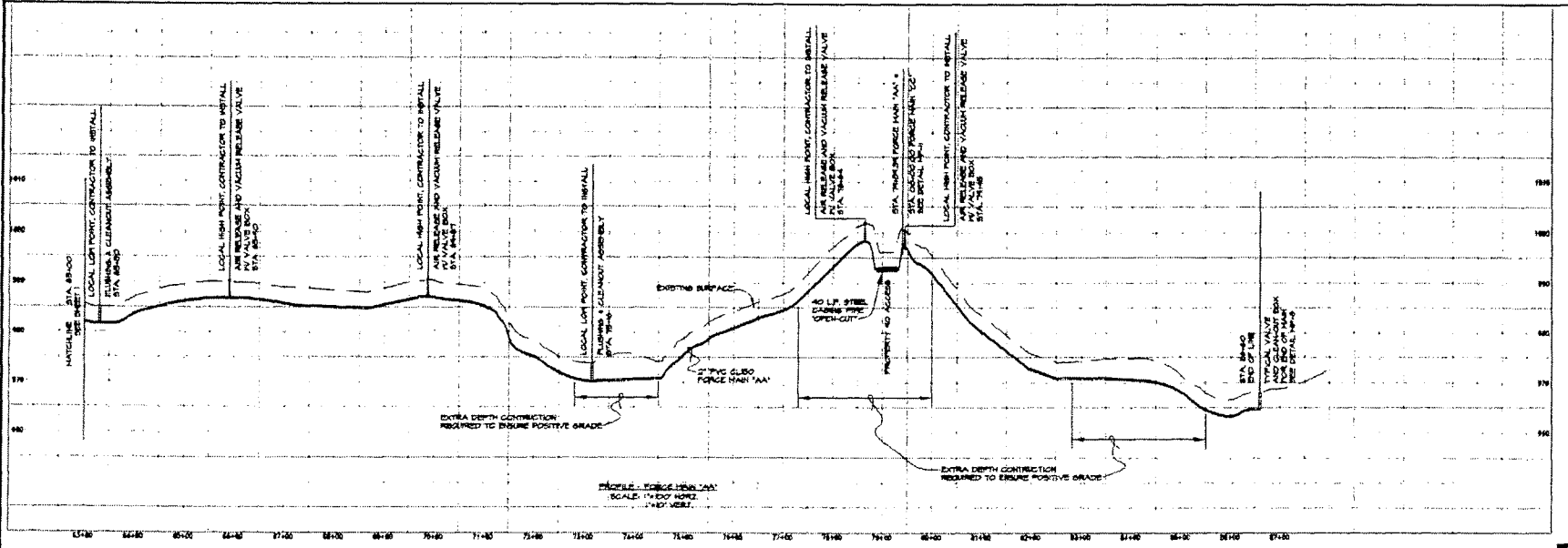
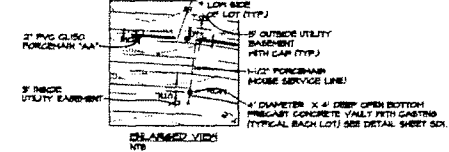
**nse**  
 National  
 Sewer & Earthwork  
 Engineers  
 1111 Washington Ave  
 Littleton, CO 80120  
 Phone: (303) 733-1444  
 Fax: (303) 733-1280

DRAWING NO.  
**1**



Proposed Sanitary Lines and Structure Details

Lot No.	Length of Sanitary Line	Pump Elev.	Substation Name or Other Pump
1	100.00'	82.00'	100.00' 100.00'
2	100.00'	82.00'	100.00' 100.00'
3	100.00'	82.00'	100.00' 100.00'
4	100.00'	82.00'	100.00' 100.00'
5	100.00'	82.00'	100.00' 100.00'
6	100.00'	82.00'	100.00' 100.00'
7	100.00'	82.00'	100.00' 100.00'
8	100.00'	82.00'	100.00' 100.00'
9	100.00'	82.00'	100.00' 100.00'
10	100.00'	82.00'	100.00' 100.00'
11	100.00'	82.00'	100.00' 100.00'
12	100.00'	82.00'	100.00' 100.00'
13	100.00'	82.00'	100.00' 100.00'
14	100.00'	82.00'	100.00' 100.00'
15	100.00'	82.00'	100.00' 100.00'
16	100.00'	82.00'	100.00' 100.00'
17	100.00'	82.00'	100.00' 100.00'
18	100.00'	82.00'	100.00' 100.00'
19	100.00'	82.00'	100.00' 100.00'
20	100.00'	82.00'	100.00' 100.00'
21	100.00'	82.00'	100.00' 100.00'
22	100.00'	82.00'	100.00' 100.00'
23	100.00'	82.00'	100.00' 100.00'
24	100.00'	82.00'	100.00' 100.00'
25	100.00'	82.00'	100.00' 100.00'
26	100.00'	82.00'	100.00' 100.00'
27	100.00'	82.00'	100.00' 100.00'
28	100.00'	82.00'	100.00' 100.00'
29	100.00'	82.00'	100.00' 100.00'
30	100.00'	82.00'	100.00' 100.00'
31	100.00'	82.00'	100.00' 100.00'
32	100.00'	82.00'	100.00' 100.00'
33	100.00'	82.00'	100.00' 100.00'
34	100.00'	82.00'	100.00' 100.00'
35	100.00'	82.00'	100.00' 100.00'
36	100.00'	82.00'	100.00' 100.00'
37	100.00'	82.00'	100.00' 100.00'
38	100.00'	82.00'	100.00' 100.00'
39	100.00'	82.00'	100.00' 100.00'
40	100.00'	82.00'	100.00' 100.00'
41	100.00'	82.00'	100.00' 100.00'
42	100.00'	82.00'	100.00' 100.00'
43	100.00'	82.00'	100.00' 100.00'
44	100.00'	82.00'	100.00' 100.00'
45	100.00'	82.00'	100.00' 100.00'
46	100.00'	82.00'	100.00' 100.00'
47	100.00'	82.00'	100.00' 100.00'
48	100.00'	82.00'	100.00' 100.00'
49	100.00'	82.00'	100.00' 100.00'
50	100.00'	82.00'	100.00' 100.00'



MEET WOODS AT MALLARD POINT  
 PHASE 2  
 PROPOSED LOW PRESSURE SANITARY SEWER SYSTEM  
 PLAN & PROFILE

PROJECT NO.	1523-042
DATE	
DESIGNED BY	ET/STP/PA
CHECKED BY	D.A.C.
DATE	MAY, 2005
SCALE	AS SHOWN

**NSI**  
 National Sewer & Stormwater Institute  
 10000 13th Street, Suite 100  
 Denver, CO 80231  
 Phone: (303) 750-1313  
 Fax: (303) 750-1314  
 www.nsi.org



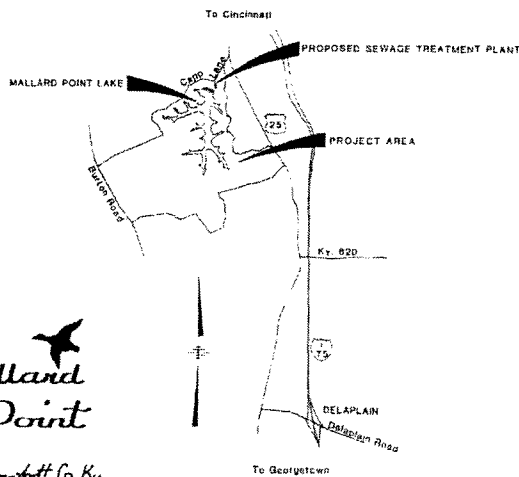
CONSTRUCTION PLANS FOR

# SANITARY SEWER SYSTEM

MALLARD POINT DEVELOPMENT  
FOR  
MARIC DEVELOPMENT CORPORATION  
SCOTT COUNTY, KENTUCKY

## PHASE 1

JULY, 1985



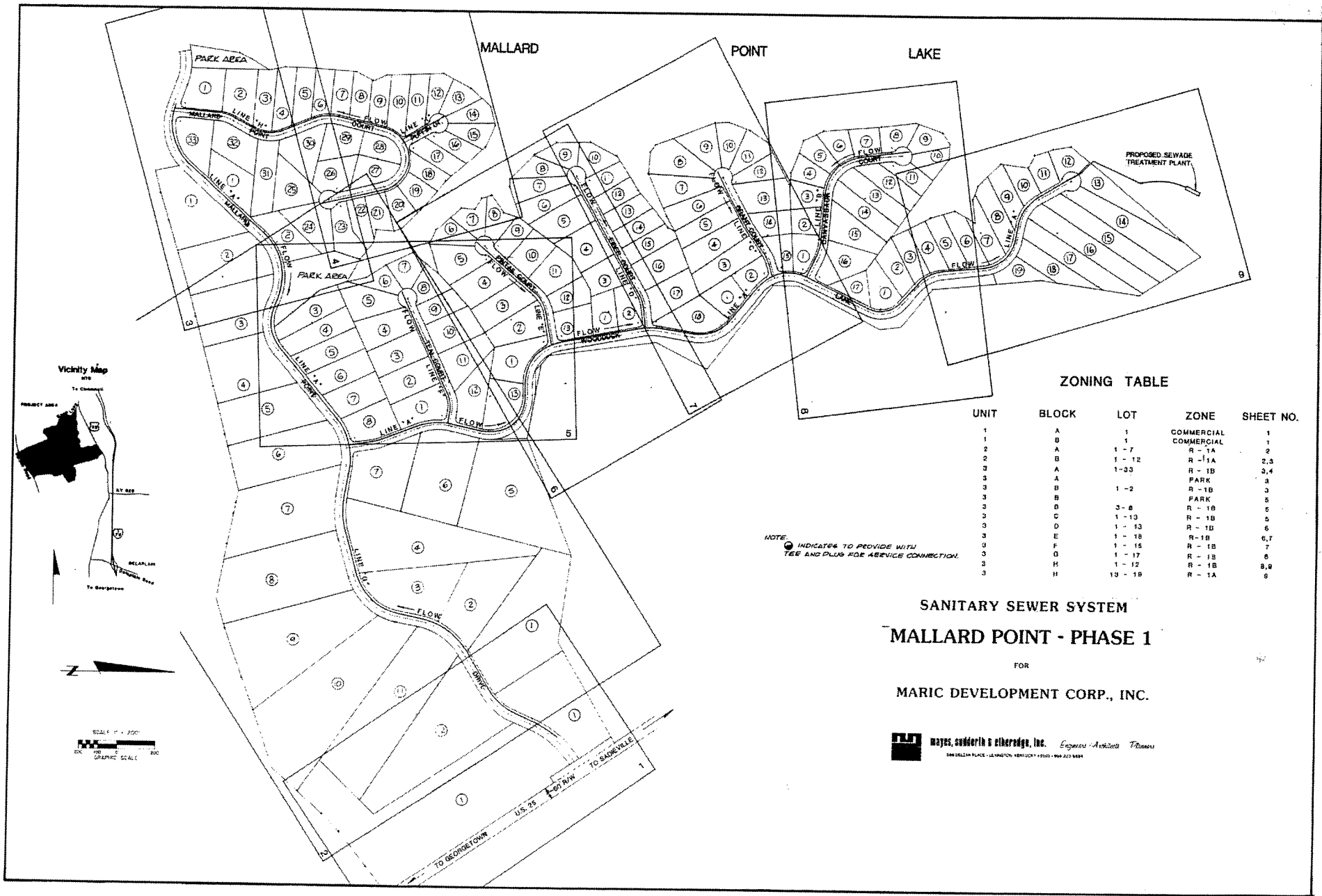
**Mallard Point**  
Maric Development Co., Ky.

mayer, sudderth & etheredge, inc.  
engineers • architects • planners  
LEXINGTON • ATLANTA • ORLANDO

Sheet Titles	INDEX	Sheet Nos.
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	LINE "A"&"H"	3
	LINE "H"&"I"	4
	LINE "A"&"F"	5
	LINE "A", "D" & "E"	6
	LINE "A" & "C"	7
	LINE "A" & "B"	8
	LINE "A"	9
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	LINE "B", "C", "D", "E" & "F"	12
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SEWAGE TREATMENT FACILITY		15
POST AERATION DEVICE		16
FOUNDATION PADS & INFLUENT BY-PASS BOX DETAILS		17
STANDARD DETAILS		SD-1 & SD-2



SET NO. \_\_\_\_\_



ZONING TABLE

UNIT	BLOCK	LOT	ZONE	SHEET NO.
1	A	1	COMMERCIAL	1
1	B	1	COMMERCIAL	1
2	A	1-7	R - 1A	2
2	B	1-12	R - 1A	2,3
3	A	1-33	R - 1B	3,4
3	B	1-2	PARK	3
3	B	3-8	R - 1B	5
3	C	1-13	R - 1B	5
3	D	1-13	R - 1B	5
3	E	1-18	R - 1B	6,7
3	F	1-15	R - 1B	7
3	G	1-17	R - 1B	6
3	H	1-12	R - 1B	8,9
3	H	19-19	R - 1A	9

NOTE: (Circled symbol) INDICATES TO PROVIDE WITH TEE AND PLUS FOR SERVICE CONNECTION.

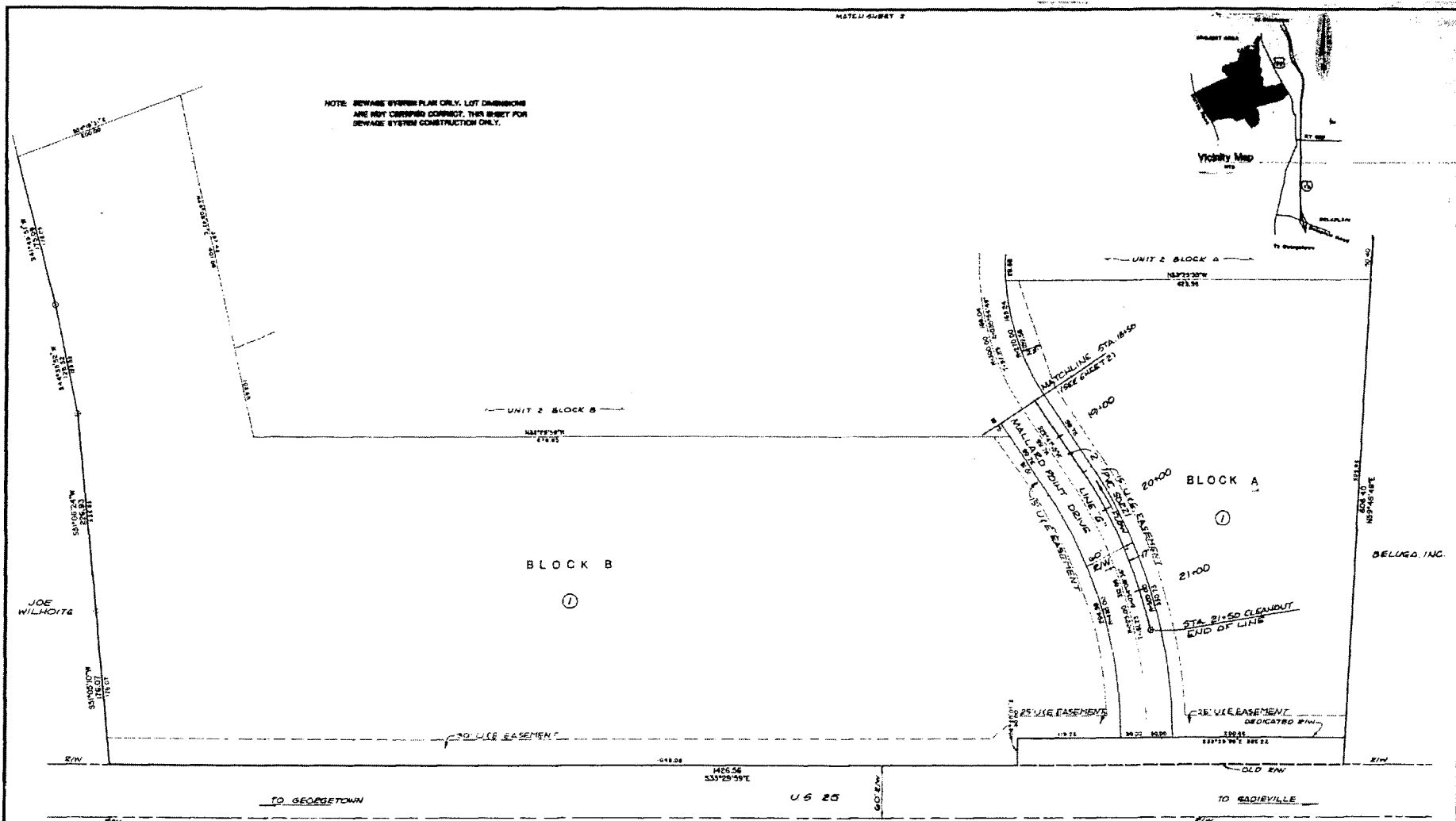
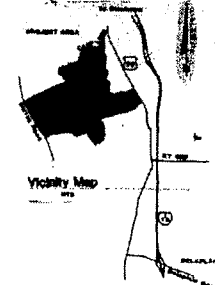
**SANITARY SEWER SYSTEM  
MALLARD POINT - PHASE 1**

FOR  
**MARIC DEVELOPMENT CORP., INC.**

**mayes, sutherland & sutherland, inc.** Engineers - Architects - Planners  
300 ELLERMAN PLACE - LEVINGTON, VERMONT 05548 - 800-222-9484

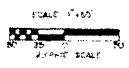


NOTE: SEWER SYSTEM PLAN ONLY. LOT DIMENSIONS ARE NOT CHECKED CORRECT. THIS SHEET FOR SEWER SYSTEM CONSTRUCTION ONLY.



NOTE: SERVICE CONNECTION, PROVISIONS OR EXTENSIONS WILL BE MADE FOR COMMERCIAL PROPERTY WHEN DEVELOPMENT PLANS FOR THIS AREA ARE FORMULATED.

PLAN



NOTE: LINES SHOWN ON THIS SHEET ARE NOT CONSTRUCTED AS OF APRIL, 1987

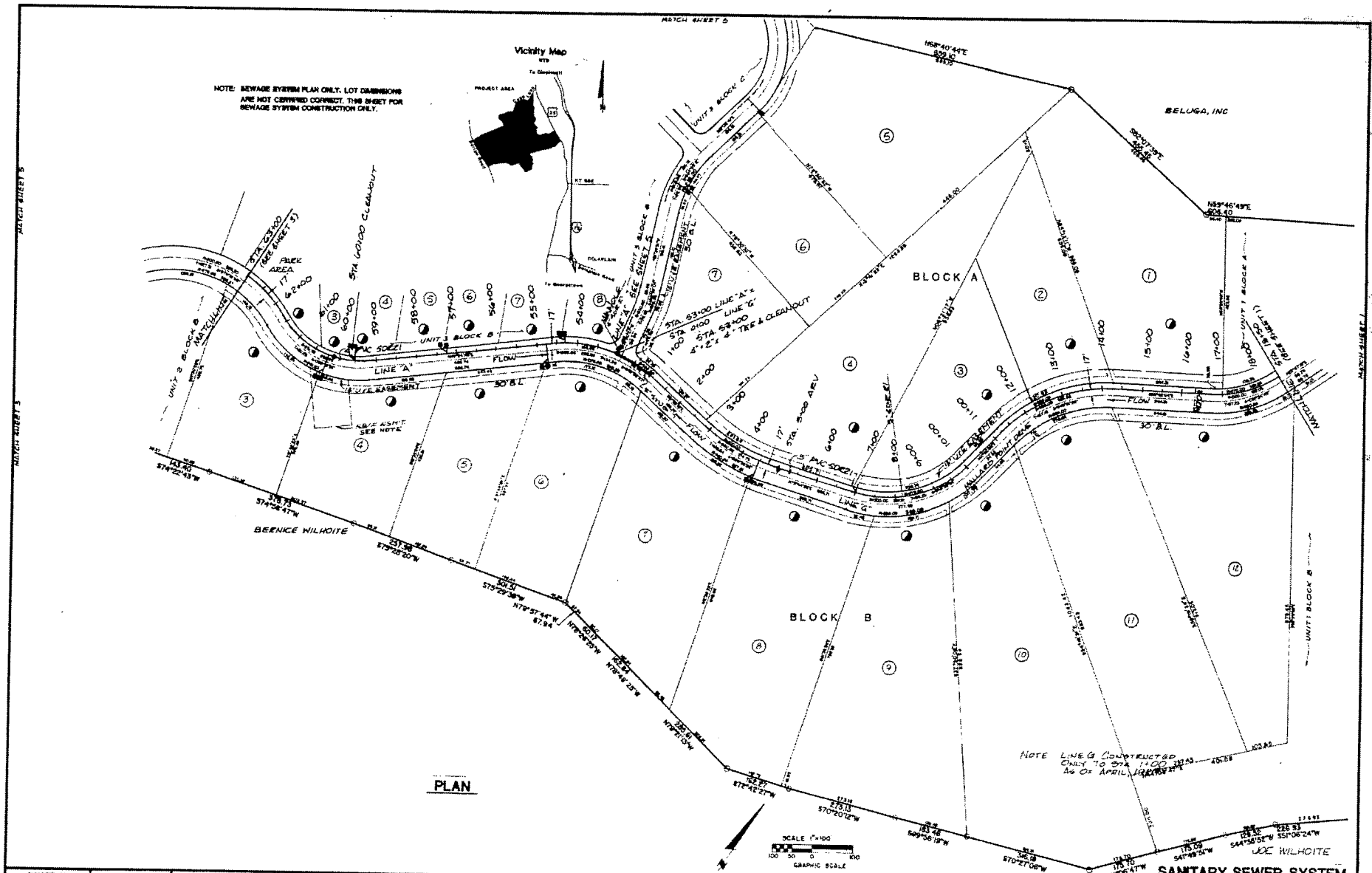
SANITARY SEWER SYSTEM

NO.	DATE	BY	REVISION	APPROVED BY	REVISION	APPROVED BY
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3	...	...	...	...	...	...
4	...	...	...	...	...	...
5	...	...	...	...	...	...
6	...	...	...	...	...	...
7	...	...	...	...	...	...
8	...	...	...	...	...	...
9	...	...	...	...	...	...
10	...	...	...	...	...	...

MALLARD POINT DEVELOPMENT  
FOR  
MARIC DEVELOPMENT CORPORATION  
SCOTT COUNTY, KENTUCKY

**m**  
mayes, sudderth & etheredge, inc.  
Engineers - Architects - Planners  
LEXINGTON ATLANTA ORLANDO

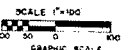
PHASE I  
**UNIT 1**  
BLOCKS A & B  
RECORD DRAWINGS  
1



NOTE: SEWER SYSTEM PLAN ONLY. LOT DIMENSIONS ARE NOT CORRECT. THIS SHEET FOR SEWER SYSTEM CONSTRUCTION ONLY.

PLAN

NOTE LINE G, CONSTRUCTED CHY TO STA 11+00.00 AS OF APRIL 1988



	PROJECT NO. 8041-03	DATE	REVISION	APPROVED	SITE	REVISION	APPROVED
	DRAWN BY: J. D. W. CHECKED BY: D. E. C. DESIGNED BY: W. L. B. APPROVED BY: J. D. W. DATE: JAN 1988 SCALE: AS SHOWN						

**MALLARD POINT DEVELOPMENT**  
 FOR  
**MARIC DEVELOPMENT CORPORATION**  
 SCOTT COUNTY, KENTUCKY



**mays, sudderth & atheredge, inc.**  
 Engineers • Architects • Planners  
 LEXINGTON ATLANTA ORLANDO

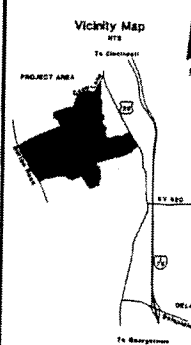
PHASE 1  
**UNIT 2**  
**BLOCKS A & B**  
 RECORD DRAWINGS

DATE: 12/88  
 DRAWN BY: J. D. W.  
 CHECKED BY: D. E. C.  
 DESIGNED BY: W. L. B.  
 APPROVED BY: J. D. W.  
 DATE: JAN 1988  
 SCALE: AS SHOWN

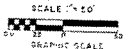
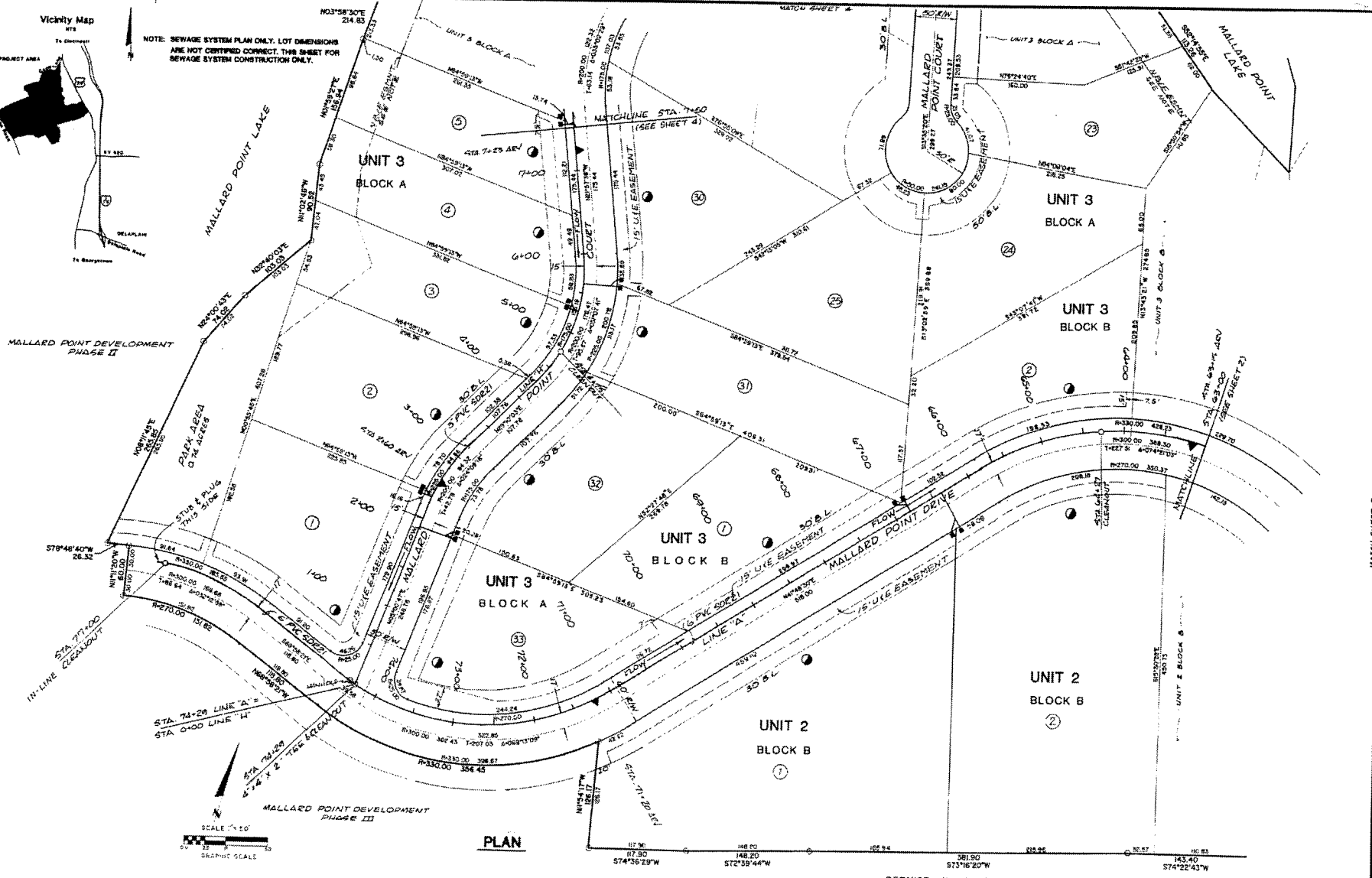
JOE WILHOITE

2

Sheet 2 of 2



NOTE: SEWAGE SYSTEM PLAN ONLY. LOT DIMENSIONS ARE NOT CERTIFIED CORRECT. THIS SHEET FOR SEWAGE SYSTEM CONSTRUCTION ONLY.



PLAN



PROJECT NO	DATE	REVISION	APPROVED	DATE	REVISION	APPROVED
8041-03						

MALLARD POINT DEVELOPMENT  
FOR  
MARIC DEVELOPMENT CORPORATION  
SCOTT COUNTY, KENTUCKY



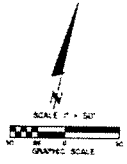
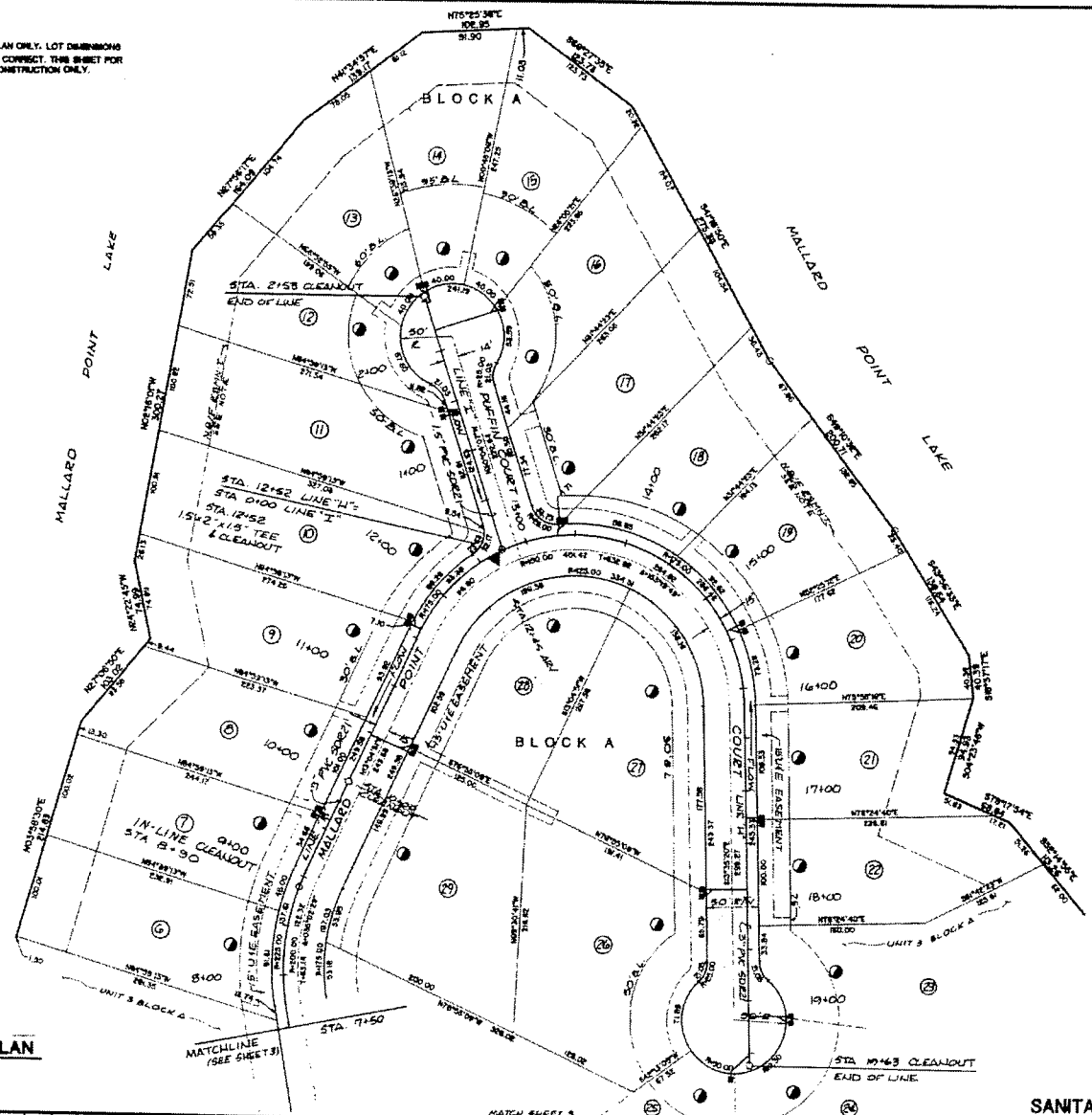
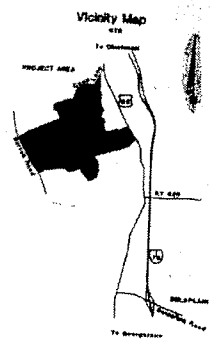
mayes, suddarth & etheredge, inc.  
Engineers • Architects • Planners  
LEXINGTON ATLANTA ORLANDO

PHASE I  
UNIT 2 - BLOCK B  
UNIT 3 - BLOCKS A & B  
RECORD DRAWINGS

3

DATE: 3-01

NOTE: SEWER SYSTEM PLAN ONLY. LOT DIMENSIONS ARE NOT CERTIFIED CORRECT. THIS SHEET FOR SEWER SYSTEM CONSTRUCTION ONLY.



PLAN

SANITARY SEWER SYSTEM

	PROJECT: 818041-03	DATE:	REVISION:	APPROVE:	DATE:	REVISION:	APPROVE:
	DRAWN BY: J.D.V.						
	TRACED BY: D.E.C.						
	CHECKED BY: W.L.S.						
	DATE: JAN 1985						

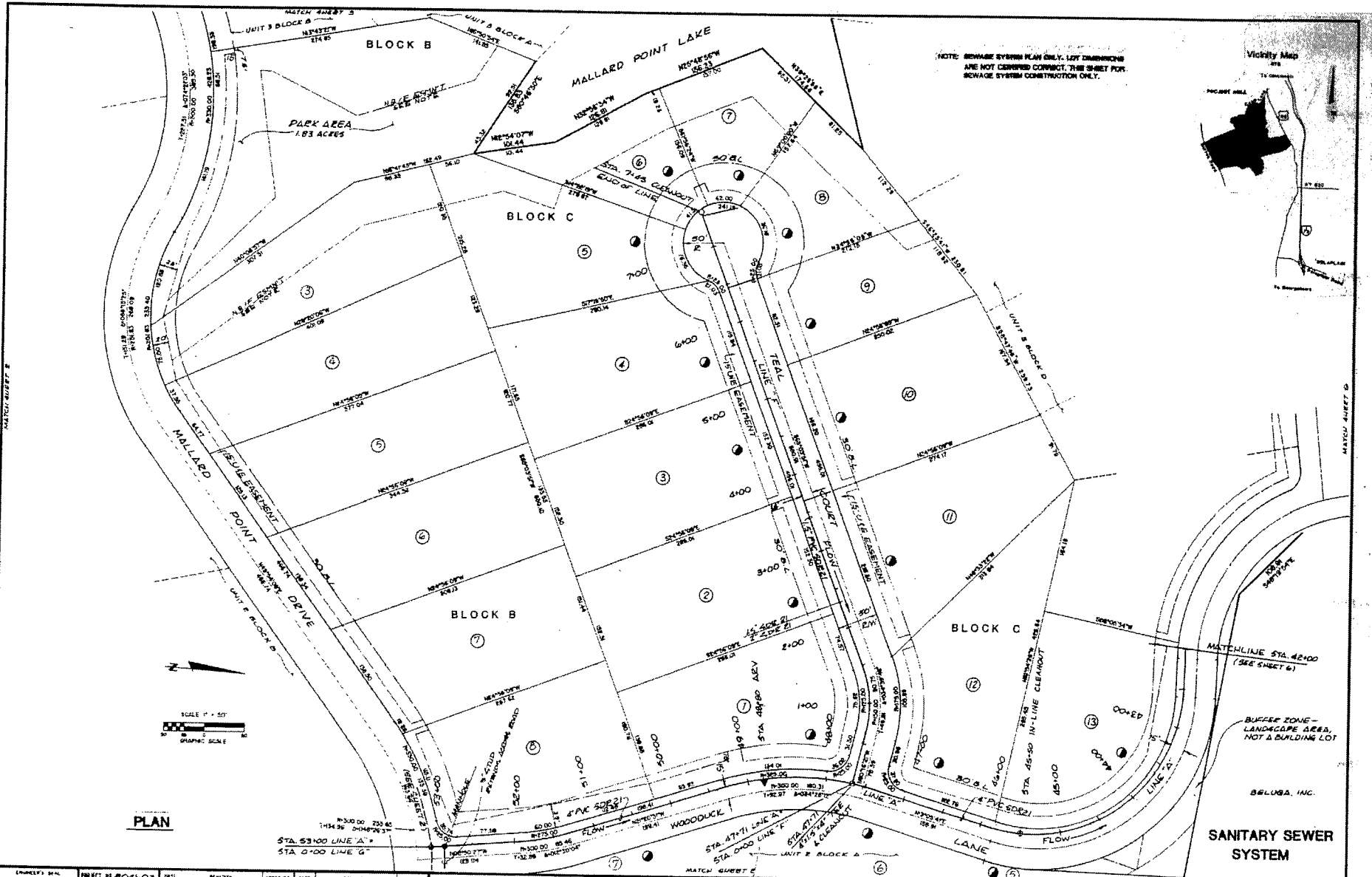
MALLARD POINT DEVELOPMENT  
FOR  
MARIC DEVELOPMENT CORPORATION  
SCOTT COUNTY, KENTUCKY



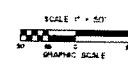
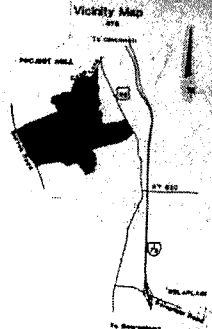
Mayes, Sudderth & Etheredge, inc.  
Engineers • Architects • Planners  
LEXINGTON ATLANTA ORLANDO

PHASE 1  
UNIT 3  
BLOCK A  
RECORD DRAWINGS

DRAWING NUMBER  
4  
SHEET 4 OF 4



NOTE: SEWER SYSTEM PLAN ONLY. LOT DIMENSIONS ARE NOT COVERED COMPLETE. THIS SHEET FOR SEWER SYSTEM CONSTRUCTION ONLY.



PLAN

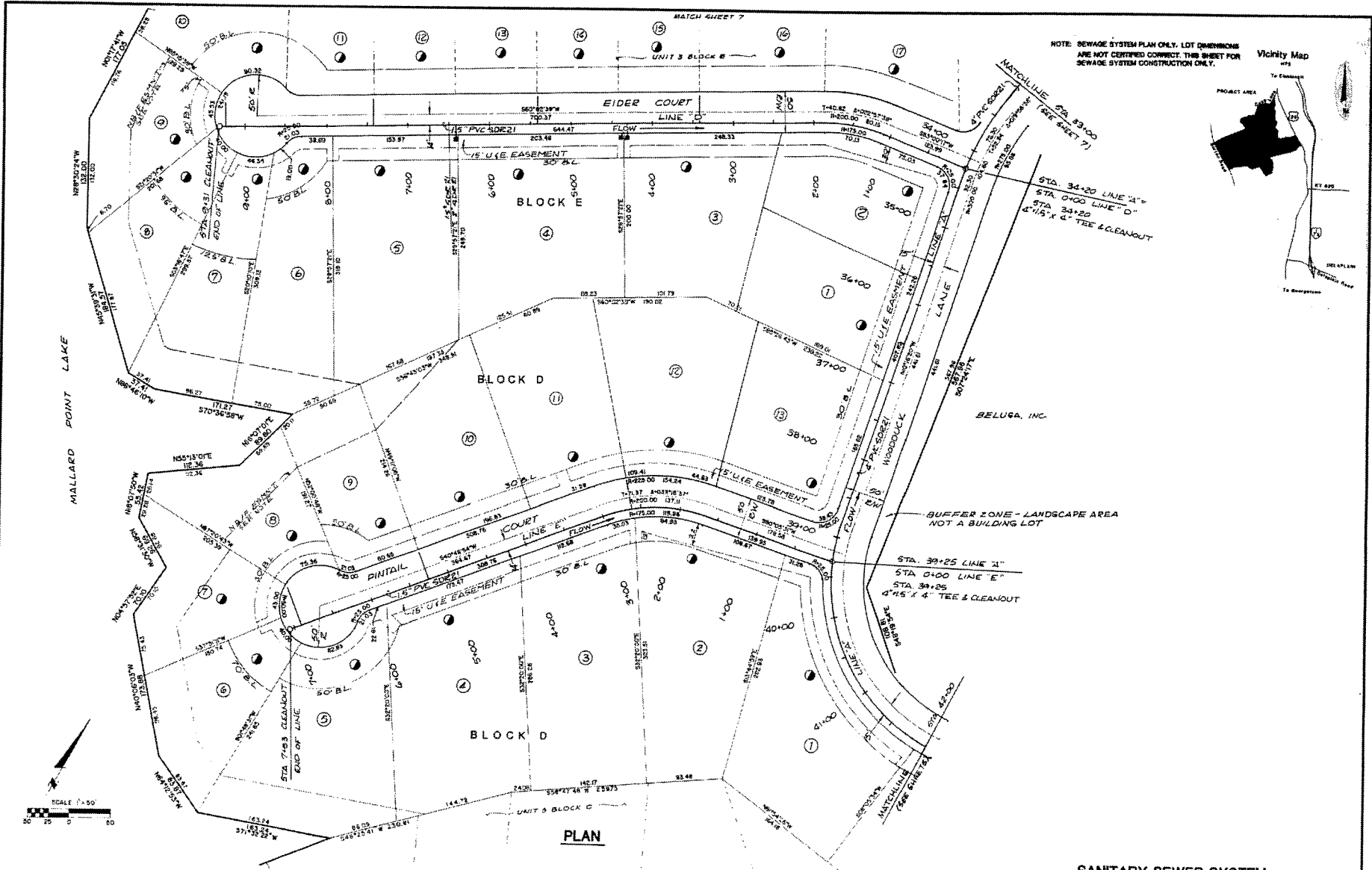
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	DRAWN BY J.D.W.						
	TRACED BY D.E.C.						
	CHECKED BY W.L.B.						
	APPROVED BY W.L.B.						
DATE JAN 1988							
PLN. AS SHOWN							

**MALLARD POINT DEVELOPMENT**  
 FOR  
**MARIC DEVELOPMENT CORPORATION**  
 SCOTT COUNTY, KENTUCKY

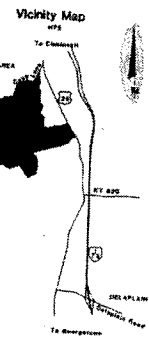


**mayes, suddorth & etheredge, inc.**  
 Engineers • Architects • Planners  
 LEXINGTON ATLANTA ORLANDO

PHASE 1  
**UNIT 3**  
**BLOCKS B & C**  
 RECORD DRAWINGS  
 SHEET NUMBER  
**5**  
 SHEET 5 OF



NOTE: SEWAGE SYSTEM PLAN ONLY. LOT DIMENSIONS ARE NOT CERTIFIED CORRECT. THIS SHEET FOR SEWAGE SYSTEM CONSTRUCTION ONLY.



**SANITARY SEWER SYSTEM**

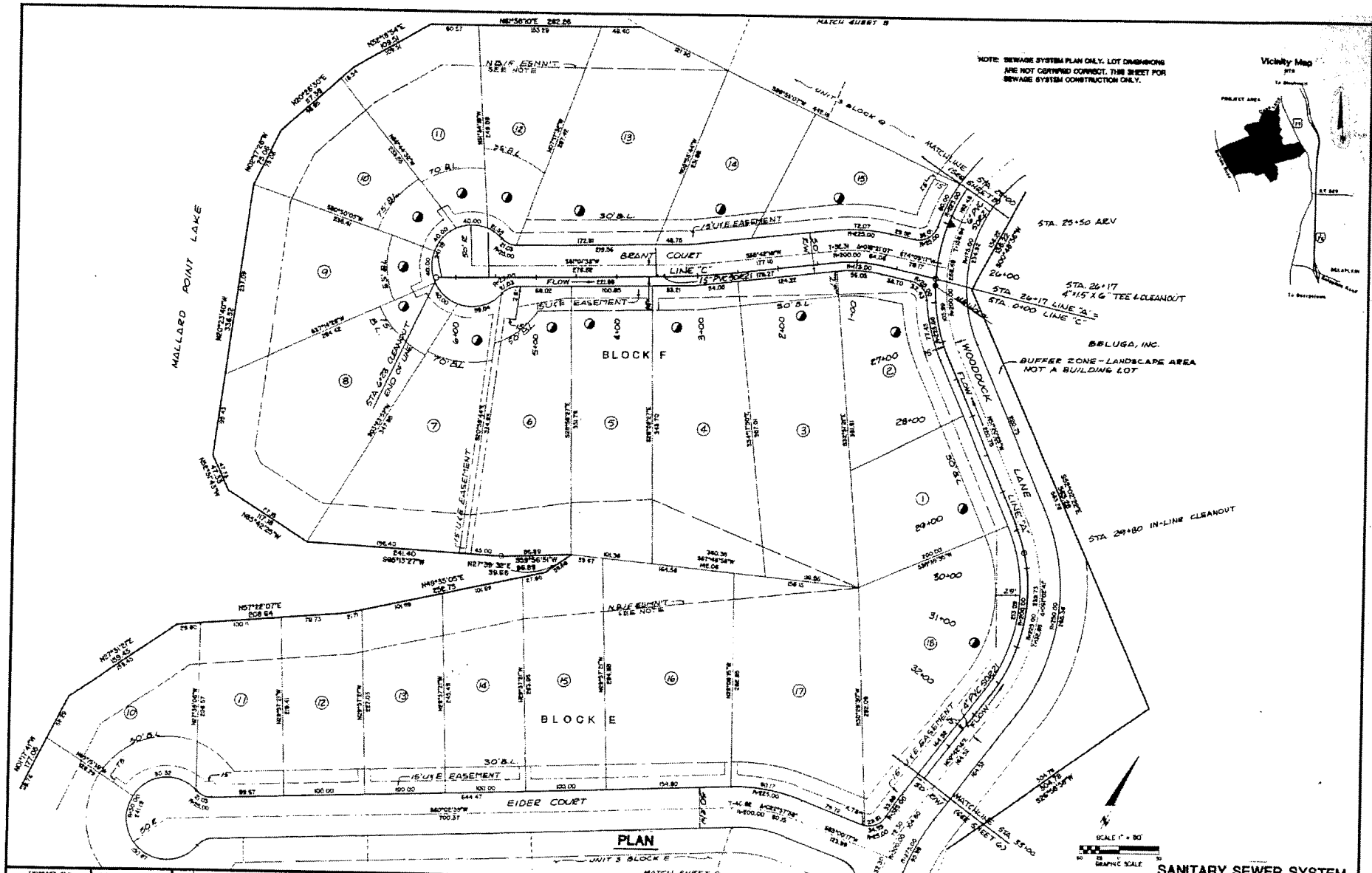
APPROVED BY	DATE	REVISION	APPROVED BY	DATE	REVISION	APPROVED BY
PROJECT NO. 804-03						
DRAWN BY: J.D.W.						
CHECKED BY: D.E.C.						
DESIGNED BY: W.L.B.						
DATE: JAN 1988						
SCALE: AS SHOWN						

**MALLARD POINT DEVELOPMENT**  
 FOR  
**MARIC DEVELOPMENT CORPORATION**  
 SCOTT COUNTY, KENTUCKY

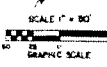
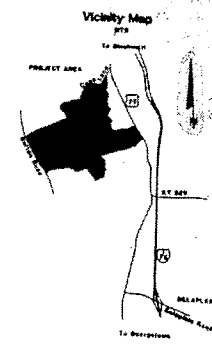


**mayes, sudderth & etheredge, inc.**  
 Engineers • Architects • Planners  
 LEXINGTON ATLANTA ORLANDO

PHASE 1  
**UNIT 3**  
**BLOCKS D & E**  
 RECORD DRAWINGS  
 6  
 SHEET NO.



NOTE: SEWERAGE SYSTEM PLAN ONLY. LOT DIMENSIONS ARE NOT CERTIFIED CORRECT. THIS SHEET FOR SEWERAGE SYSTEM CONSTRUCTION ONLY.



**SANITARY SEWER SYSTEM**

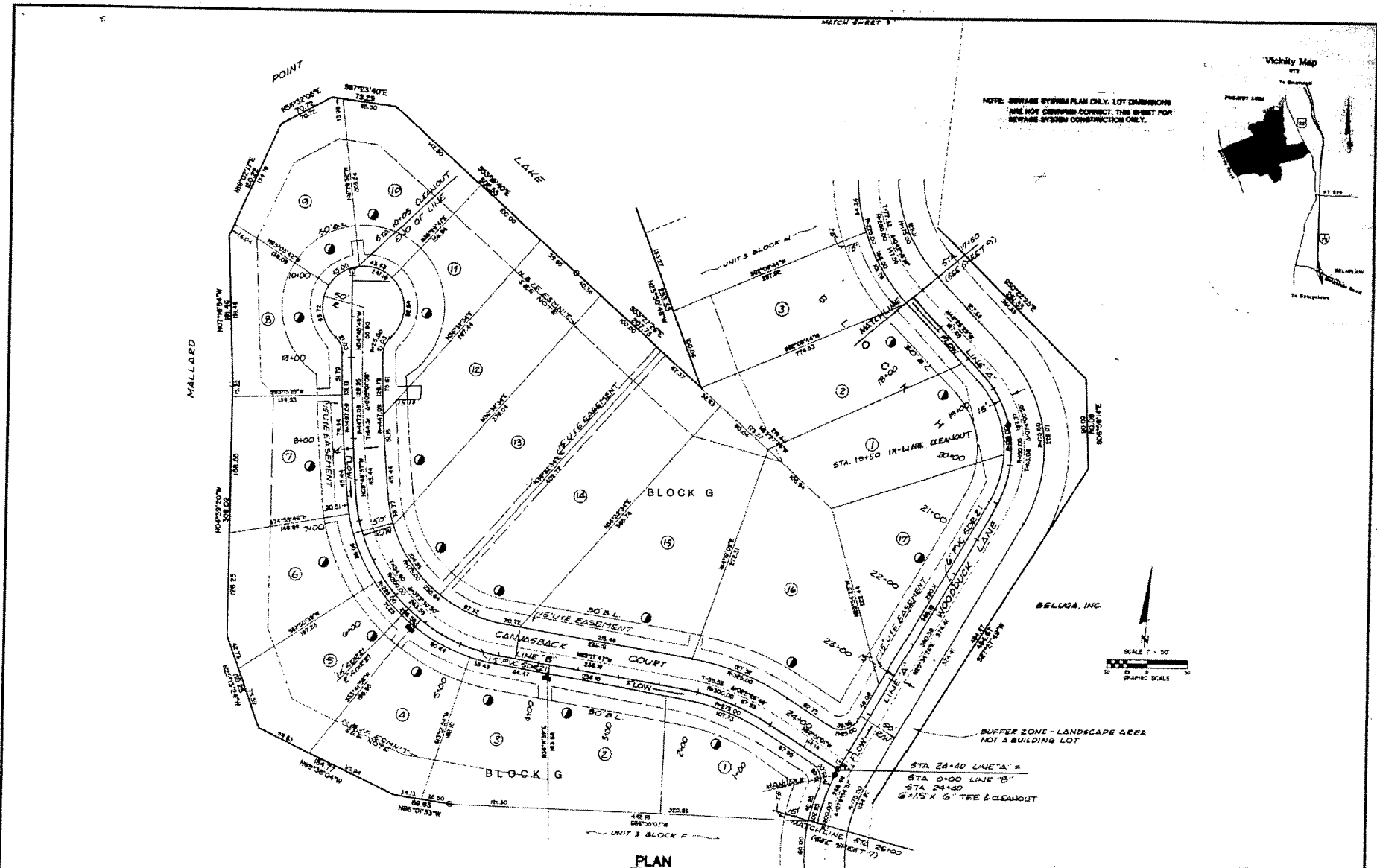
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	DESIGNED BY J.D.W.						
	TRACKED BY D.E.C.						
	CHECKED BY W.L.B.						
	APPROVED BY W.L.B.						
DATE: JAN 1985 SCALE: AS SHOWN							

**MALLARD POINT DEVELOPMENT**  
FOR  
**MARIC DEVELOPMENT CORPORATION**  
SCOTT COUNTY, KENTUCKY

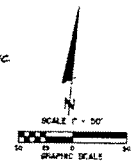
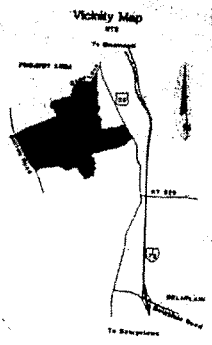


mayes, suddeth & oteredge, inc.  
Engineers • Architects • Planners  
LEXINGTON ATLANTA ORLANDO

PHASE 1  
**UNIT 3**  
BLOCKS E & F  
RECORD DRAWINGS  
DRAWING NUMBER  
**7**  
1-11-7-2



NOTE: SEWER SYSTEM PLAN ONLY. LOT DIMENSIONS ARE NOT GIVEN. CONSTRUCT THIS SHEET FOR SEWER SYSTEM CONSTRUCTION ONLY.



PLAN

SANITARY SEWER SYSTEM

	PROJECT NO. 8047-03	DATE	REV. NO.	APPROVE	DATE	REVISION	APPROVE
	DESIGNED BY J.D.W.						
	DRAWN BY D.E.C.						
	CHECKED BY W.L.S.						
	DATE JAN 1988						
	SCALE AS SHOWN						

**MALLARD POINT DEVELOPMENT**  
 FOR  
**MARIC DEVELOPMENT CORPORATION**  
 SCOTT COUNTY, KENTUCKY



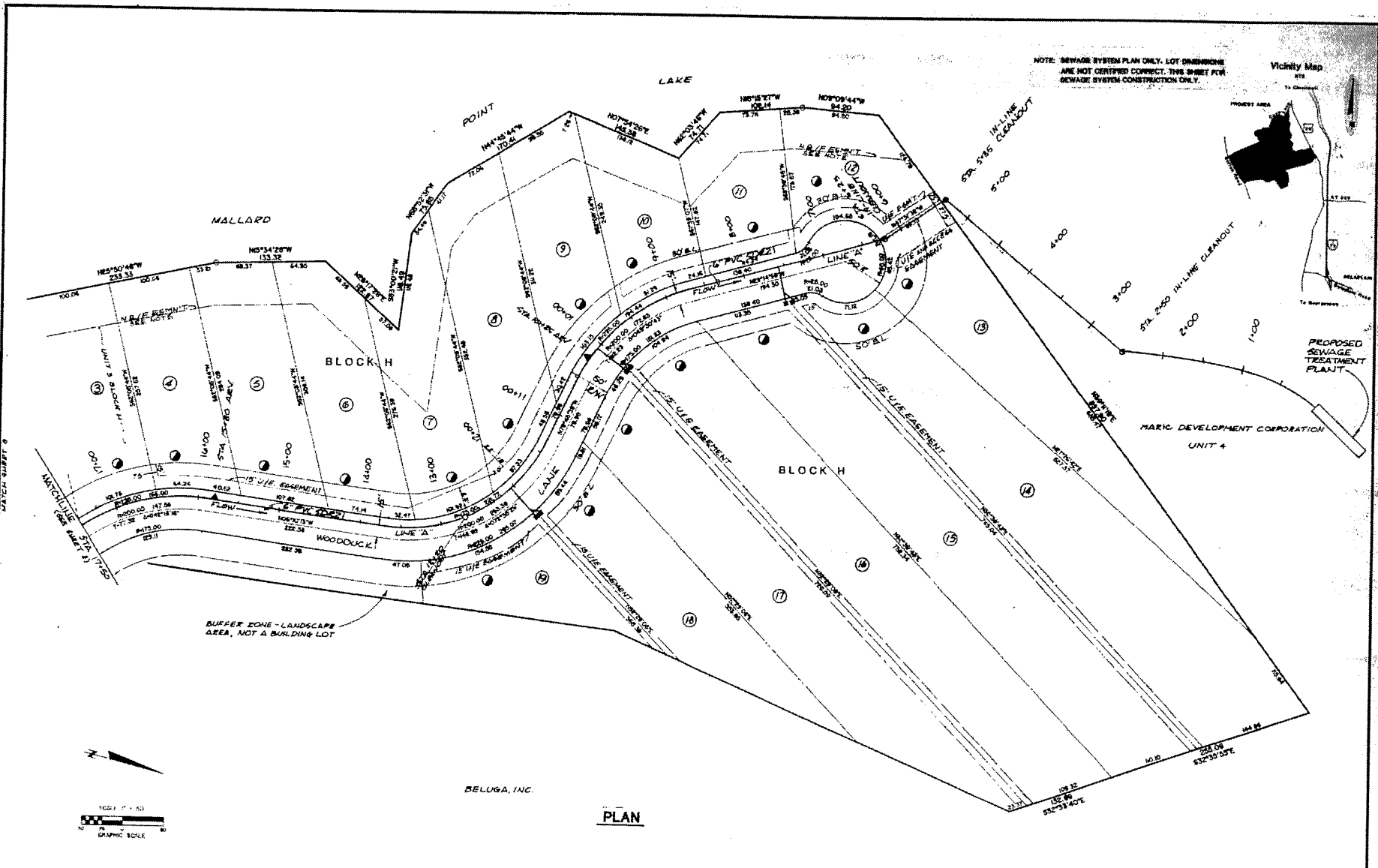
**Hayes, Suderth & Etheredge, inc.**  
 Engineers • Architects • Planners  
 LEXINGTON ATLANTA ORLANDO

PHASE 1	DRAWING NUMBER
<b>UNIT 3</b>	<b>8</b>
<b>BLOCKS G &amp; H</b>	
<b>RECORD DRAWINGS</b>	



NOTE: SEWAGE SYSTEM PLAN ONLY. LOT DIMENSIONS ARE NOT CERTIFIED CORRECT. THIS SHEET FOR SEWAGE SYSTEM CONSTRUCTION ONLY.

Vicinity Map



BELUGA, INC.

PLAN

SANITARY SEWER SYSTEM

UNIT 3

BLOCK H

RECORD DRAWINGS

DRAWING NUMBER

9

ENGINEER'S SEAL	PROJECT NO.	DATE	REVISION	APPROVED	DATE	REVISION	APPROVED
	0604-03						
	DESIGN BY: J.D.W.						
	TRACED BY: D.E.C.						
	CHECKED BY: W.L.B.						
	SUPPORTED BY: W.L.B.						
	DATE: JAN 15/88						
	SCALE: AS SHOWN						

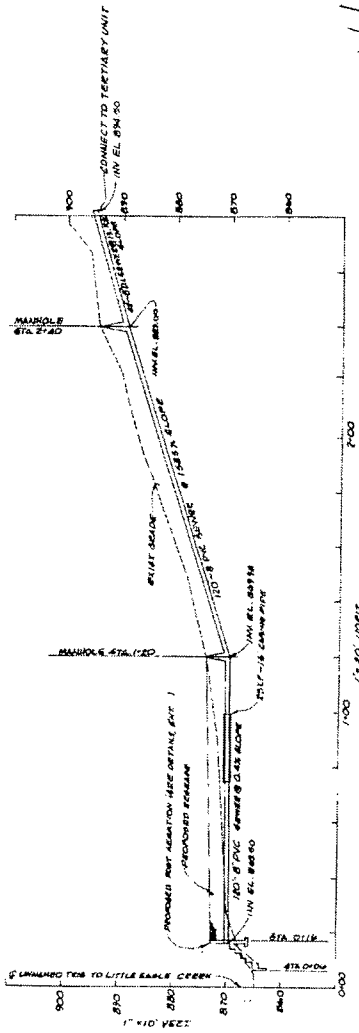
MALLARD POINT DEVELOPMENT  
FOR  
MARIC DEVELOPMENT CORPORATION  
SCOTT COUNTY, KENTUCKY



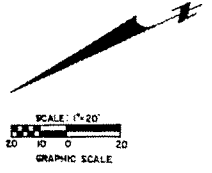
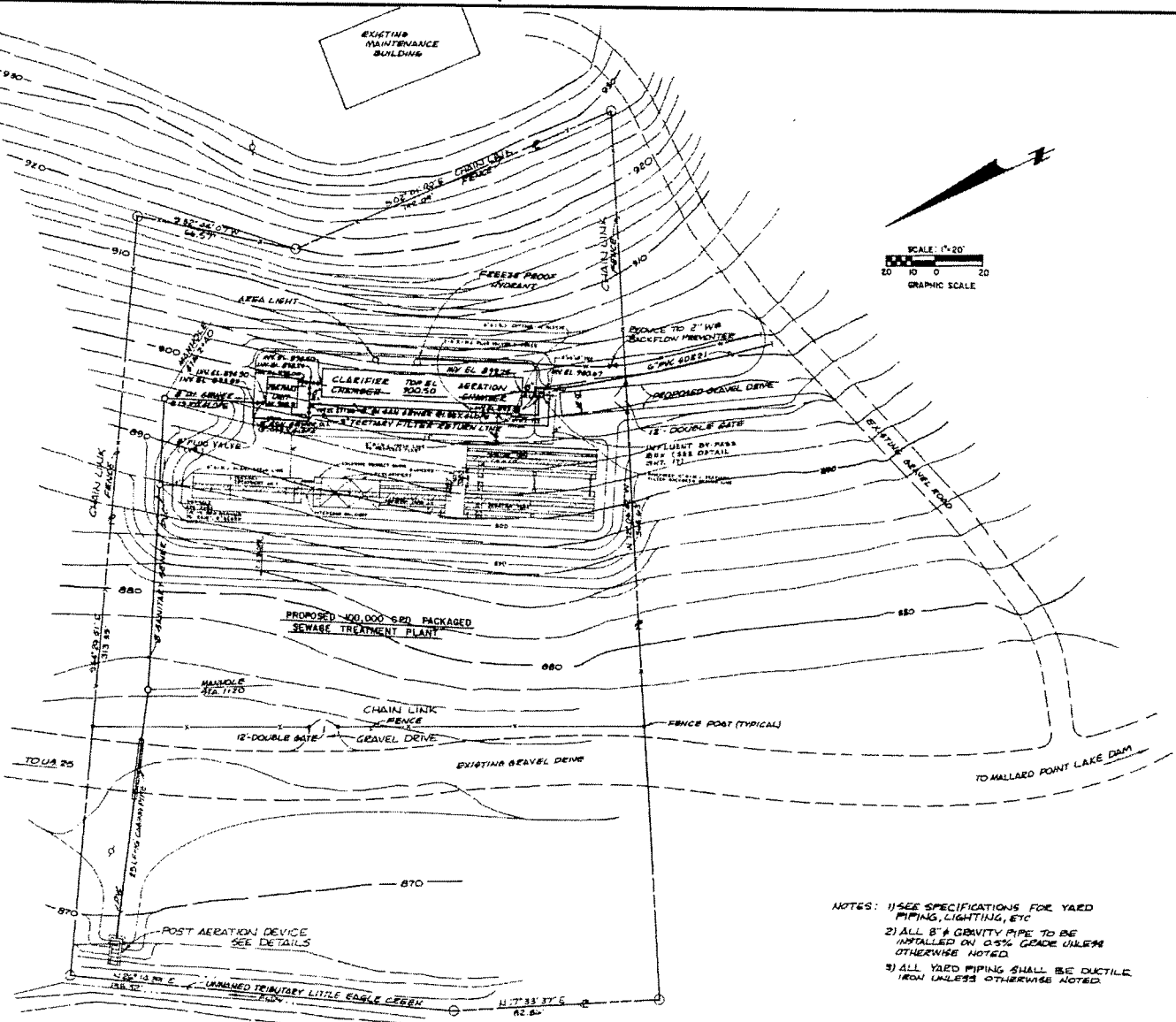
mayes, sudderth & etheredge, inc.  
Engineers • Architects • Planners  
LEXINGTON ATLANTA ORLANDO

PHASE 1

DATE: 5/88



PROFILE - 8" SANITARY SEWER



- NOTES: 1) SEE SPECIFICATIONS FOR YARD PIPING, LIGHTING, ETC  
 2) ALL 8" GRAVITY PIPE TO BE INSTALLED ON 0.5% GRADE UNLESS OTHERWISE NOTED  
 3) ALL YARD PIPING SHALL BE DUCTILE IRON UNLESS OTHERWISE NOTED

	PROJECT #	2041-05	DATE		REVISION	APPROVED	DATE	REVISION	APPROVED
	DRAWN BY	JOM							
	CHECKED BY	JOM							
	DESIGNED BY	WLB							
	APPROVED BY	WLB							
DATE	JUL 1978								
SCALE	AS SHOWN								

**MALLARD POINT DEVELOPMENT**  
 FOR  
**MARIC DEVELOPMENT CORPORATION**  
 SCOTT COUNTY, KENTUCKY



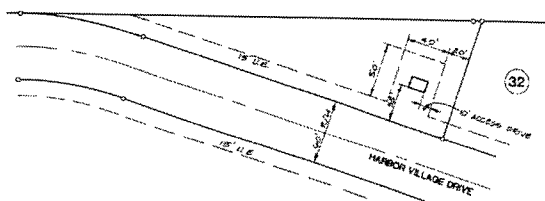
**Mayes, Suddarth & Etheredge, Inc.**  
 Engineers - Architects - Planners  
 LEXINGTON ATLANTA ORLANDO

**SEWAGE TREATMENT PLANT**

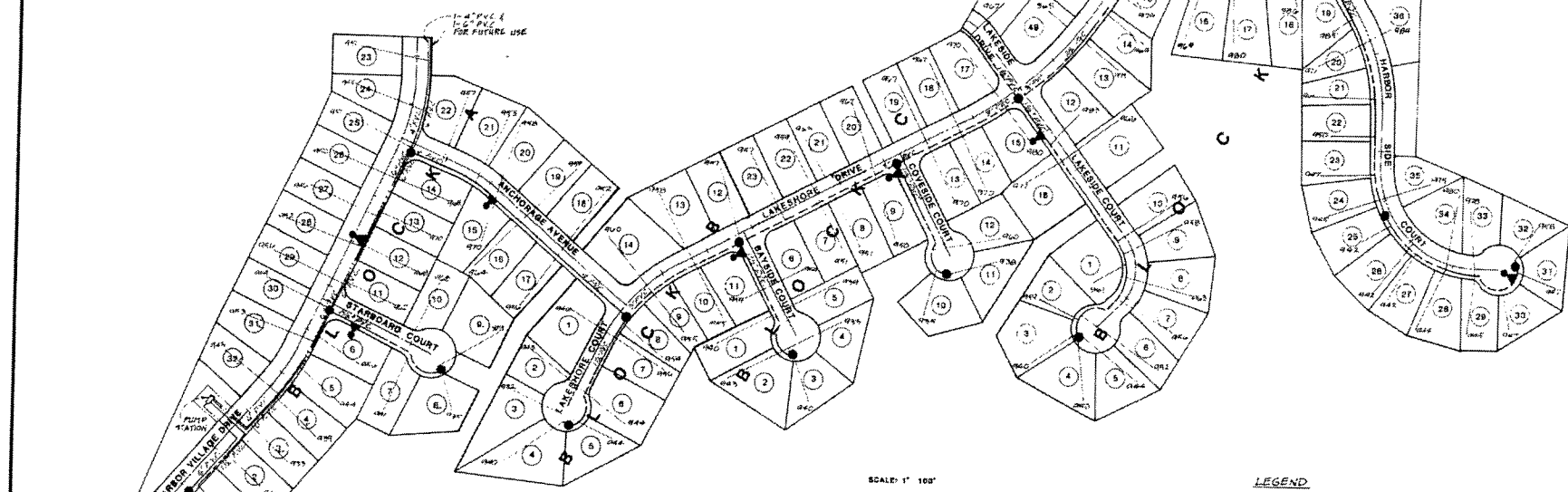
**SITE PLAN  
 RECORD DRAWINGS**

DRAWING NUMBER  
**15**  
 SHEET 01





**PUMP STATION SITE PLAN**  
SCALE: 1" = 50'



SCALE: 1" = 100'

**LEGEND**

- 6" PVC, SDR 21
- 4" PVC, SDR 21
- 3" PVC, SDR 21
- 2 1/2" PVC, SDR 21
- 2" PVC, SDR 21
- 1 1/2" PVC, SDR 21
- MANHOLE & CLEANOUT
- AIR RELEASE VALVE
- MILL GRINDER PUMP (SWAMP ELEVATION)

NOTE: ELEVATIONS SHOWN AT THE SEDGE END OF SERVICE LATERALS ARE THE MAXIMUM GRINDER PUMP SWAMP ELEVATIONS FOR EACH INDIVIDUAL LOT. IN NO CASE SHALL INDIVIDUAL GRINDER PUMPS BE SET BELOW THE SWAMP ELEVATION.

NOTE: ALL PIPES SHALL BE LAID AT MAXIMUM ELEVATION UP TO 1" BELOW THE GROUND SURFACE.

SEE SHEET 2 FOR PROFILE

SEE SHEET 4



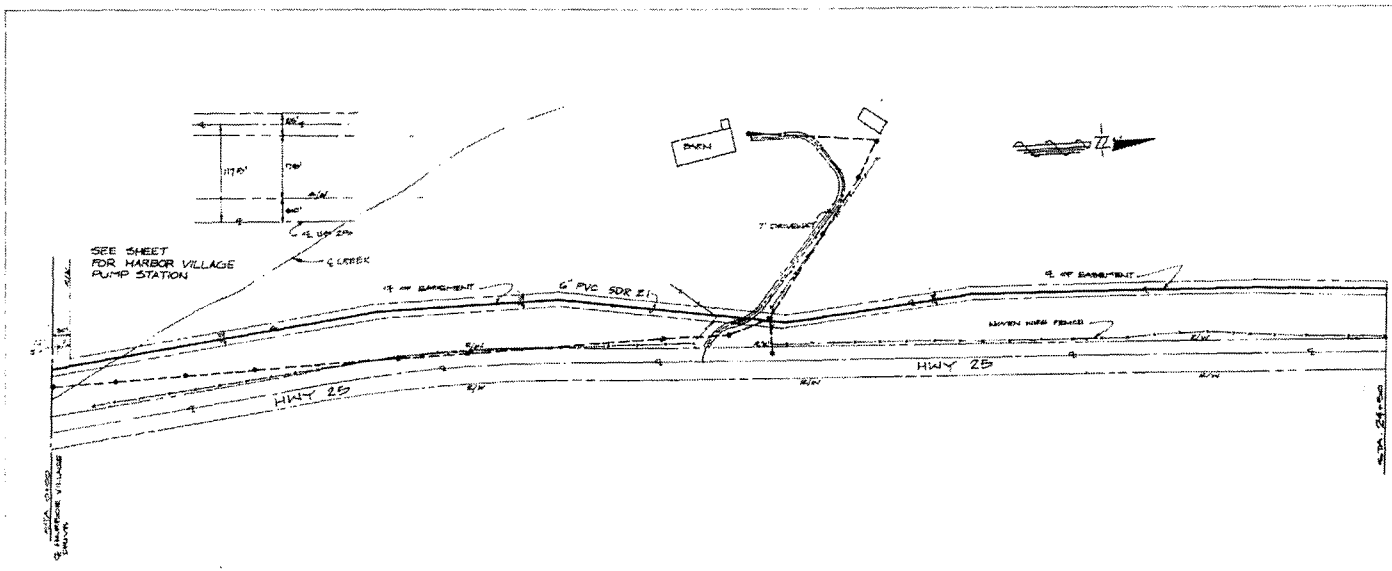
**PRESSURE SEWER SYSTEM PLANS**  
HARBOR HILLS SUBDIVISION  
PARCELS UNIT 1  
FOR  
MARC DEVELOPMENT CORPORATION  
139 E. MAIN ST.  
GEORGETOWN, N.Y. 10524

PROJECT NO.	100-110
DESIGNED BY	A.L.L.
CHECKED BY	A.L.L.
DATE	1-27-85
SCALE	AS SHOWN

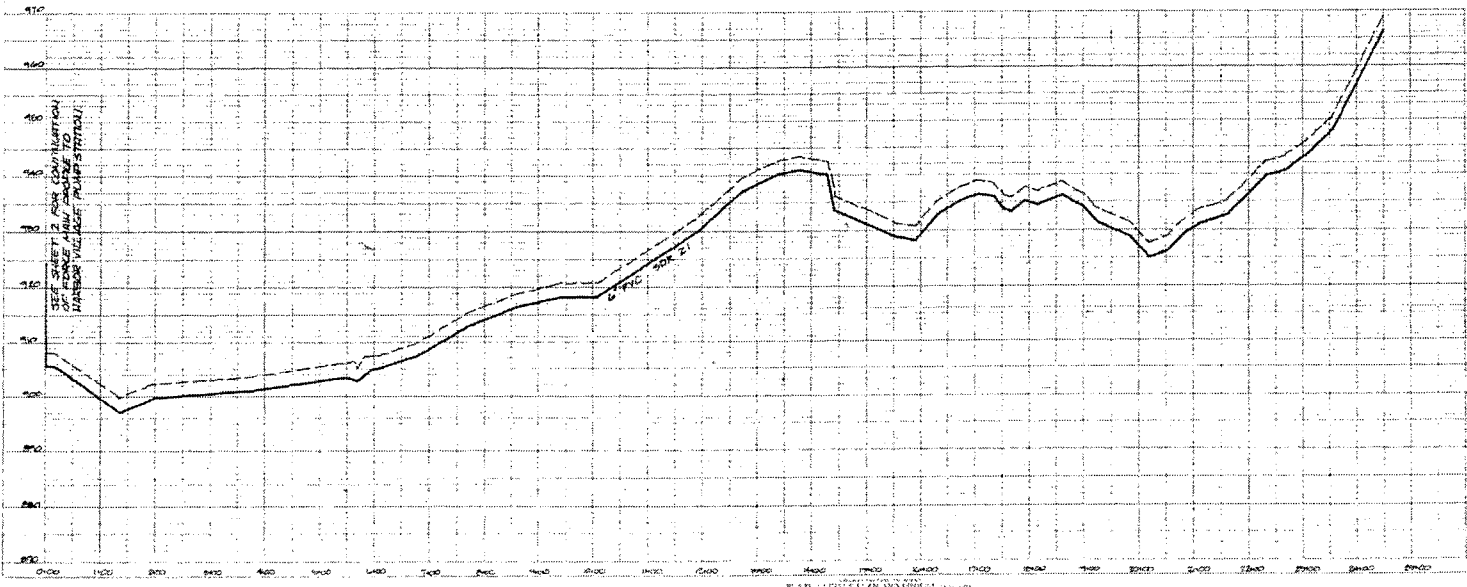


DRAWING NO.  
**1**  
SHEET OF

PLAN  
 SHEET NO. 4  
 DATE: 11/11/83  
 DRAWN BY: [Signature]



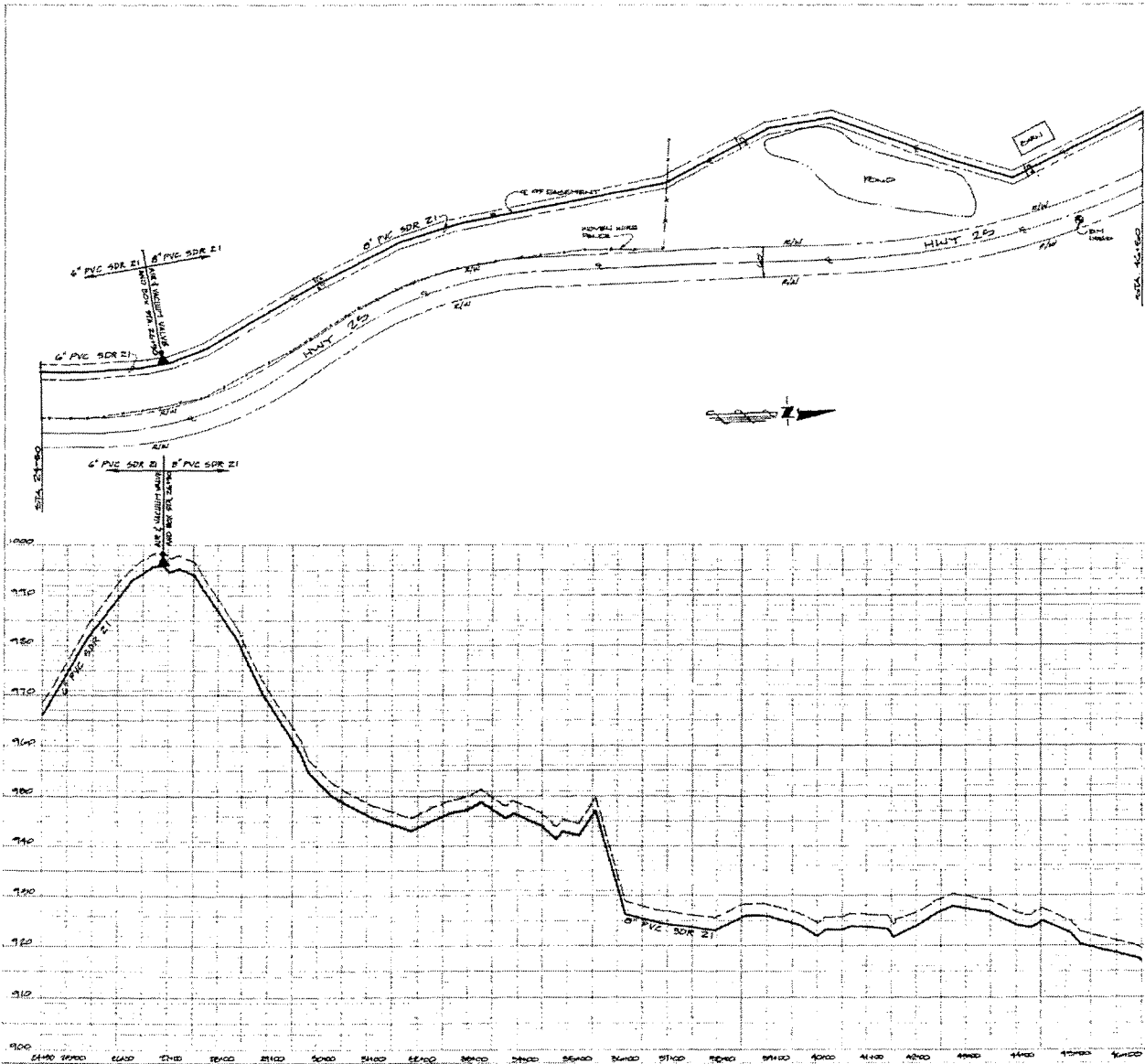
PROFILE  
 SHEET NO. 4  
 DATE: 11/11/83  
 DRAWN BY: [Signature]



<b>HARBOR VILLAGE PHASE 1 UNIT 1</b>	
<b>SEWER PLANS &amp; PROFILES</b>	
DESIGNED BY:	DATE: 11/11/83
DRAWN BY:	PROJECT NO.: 8041-15
CHECKED BY:	DRAWING NO.: 4
SCALE:	DATE:

PLAN  
 DATE: 1/15/00  
 DRAWN BY: J. J. [unclear]  
 CHECKED BY: [unclear]  
 APPROVED BY: [unclear]

PROFILE  
 DATE: 1/15/00  
 DRAWN BY: J. J. [unclear]  
 CHECKED BY: [unclear]  
 APPROVED BY: [unclear]

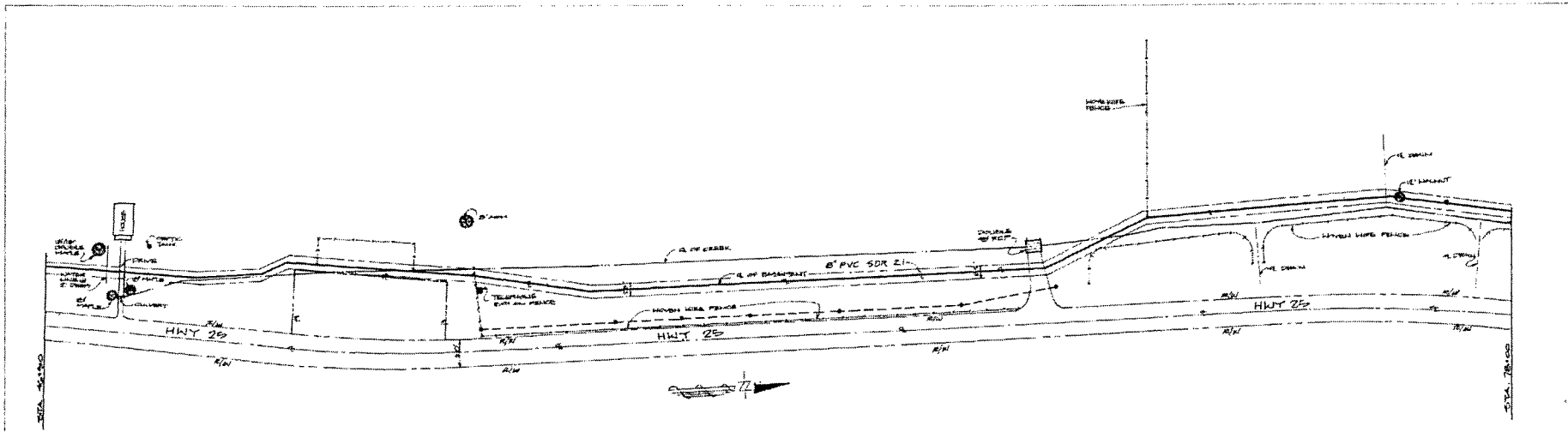


<b>HARBOR VILLAGE PHASE 1 UNIT 1</b>	
<b>SEWER PLANS &amp; PROFILES</b>	
DESIGNED BY:	DATE: 1/15/00
DRAWN BY:	PROJECT NO: 00-4-175
CHECKED BY:	DRAWING NO: 5
APPROVED BY:	DATE: 1/15/00

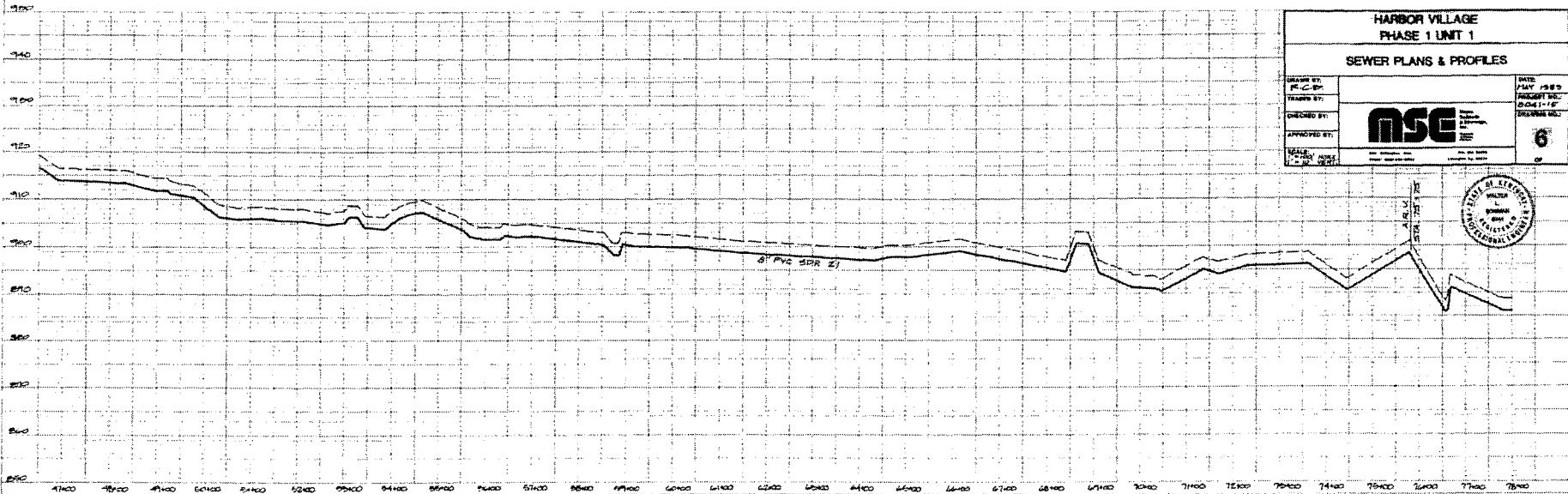


DATE: 1/15/00  
 DRAWN BY: J. J. [unclear]  
 CHECKED BY: [unclear]  
 APPROVED BY: [unclear]

PLAN  
 1/8" = 1'-0"  
 NORTH



PROFILE  
 1/8" = 1'-0"  
 NORTH

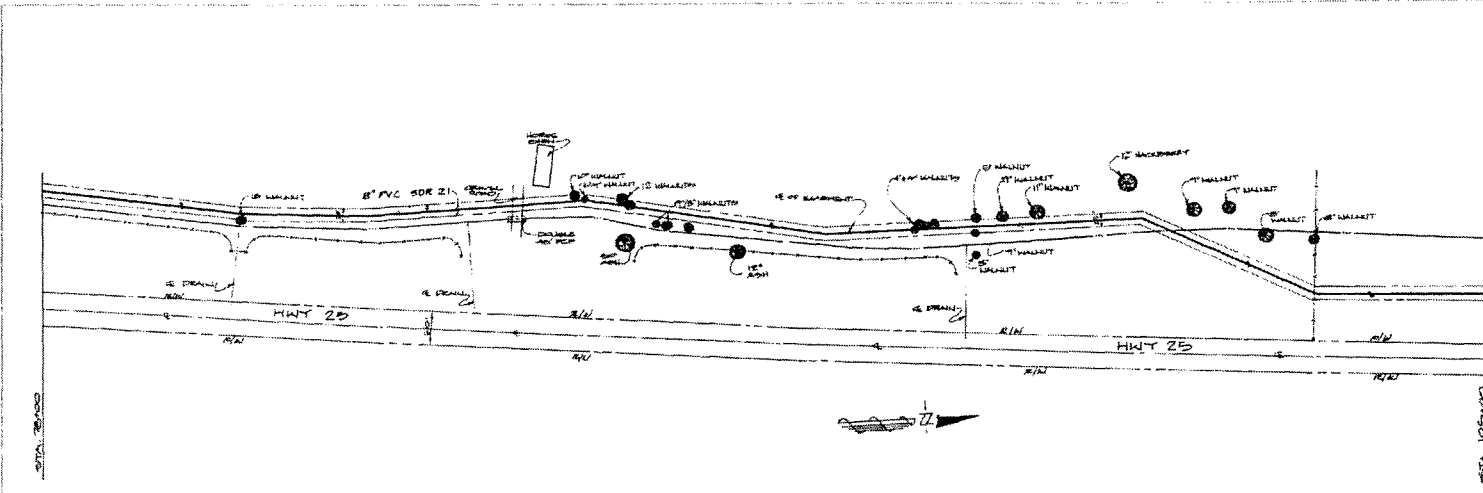


<b>HARBOR VILLAGE PHASE 1 UNIT 1</b>	
<b>SEWER PLANS &amp; PROFILES</b>	
DESIGNED BY: R.C.B.	DATE: MAY 1988
CHECKED BY:	PROJECT NO.: 04-11-10
APPROVED BY:	DRAWING NO.: <b>6</b>
SCALE: 1" = 40'	OF 6

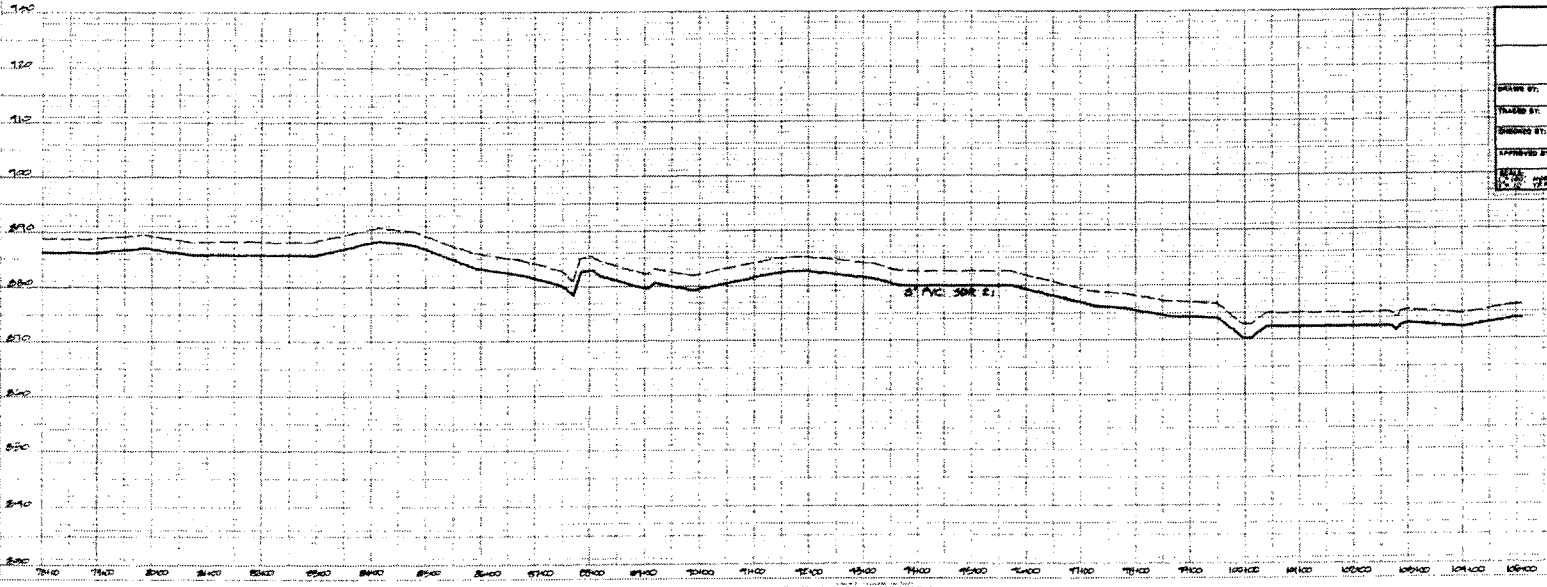


PLATE 1 SHEET 1 OF 2


PLAN  
 1" = 40' HORIZ.  
 1" = 4' VERT.  
 DATE: 5/11/09  
 DRAWN BY: J. J. [unclear]  
 CHECKED BY: [unclear]  
 APPROVED BY: [unclear]



PROFILE  
 1" = 4' HORIZ.  
 1" = 4' VERT.  
 DATE: 5/11/09  
 DRAWN BY: J. J. [unclear]  
 CHECKED BY: [unclear]  
 APPROVED BY: [unclear]



**HARBOR VILLAGE  
 PHASE 1 UNIT 1  
 SEWER PLANS & PROFILES**

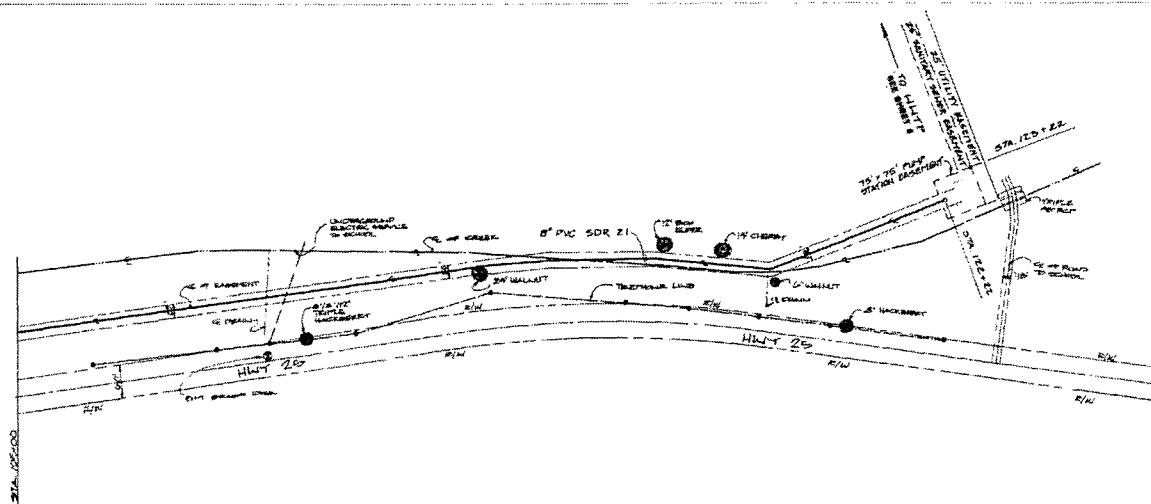
DRAWN BY:	DATE: MAY 2009
CHECKED BY:	PROJECT NO: 08-011-01
APPROVED BY:	PROGRAM NO: 7
	



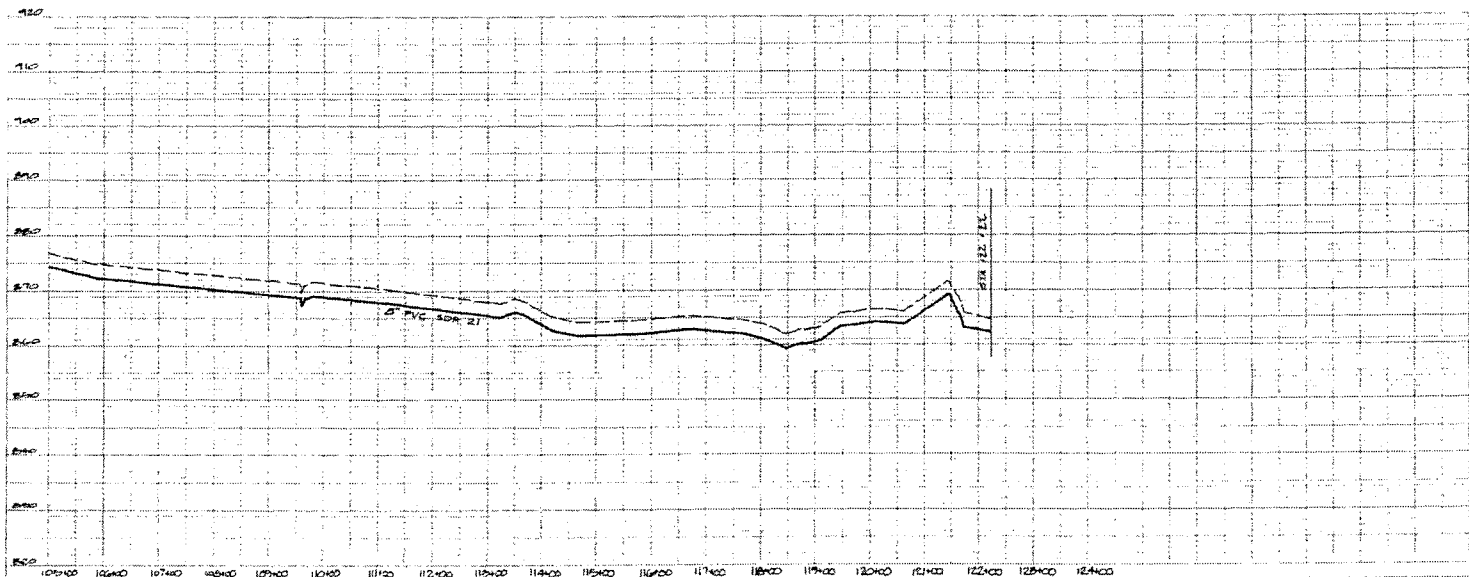
DATE: 5/11/09  
 TIME: 10:00 AM  
 PROJECT: HARBOR VILLAGE PHASE 1 UNIT 1  
 SHEET: 1 OF 1



PLAN  
 1" = 40'  
 1" = 40'  
 1" = 40'



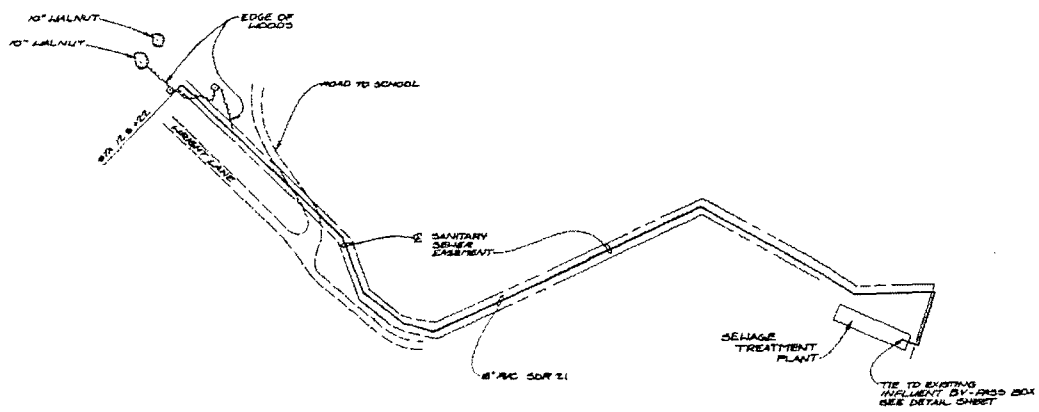
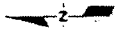
PROFILE  
 1" = 40'  
 1" = 40'



<b>HARBOR VILLAGE</b>	
<b>PHASE 1 UNIT 1</b>	
<b>SEWER PLANS &amp; PROFILES</b>	
DESIGNED BY:	DATE: MAY 1989
TRACED BY:	PROJECT NO: 0041-10
CHECKED BY:	DRAWING NO:
APPROVED BY:	<b>8</b>
SCALE: 1" = 40'	DATE: 05/19/89

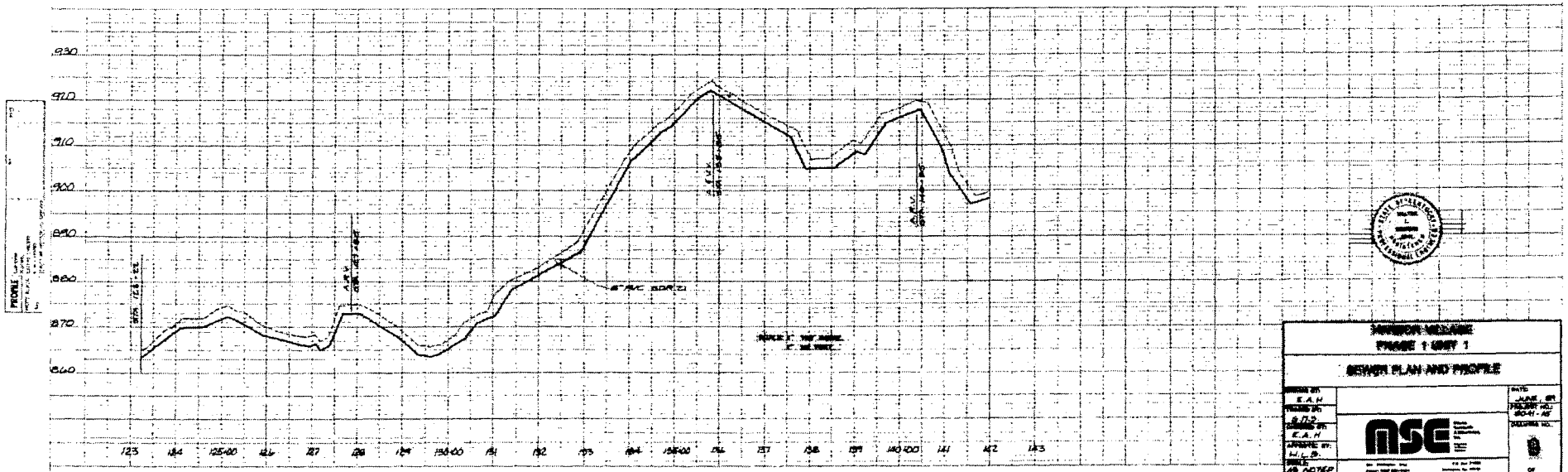


PLATE 1 SINGLE PIPE AND PROFILE ONLY  
 12/1/89



PLAN  
 1/2" = 1'-0"  
 DATE: 10/15/00  
 DRAWN BY: J.E.H.

SCALE: 1" = 40'



PROFILE  
 1/4" = 1'-0"  
 DATE: 10/15/00  
 DRAWN BY: J.E.H.



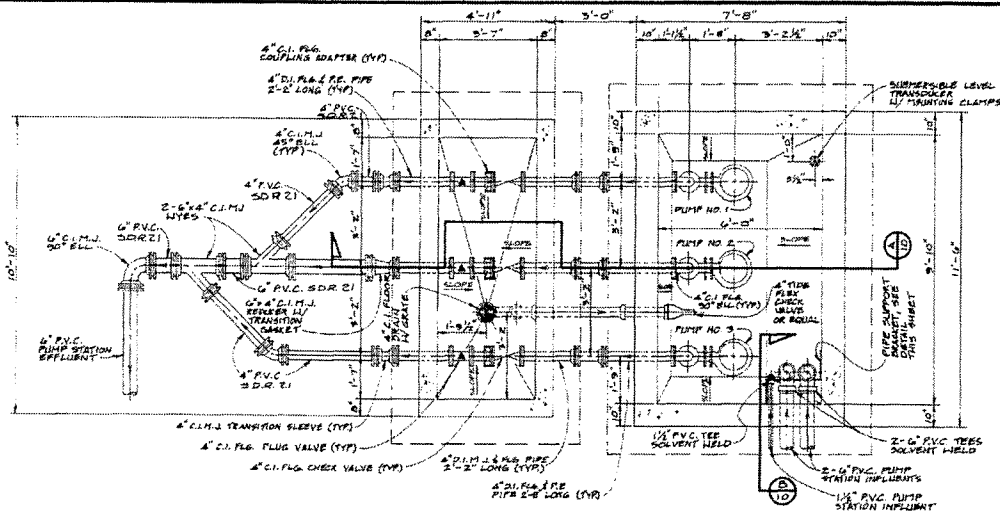
**SEWERAGE**  
**FIGURE 1 SHEET 1**  
**DESIGN PLAN AND PROFILE**

DRAWN BY: E.A.H. CHECKED BY: E.A.H. INCHES BY: H.L.P. DATE: 10/15/00		DATE: 10/15/00 PROJECT NO.: 00-01-01 DRAWING NO.: 
---	--	---

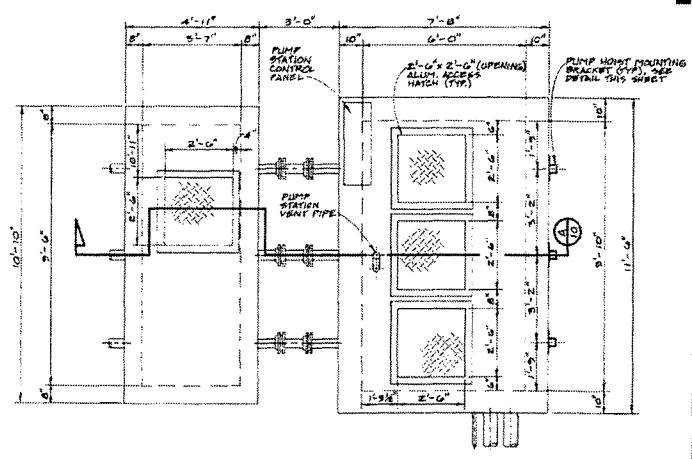
PLATE 1 SANITARY SEWER PROFILE  
 DATE: 10/15/00



**HARBOR VILLAGE PHASE 1 UNIT 1  
PUMP STATION - PLANS,  
SECTIONS & DETAILS**

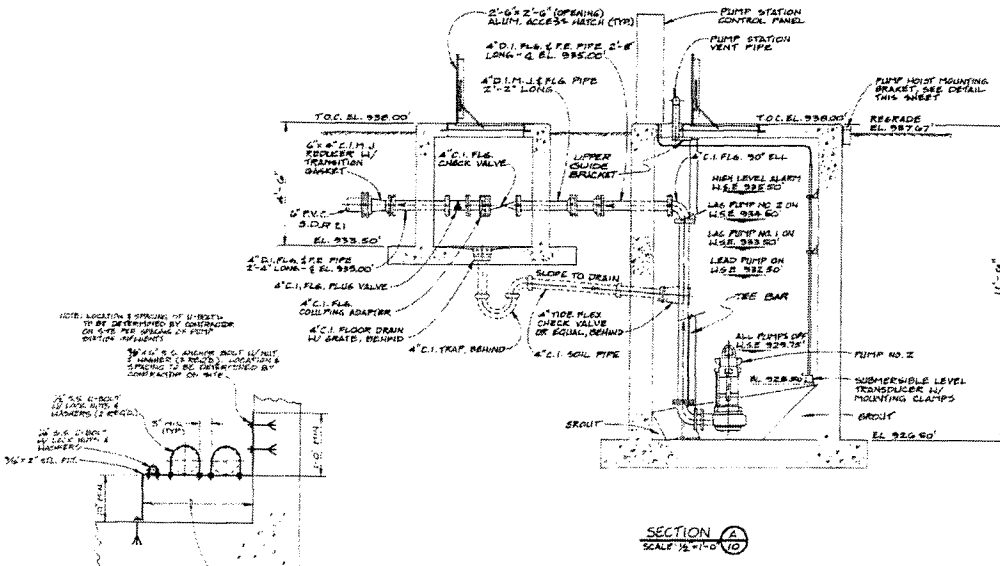


**PUMP STATION & VALVE VAULT - LOWER PLAN**  
SCALE 1/2"=1'-0"

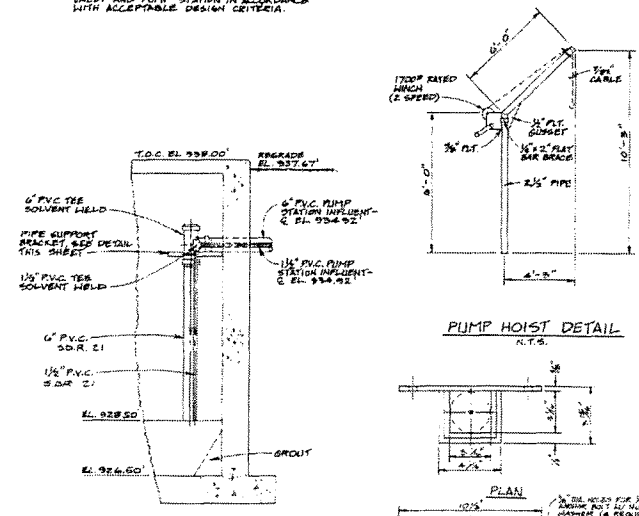


**PUMP STATION & VALVE VAULT - UPPER SLAB PLAN**  
SCALE 1/2"=1'-0"

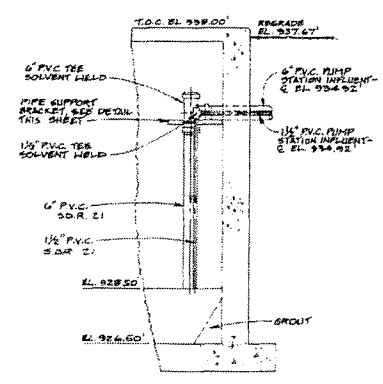
NOTE: PRE-CAST REINFORCED CONCRETE VALVE VAULT AND PUMP STATION IN ACCORDANCE WITH ACCEPTABLE DESIGN CRITERIA.



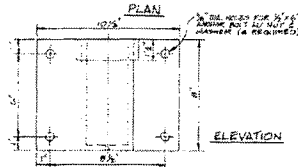
**SECTION A**  
SCALE 1/2"=1'-0"



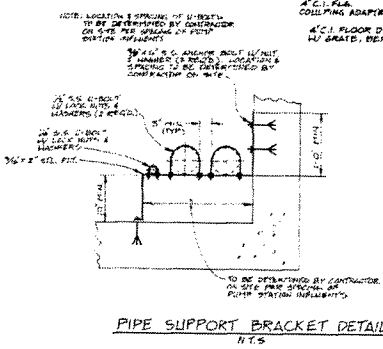
**PUMP HOIST DETAIL**  
N.T.S.



**SECTION B**  
SCALE 1/2"=1'-0"



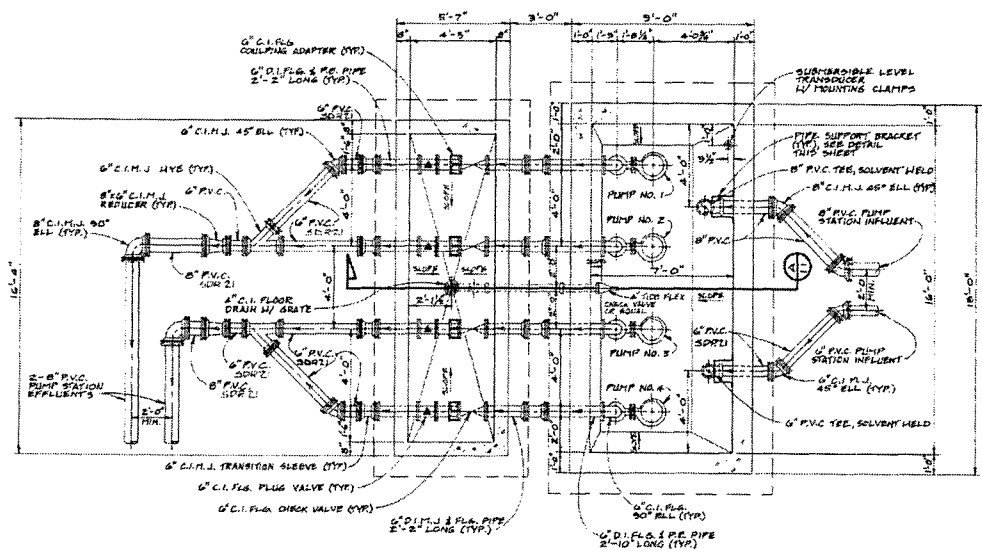
**PUMP HOIST MOUNTING BRACKET DETAIL**  
N.T.S.



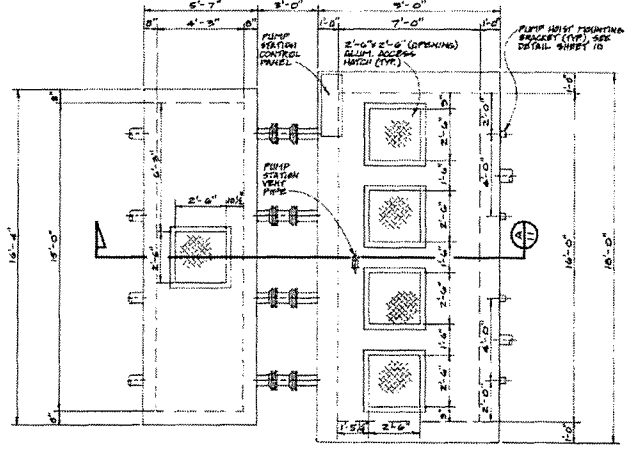
**PIPE SUPPORT BRACKET DETAIL**  
N.T.S.

PROJECT NO. 2041-11E	DATE: 1/15/10
DESIGNED BY: J.P.C.	SCALE: AS SHOWN
CHECKED BY: R.L.B.	
APPROVED BY: J.P.C.	

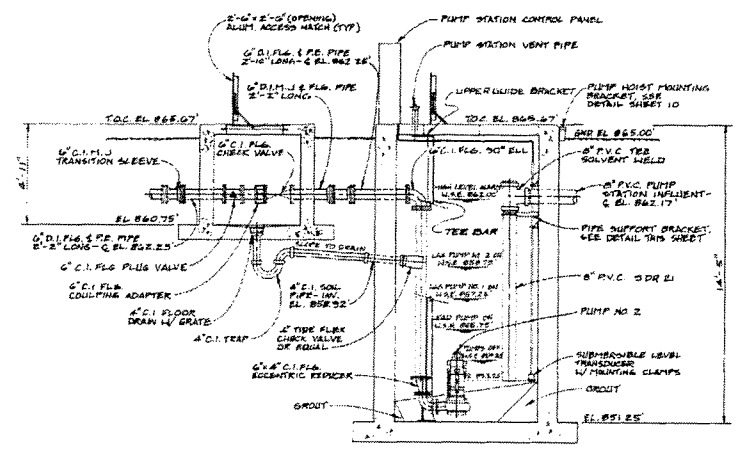




PUMP STATION & VALVE VAULT - LOWER PLAN  
SCALE: 3/8" = 1'-0"

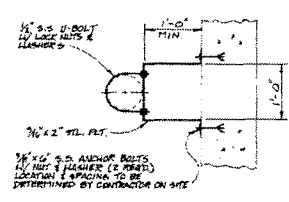


PUMP STATION & VALVE VAULT - UPPER SLAB PLAN  
SCALE: 3/8" = 1'-0"

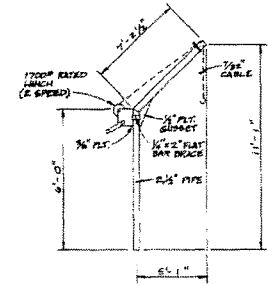


SECTION A  
SCALE: 3/8" = 1'-0"

NOTE: PRE-CAST REINFORCED CONCRETE VALVE VAULT AND PUMP STATION IN ACCORDANCE WITH ACCEPTABLE DESIGN CRITERIA.



PIPE SUPPORT BRACKET DETAIL  
N.T.S.



PUMP HOIST DETAIL  
N.T.S.



HARBOR VILLAGE PHASE 1 UNIT 1  
U.S. 25 PUMP STATION - PLANS,  
SECTION & DETAILS

PROJECT NO. 00041-12	REVISED
DESIGNED BY: J.E.T.	DATE: 10/15/11
DRAWN BY: J.G.A.C.	DATE: 10/15/11
CHECKED BY: J.E.T.	DATE: 10/15/11
APPROVED BY: J.E.T.	DATE: 10/15/11
SCALE: AS SHOWN	





- LEGEND**
- 3" PVC, 4.0E 21
  - 2" PVC, 4.0E 21
  - 1" PVC, 4.0E 21
  - 1/2" PVC, 4.0E 21
  - FLOWING & CLEANOUT
  - ▲ A.R.V. (AIR RELEASE VALVE)



NOTE: FOR TERRACING, BRIDGING, & BACKFILL  
 DETAILS - SEE SHEET 16-43-1 & 43-2  
 FOR GENERAL PROFILES - SEE SHEET  
 16-4-2.3 & 4

STA 215+00  
 E.O.L.

STA 216+00  
 E.O.L.



**LAYOUT PLAN**  
**PRESSURE SEWER SYSTEM**  
 HALLS HALLS FOR IMPROVEMENT  
 117 W. BEACON ST., LEHICENTON, MARYLAND

PROJECT NO	DATE	REVISION
16-4-1	12/15/04	
16-4-2	12/15/04	
16-4-3	12/15/04	
16-4-4	12/15/04	
16-4-5	12/15/04	
16-4-6	12/15/04	
16-4-7	12/15/04	
16-4-8	12/15/04	
16-4-9	12/15/04	
16-4-10	12/15/04	
16-4-11	12/15/04	
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16-4-24	12/15/04	
16-4-25	12/15/04	
16-4-26	12/15/04	
16-4-27	12/15/04	
16-4-28	12/15/04	
16-4-29	12/15/04	
16-4-30	12/15/04	

**nsu**  
 National Sewerage & Engineering  
 4111 W. BEACON ST., LEHICENTON, MD 21111  
 (410) 286-1100  
 FAX (410) 286-1101  
 WWW.NSE.COM

DRAWING NO.  
**1**  
 SHEET / OF 7



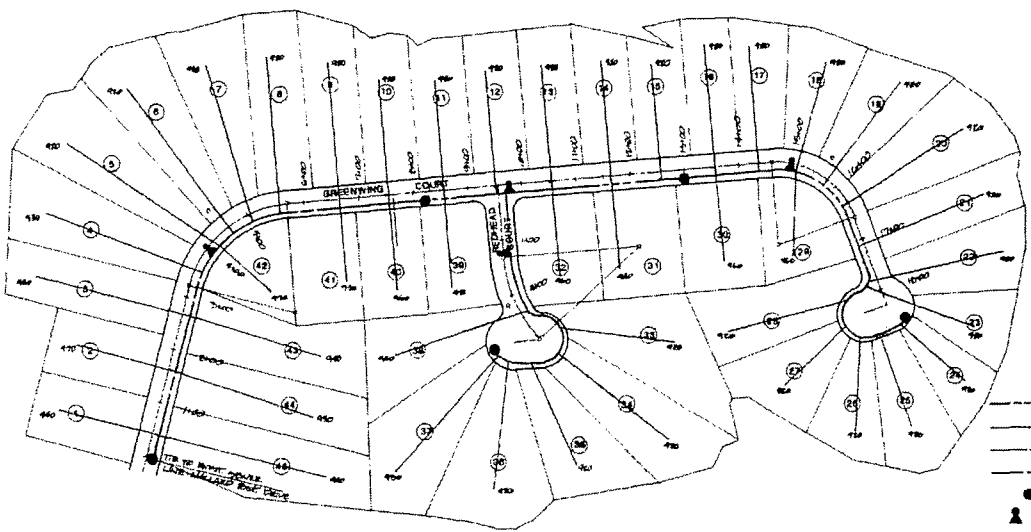


PRESSURE SEWER SYSTEM  
 MALLARD PARK SUBDIVISION  
 PHASE 3 UNIT 1  
 FOR  
 MARC DEVELOPMENT CORPORATION  
 1313 SOUTH ST. # 200  
 BIRMINGHAM, AL 35204

PROJECT NO.	DATE	BY	REVISION
2004-11	11/11/04	ALH	
		KLC	

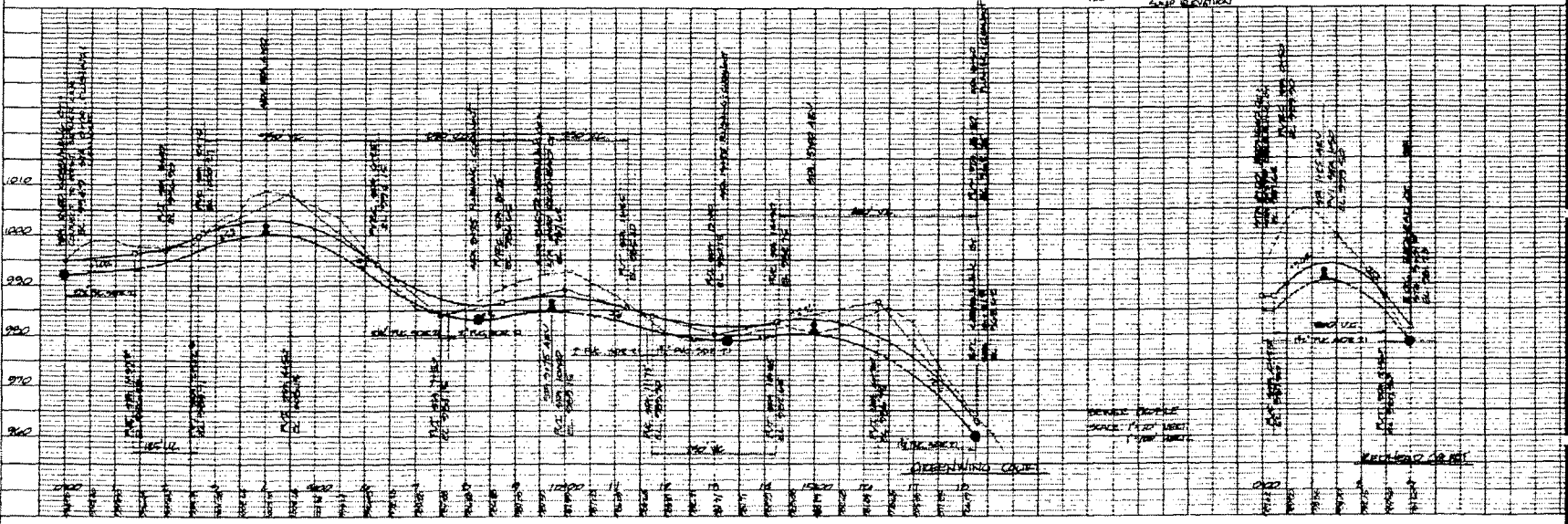


DRAWING NO.  
 1  
 SHEET 1 OF 3



- LEGEND
- 1 1/2" PVC, SDR 21
  - 1 1/4" PVC, SDR 21
  - 2 1/2" PVC, SDR 21
  - 2" PVC, SDR 21
  - PLUMBING & CLEANOUT
  - ▲ ANE ELEVATION VALUE
  - ▲ ANE GROUND PUMP SUMP ELEVATION

NOTE: ELEVATIONS SHOWN AT THE GEODUCE END OF FOREPUMP LATERALS ARE THE MINIMUM GROUND PUMP SUMP ELEVATION FOR EACH INDIVIDUAL LOT IN NO CASE SHALL INDIVIDUAL GEODUCE PUMPS BE SET BELOW THE SHOWN ELEVATION.



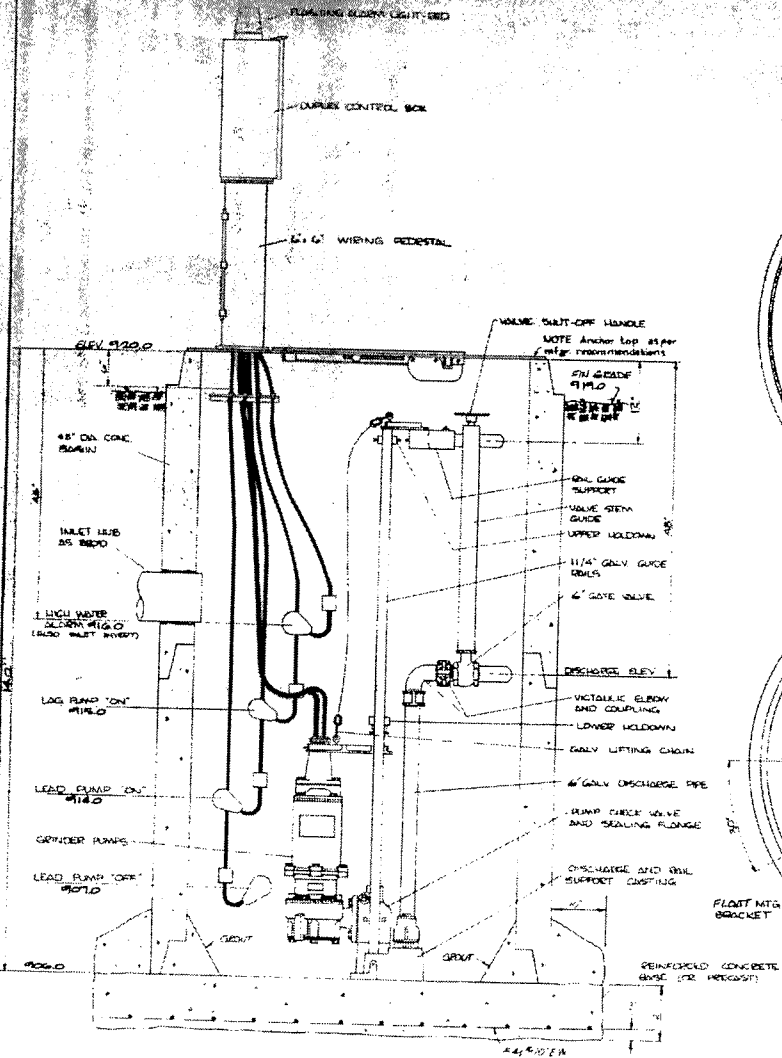
PLAN

DATE	BY
11/11/04	ALH
	KLC

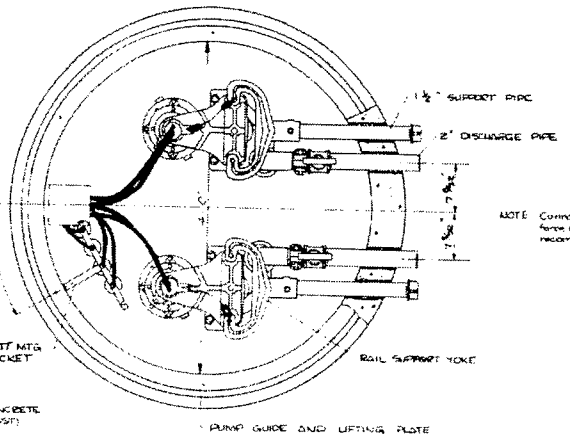
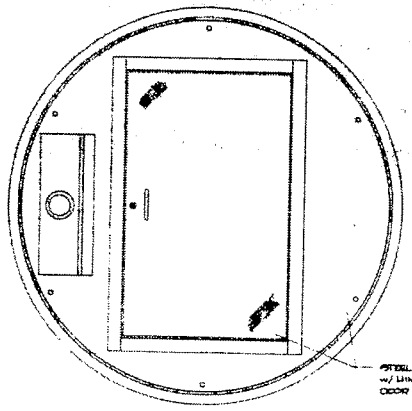
PROFILE

DATE	BY
11/11/04	ALH
	KLC

PLATTI SMITH ENGINEERING AND ARCHITECTURE  
 10000 N. CENTRAL EXPRESSWAY, SUITE 100, DALLAS, TEXAS 75243  
 PHONE: 972-412-1111, FAX: 972-412-1112



**DUPLEX GRINDER PUMP**  
N.T.S.



N.T.S.

**TYPICAL INSTALLATION**  
**125 GPM**  
**PUMP STATION**

NO.		REVISION	DATE	<b>MALLARD POINT DEVELOPMENT</b>
1		COMPLETE	1/20/00	
PROJECT NO.				DATE
SANITARY SEWER PUMP STATION DETAIL				
DRAWN BY: CHECKED BY: APPROVED BY:	DATE:			PROJECT NO.
	SCALE:			
	PROJECT NO.			
	DATE:			
				5
Sogis, Zahler & Shreve, Inc. Engineers, Architects, Planners Environmental Scientists & Writers				

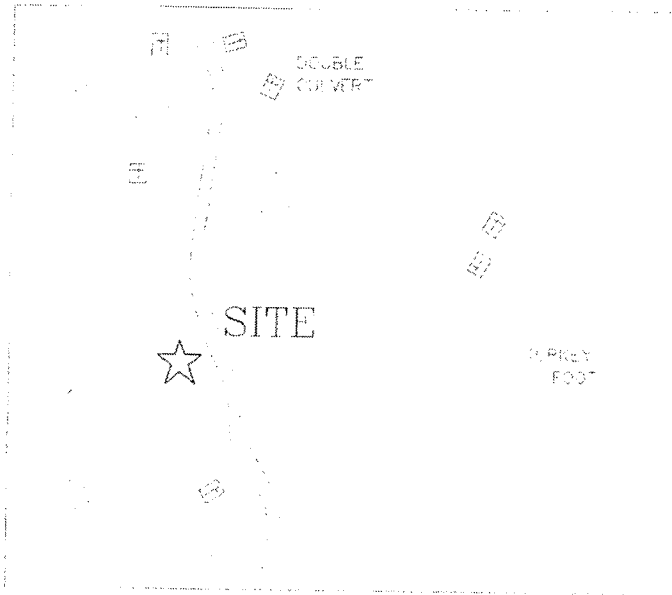


# CEDAR HILLS PHASE 2 SCOTT CO., KY

## PROJECT INFORMATION

PROJECT OWNER  
JEFF FRANSICO  
28506 ARBOR LAKE DRIVE  
BAHNSVILLE, IN 47068  
PHONE (812) 834-5727

DESIGN ENGINEER  
THOROUGHbred ENGINEERING, INC.  
CONTACT: THOMAS HADLEY  
110 EAST MAIN STREET  
GEORGETOWN, KY 40324  
PHONE (502) 863-1756



VICINITY MAP

## DRAWING INDEX

COVER SHEET	
PLAN VIEW	1
FORCEMAIN PLAN & PROFILE	2
FORCEMAIN PLAN AND PROFILE	3
PUMP DETAIL	4
DETAIL SHEET	5

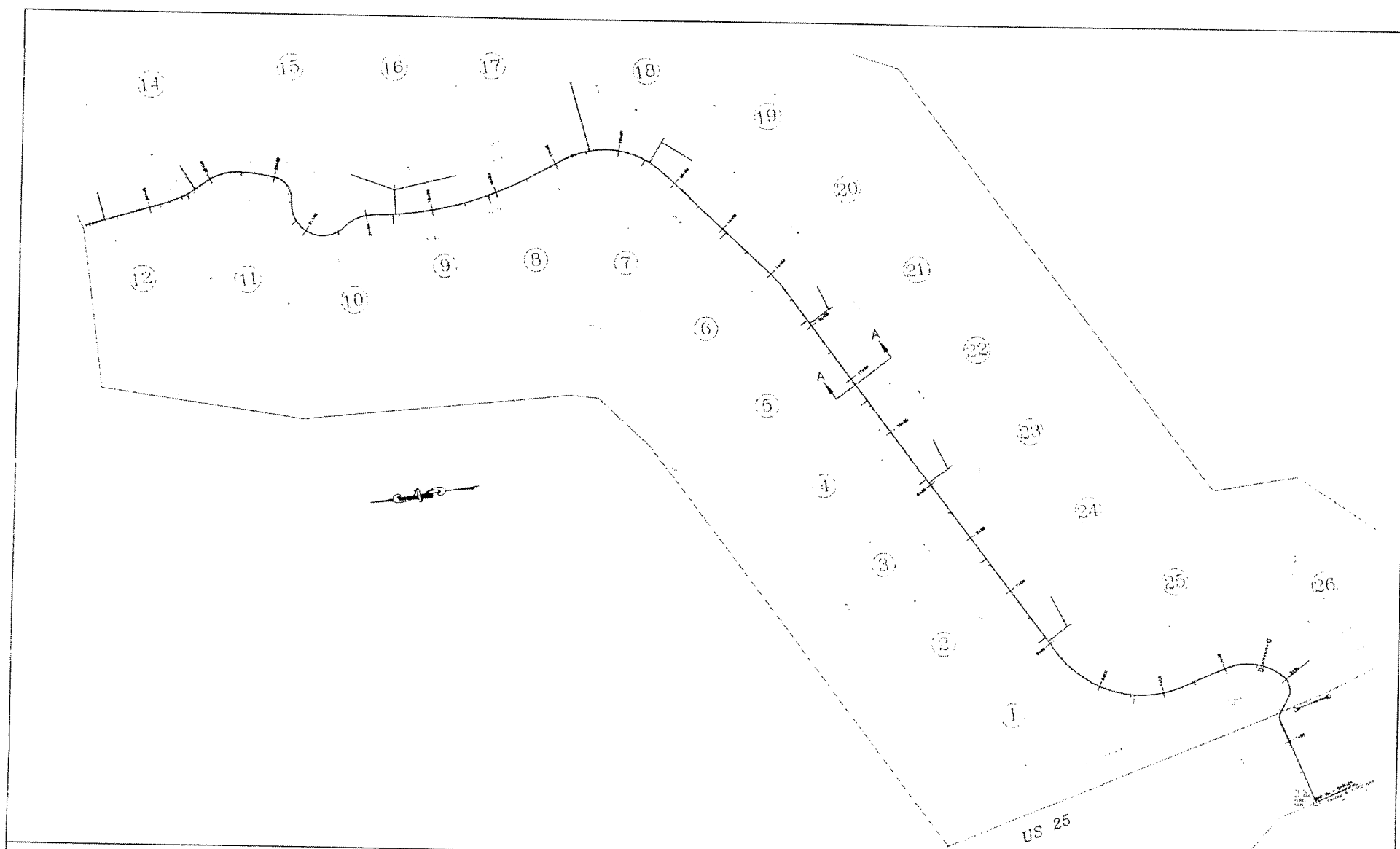
# THOROUGHbred ENGINEERING, INC.

110 EAST MAIN STREET

GEORGETOWN, KY 40324

PHONE: (502) 863-1756

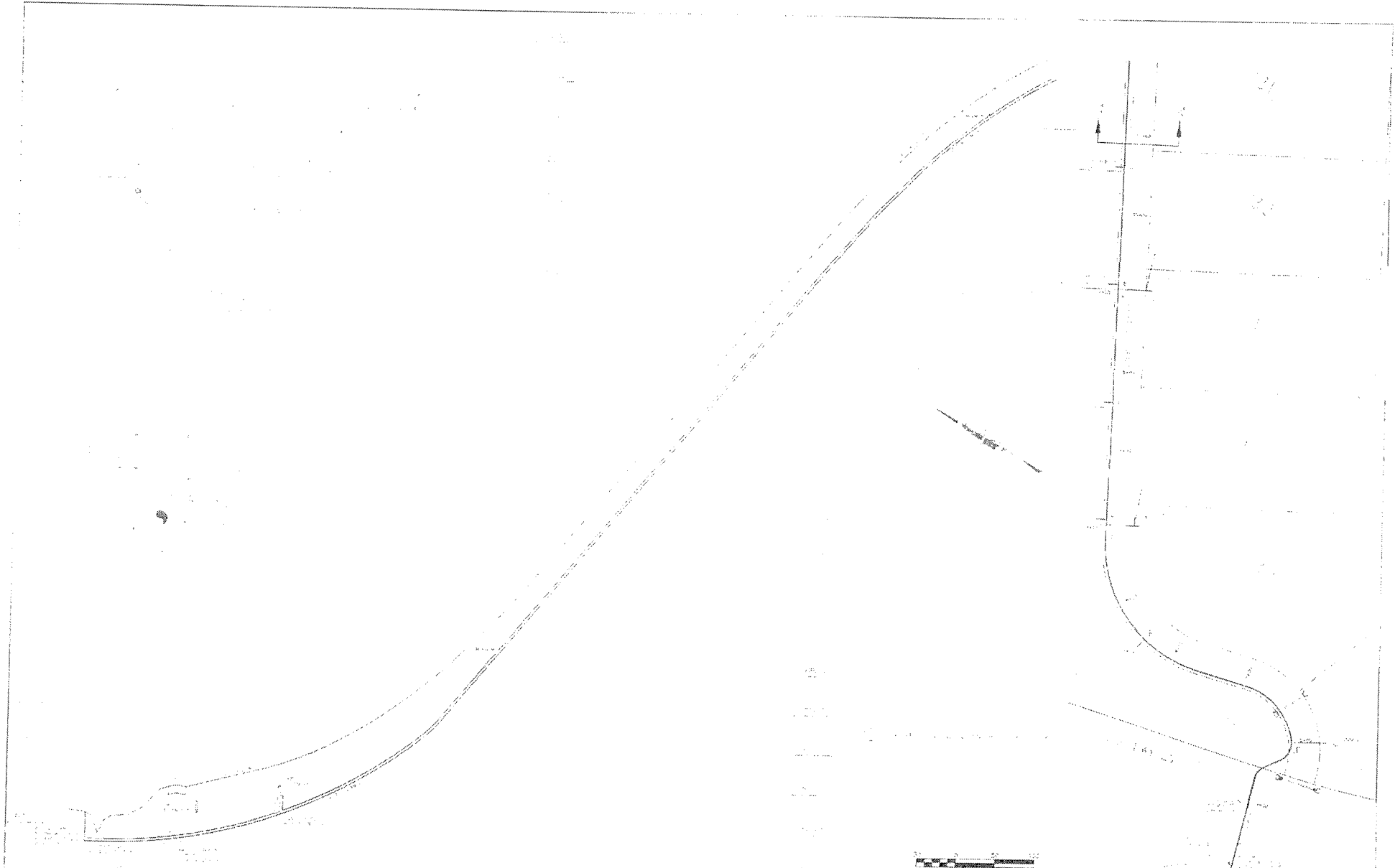
2/23/79-200



FORCE MAIN SITE PLAN  
**CEDAR HILLS PHASE 2**  
 US 25 NORTH  
 SCOTT COUNTY, KENTUCKY

SCALE:	DATE:
1" = 60'	04-16-01
REVISED:	DRAWN BY:
	GLC
CAD NAME:	JOB NUMBER:
STAKEOUT	1612-003

**THOROUGHbred**  
**ENGINEERING Inc.**  
 SURVEYORS • ENGINEERS • PLANNERS  
 110 E. MAIN ST. GEORGETOWN, KY 40324 (502) 863 - 1756

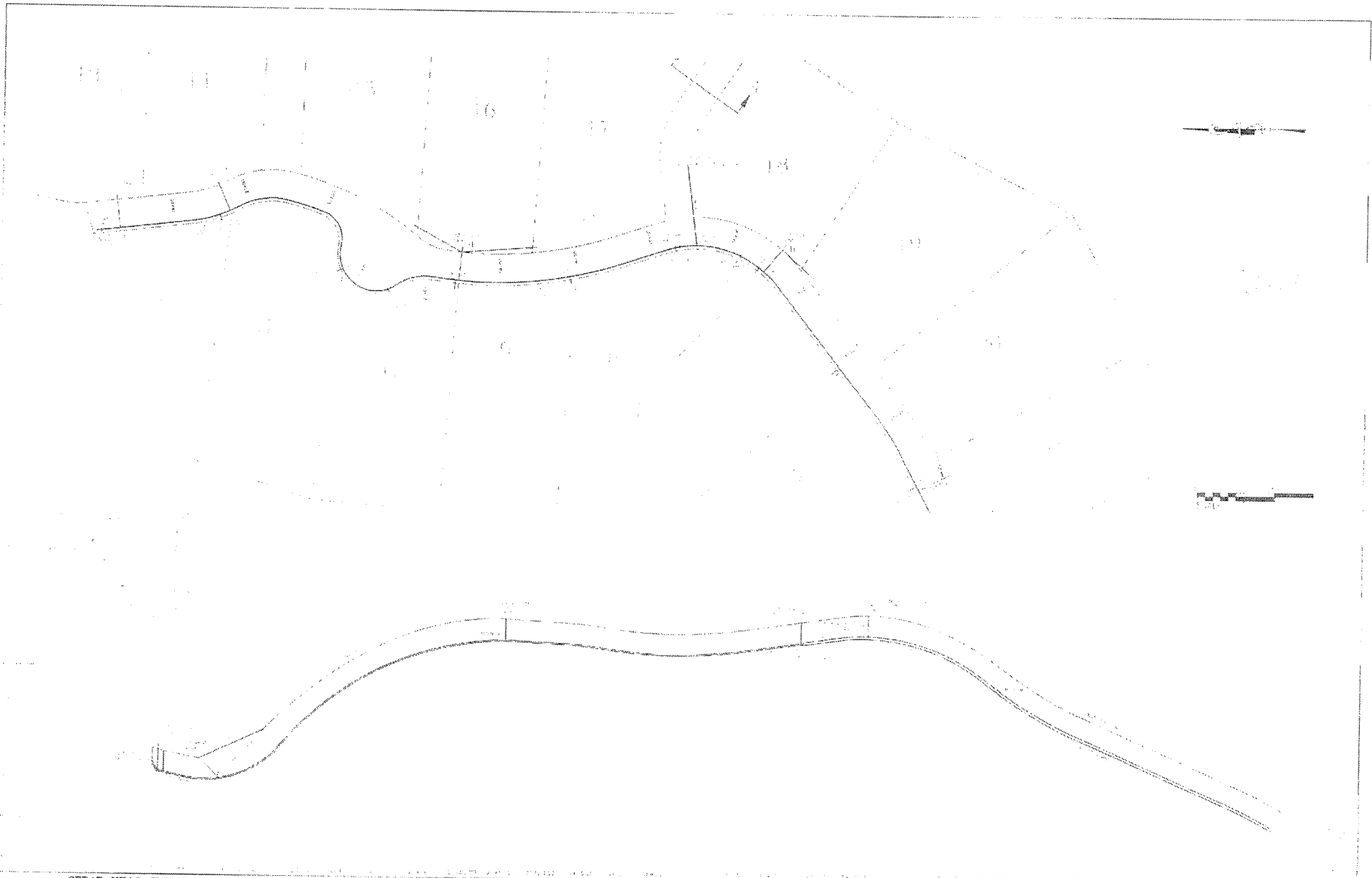


CEDAR HILLS SUBDIVISION  
 PHASE II  
 U.S. HWY. 59, SCOTT COUNTY, MO.

FORCE MAIN PLAN PROFILE



SHEET 1 OF 2



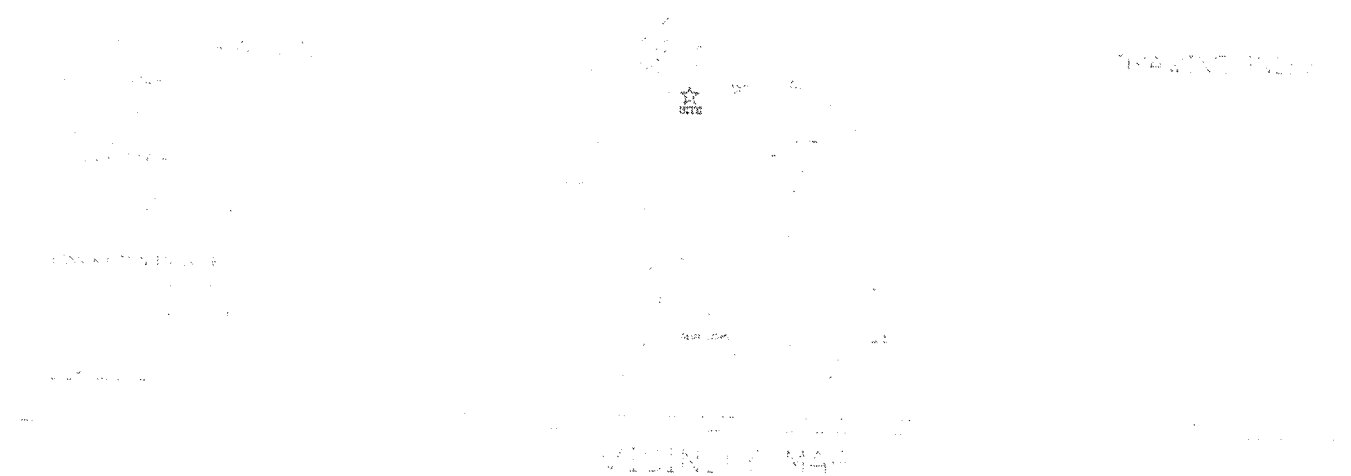
CEDAR HILLS SUBDIVISION  
PHASE II  
U.S. HWY 23, STOTT COUNTY, IA

FORCE MAIN PLAN (PROFILE)

SHEET 2 OF 2

# HARBOR VILLAGE, PHASE 2 PRESSURE SANITARY SEWER EXTENSION

UNIONVILLE, BELLEVILLE, GEORGETOWN, KY



THOROUGHbred ENGINEERING, INC.

100 EAST MAIN STREET

GEORGETOWN, KENTUCKY 40324

PHONE (502) 862-1716



# NORTHERN ELEMENTARY SCHOOL

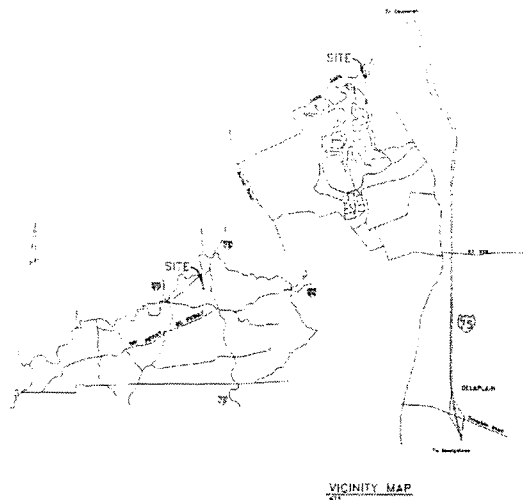
SCOTT COUNTY, KENTUCKY

## SEWER SERVICE PUMP STATION

FOR

MALLARD POINT DISPOSAL SYSTEMS, INC.

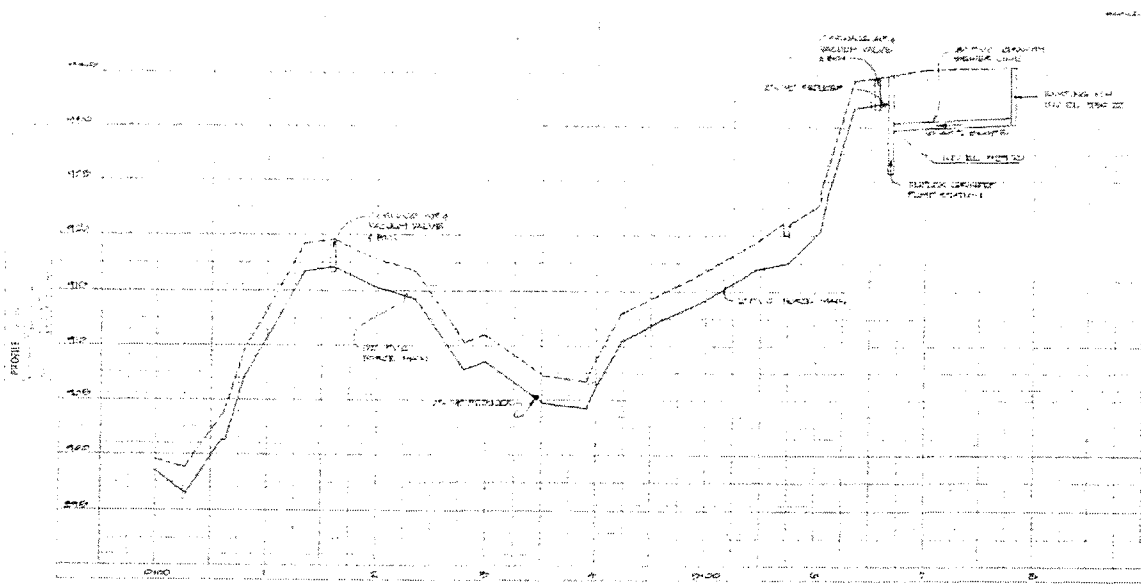
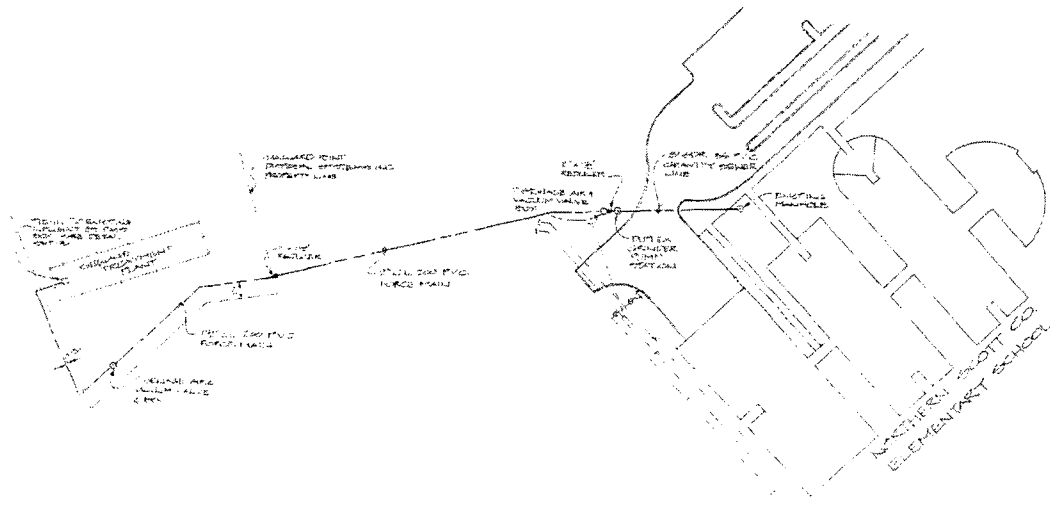
MAY 1989



Sheet Titles	INDEX	Sheet Nos.
PLAN & PROFILE - PUMP STATION TO S.T.P.		1
PLANT MODIFICATIONS / AIR RELEASE DETAILS		2
PUMP STATION DETAILS		3



SET NO. \_\_\_\_\_



SANITARY SEWER SYSTEM FOR NORTHERN ELEMENTARY SCHOOL		
DRAWN BY: R.C. BOY		DATE: MAY, 1983
DESIGNED BY: M.L. BOY		PROJECT NO.:
APPROVED BY:		DATE PLOTTED: <b>1</b>
SCALE: AS NOTED		1 OF 2



# MALLARD POINT DEVELOPMENT

PHASE 1 UNIT 5

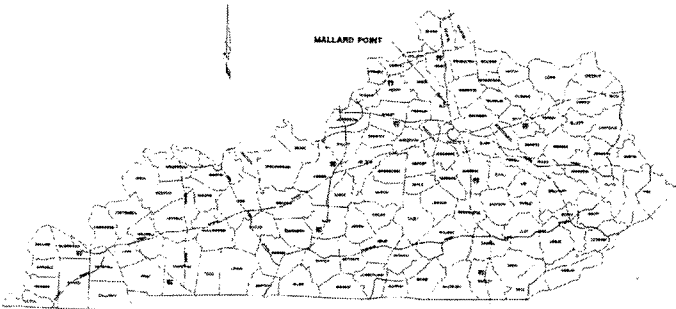
PROPOSED LOW PRESSURE SANITARY SEWER SYSTEM

FOR

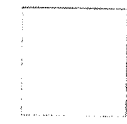
# MALLARD POINT DEVELOPMENT LLC

5200 POLO FIELDS DR. ANN ARBOR, MI. 48103

FEBRUARY, 2000

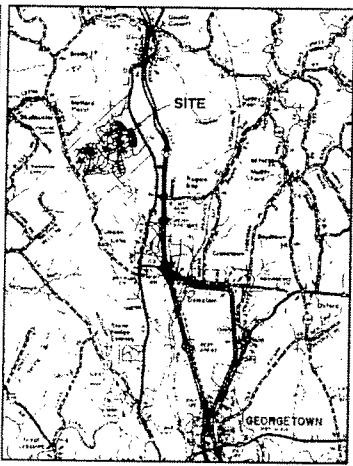
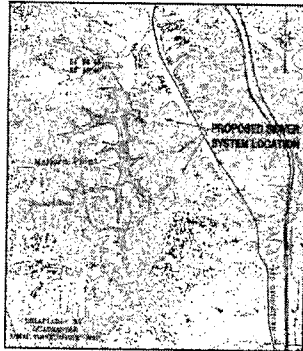


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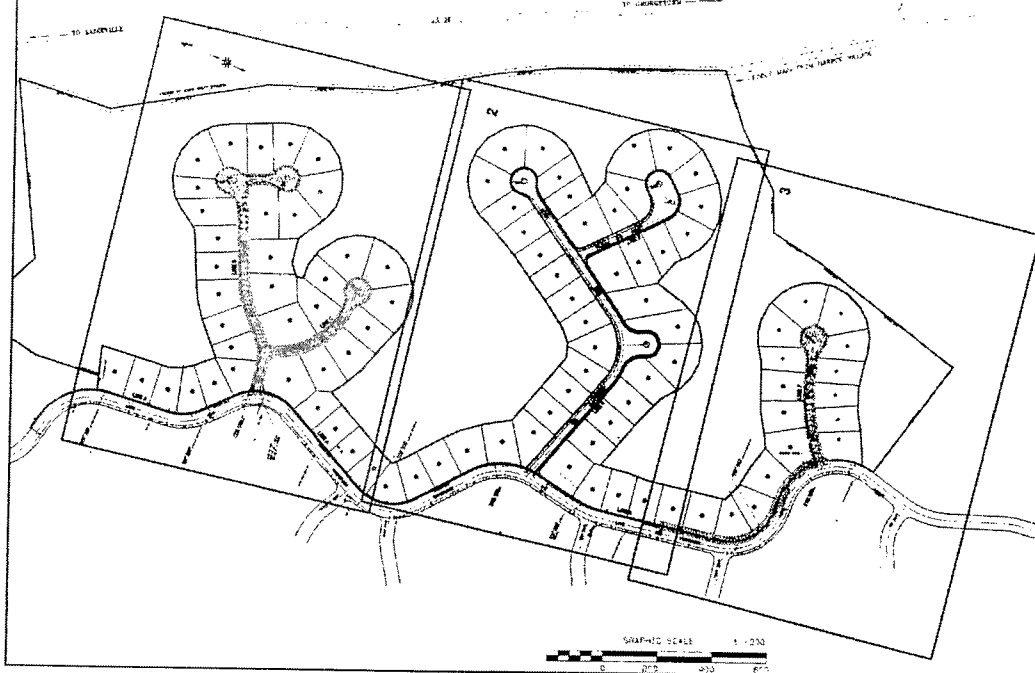
SET NO. \_\_\_\_\_

MSE PROJECT No. 8236-04



- NOTES
1. ALL SEWER LINES SHALL BE PVC, SIZE, SLOPE, DEPTH AND SPACING SHALL BE AS SHOWN ON THE APPROVED CONTRACT DOCUMENTS. ALL LINES SHALL BE 12 INCHES ABOVE THE FINISHED GRADE UNLESS OTHERWISE SPECIFIED.
  2. SEWER LINES SHALL BE OF THE SAME MATERIAL AS THE MAIN LINE. SHALL HAVE A MINIMUM SLOPE OF 1/4\"/>

3. EXISTING GRADE ELEVATIONS SHOWN IN PROFILE AND CHANGELINE SHOWN IN PLAN VIEW SHALL BE AS SHOWN ON THE APPROVED CONTRACT DOCUMENTS.
4. CONTRACTOR IS TO PROVIDE LAY-OUT AND PRODUCE CUT-SHEETS FOR VERIFICATION OF THE EXISTING AND PROPOSED SYSTEMS.
5. CONTRACTOR SHALL PREVENT SOIL EROSION, CONTROL Silt RUN-OFF, PROVIDE SLOTTED FILTERS, STRAIN SALES OR OTHER MEASURES AS NECESSARY.
6. TEMPORARY EROSION AND SEDIMENTATION CONTROL SHALL BE INSTALLED AND MAINTAINED FOR ALL DISTURBED AREAS THROUGHOUT CONSTRUCTION AND UNTIL FINAL EROSION CONTROL IS EFFECTIVE.
7. EROSION CONTROL INCLUDES, BUT IS NOT LIMITED TO: INTERCEPTOR DITCHES, SEDIMENT BASINS, TRAP PITS, STRAIN SALES AND SLOTTED FILTERS ON ALL DISTURBED SURFACES.
8. AREAS DISTURBED BY THE CONSTRUCTION SHALL BE REVEGETATED WITH PERMANENT COVER WITHIN A 90 DAY PERIOD. SHALL BE NEEDED TO PROVIDE A TEMPORARY COVER OF GRASS OR OTHER VEGETATION TO PROTECT THE SOIL FROM EROSION. THE COVER SHALL BE MAINTAINED THROUGHOUT THE CONSTRUCTION PERIOD. THE COVER SHALL BE MAINTAINED THROUGHOUT THE CONSTRUCTION PERIOD. THE COVER SHALL BE MAINTAINED THROUGHOUT THE CONSTRUCTION PERIOD.
9. SEDIMENTATION CONTROL INCLUDES, BUT IS NOT LIMITED TO: Silt TRAPS, STRAIN SALES, SLOTTED FILTERS, TRAP PITS, STRAIN SALES AND SLOTTED FILTERS ON ALL DISTURBED SURFACES.
10. MINUTE CONSTRUCTION SHALL MAINTAIN ALL EXISTING UTILITIES AND MAINTAIN DEPTH OF TRENCH FROM FINISHED GRADE. INCLUDING PAVING AND BENCHING DETAIL. CAREFUL ATTENTION SHALL BE TAKEN TO AVOID DAMAGE TO EXISTING UTILITIES. EXISTING UTILITIES SHALL BE MAINTAINED THROUGHOUT THE CONSTRUCTION PERIOD.
11. MINUTE CONSTRUCTION SHALL MAINTAIN ALL EXISTING UTILITIES AND MAINTAIN DEPTH OF TRENCH FROM FINISHED GRADE. INCLUDING PAVING AND BENCHING DETAIL. CAREFUL ATTENTION SHALL BE TAKEN TO AVOID DAMAGE TO EXISTING UTILITIES. EXISTING UTILITIES SHALL BE MAINTAINED THROUGHOUT THE CONSTRUCTION PERIOD.
12. ALL PAVED AREAS SHALL HAVE A MINIMUM 10\"/>



NOTE:  
 FORCE MAIN MUST HAVE A MINIMUM 10' HORIZONTAL SEPARATION FROM EXISTING OR PROPOSED WATER LINES. WHERE FORCE MAINS CROSS WATER LINES, FORCE MAINS TO BE A MINIMUM 1' UNDER WATER LINES. A CONCRETE CRADLE UNDER WATER LINE AND CONCRETE CAP ON FORCE MAIN FOR A DISTANCE OF 5' TO EITHER SIDE OF THE CROSSING MUST BE USED IF THE VERTICAL SEPARATION IS LESS THAN 2 1/2 FEET. CROSSING TO BE AS CLOSE TO 90 DEGREES AS POSSIBLE.

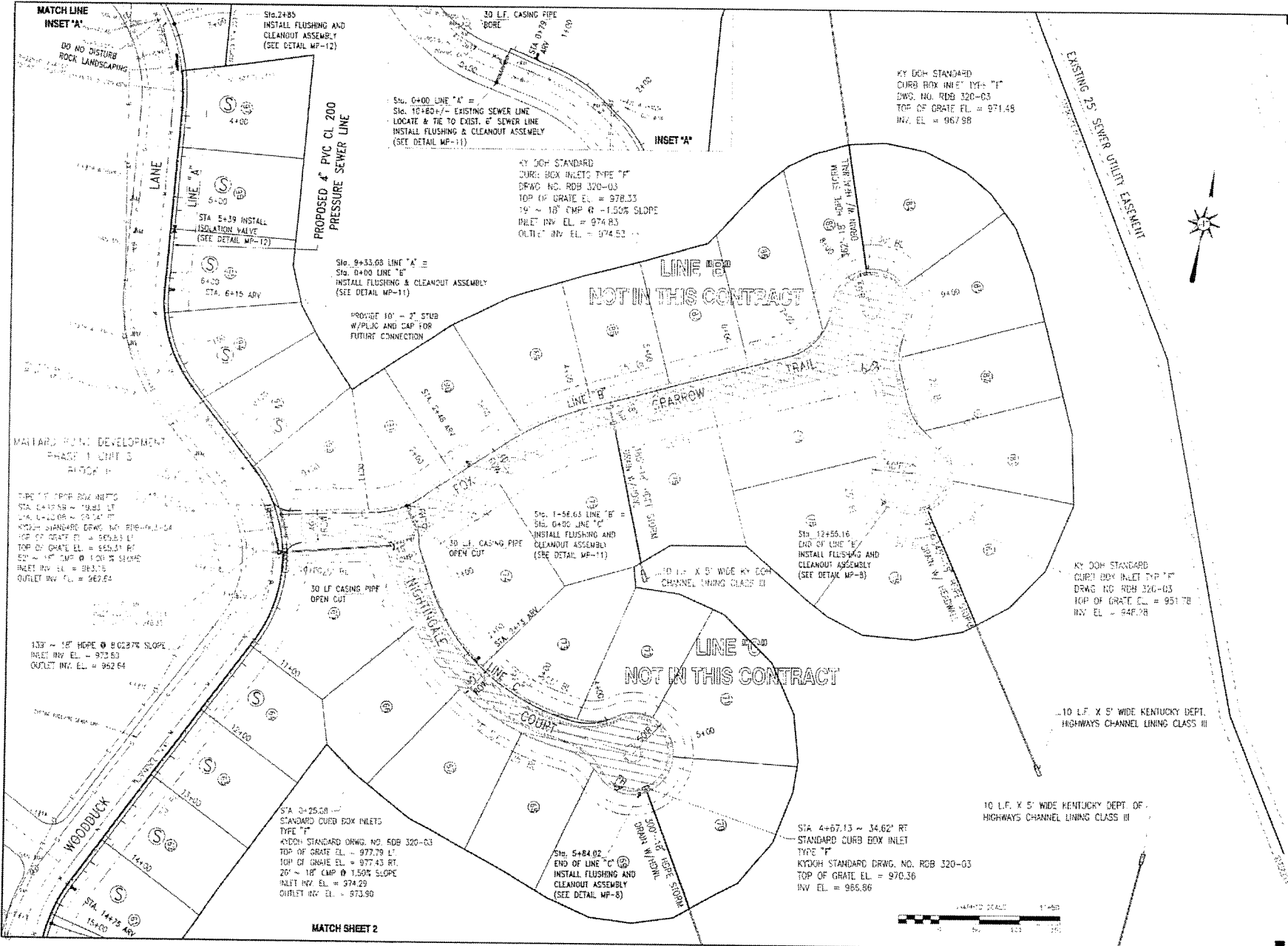
- E— EXISTING ELECTRIC LINE
- W— EXISTING WATER LINE
- S— EXISTING FORCE MAIN
- (S) SIMPLEX GRINDER PUMP STATION
- SINGLE SERVICE LINE W/ CLEANOUT (SEE DETAIL)
- DOUBLE SERVICE LINE W/ CLEANOUT (SEE DETAIL)
- ▲ AIR RELEASE/AIR VACUUM VALVE
- INDICATES SEWER LINES NOT IN THIS CONTRACT

PROPOSED SANITARY SEWER SYSTEM INDEX  
 PHASE FOR UNIT 5  
 MALLARD POINT DEVELOPMENT  
 FOR  
 MALLARD POINT DEVELOPMENT LLC  
 5200 POLO FIELDS DR. ANN ARBOR, MI. 48103

PROJECT NO. 15-00000  
 REVISION NO. 1  
 DATE: 11/15/15  
 DRAWN BY: J. J. J.  
 CHECKED BY: J. J. J.  
 APPROVED BY: J. J. J.

**nse**  
 National Sewer & Utilities  
 824 Washington Way, Ft. Washington, PA 19380  
 Phone: 610-705-5555

11/15/15



MATCH LINE  
INSET "A"

DO NOT DISTURB  
ROCK LANDSCAPING

Sta. 2+85  
INSTALL FLUSHING AND  
CLEANOUT ASSEMBLY  
(SEE DETAIL MP-12)

30 L.F. CASING PIPE  
"B" CORE

Sta. 0+00 LINE "A" =  
Sta. 10+80+/- EXISTING SEWER LINE  
LOCATE & TIE TO EXIST. S' SEWER LINE  
INSTALL FLUSHING & CLEANOUT ASSEMBLY  
(SEE DETAIL MP-11)

INSET "A"

KY DOH STANDARD  
CURB BOX INLET TYPE "F"  
DRWG. NO. RDB 320-03  
TOP OF GRADE EL. = 978.33  
19" x 18" CMP R - 1.50% SLOPE  
INLET INV. EL. = 974.83  
OUTLET INV. EL. = 974.53

KY DOH STANDARD  
CURB BOX INLET TYPE "F"  
DRWG. NO. RDB 320-03  
TOP OF GRADE EL. = 971.48  
INV. EL. = 967.98

EXISTING 25" SEWER UTILITY EASEMENT



PROPOSED 4" PVC CL 200  
PRESSURE SEWER LINE

STA. 5+39 INSTALL  
ISOLATION VALVE  
(SEE DETAIL MP-12)

Sta. 9+33.08 LINE "A" =  
Sta. 0+00 LINE "B"  
INSTALL FLUSHING & CLEANOUT ASSEMBLY  
(SEE DETAIL MP-11)

PROVIDE 10" x 7" STUB  
W/PLUG AND CAP FOR  
FUTURE CONNECTION

LINE "B"  
NOT IN THIS CONTRACT

MALLARD POINT DEVELOPMENT  
PHASE 1 UNIT 5  
BLOCK "B"

TYPE "F" CURB BOX INLET  
STA. 4+17.98 ~ 18.83 LT  
DWG. NO. RDB 320-03  
KGDON STANDARD DRWG. NO. 60B-03-03  
TOP OF GRADE EL. = 965.31  
TOP OF CHATEL. EL. = 965.31 RT  
20" x 18" CMP R - 1.50% SLOPE  
INLET INV. EL. = 963.75  
OUTLET INV. EL. = 962.64

13.37" x 18" HOPE @ 80/287% SLOPE  
INLET INV. EL. = 973.63  
OUTLET INV. EL. = 962.64

Sta. 1+58.63 LINE "B" =  
Sta. 0+00 LINE "C"  
INSTALL FLUSHING AND  
CLEANOUT ASSEMBLY  
(SEE DETAIL MP-11)

Sta. 32+55.18  
END OF LINE "B"  
INSTALL FLUSHING AND  
CLEANOUT ASSEMBLY  
(SEE DETAIL MP-8)

KY DOH STANDARD  
CURB BOX INLET TYPE "F"  
DRWG. NO. RDB 320-03  
TOP OF GRADE EL. = 951.78  
INV. EL. = 948.28

LINE "C"  
NOT IN THIS CONTRACT

10 L.F. X 5' WIDE KENTUCKY DEPT.  
HIGHWAYS CHANNEL LINING CLASS III

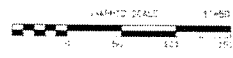
Sta. 2+25.08  
STANDARD CURB BOX INLET  
TYPE "F"  
KGDON STANDARD DRWG. NO. 60B-03-03  
TOP OF GRADE EL. = 977.79 LT  
TOP OF GRADE EL. = 977.43 RT  
20" x 18" CMP R - 1.50% SLOPE  
INLET INV. EL. = 974.29  
OUTLET INV. EL. = 973.90

Sta. 5+84.02  
END OF LINE "C"  
INSTALL FLUSHING AND  
CLEANOUT ASSEMBLY  
(SEE DETAIL MP-8)

Sta. 4+67.13 ~ 34.62' RT  
STANDARD CURB BOX INLET  
TYPE "F"  
KGDON STANDARD DRWG. NO. RDB 320-03  
TOP OF GRADE EL. = 970.36  
INV. EL. = 966.86

10 L.F. X 5' WIDE KENTUCKY DEPT. OF  
HIGHWAYS CHANNEL LINING CLASS III

MATCH SHEET 2

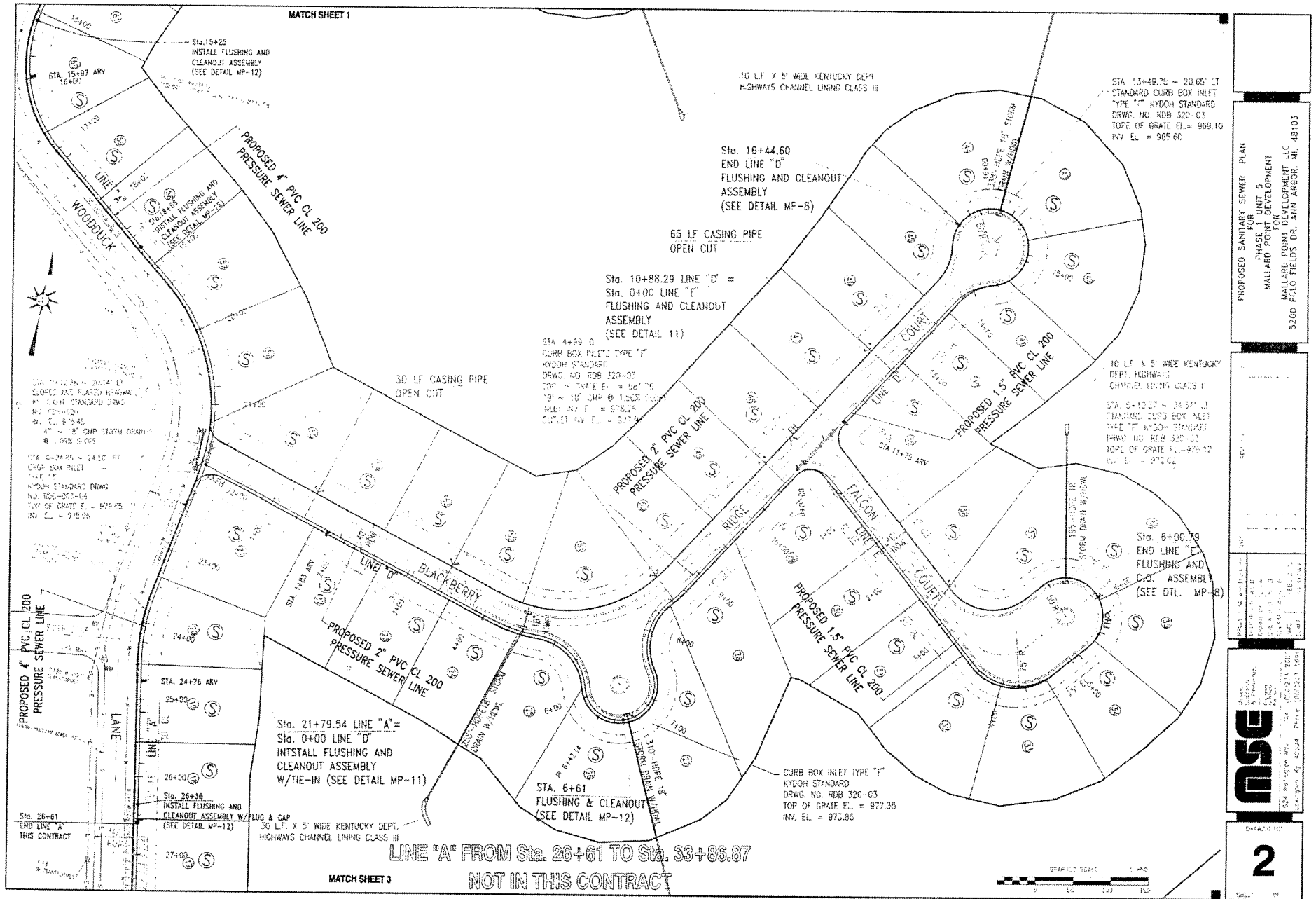


PROPOSED SANITARY SEWER PLAN  
FOR  
PHASE 1 UNIT 5  
MALLARD POINT DEVELOPMENT  
MALLARD POINT DEVELOPMENT LLC  
5200 PULCO FIELDS DR ANN ARBOR, MI 48103

DATE: 11/15/2011  
DRAWN BY: J. B. BROWN  
CHECKED BY: J. B. BROWN  
SCALE: AS SHOWN  
PROJECT NO.: 11-001

**NSU**  
NORTHWEST SURVEYING & UTILITIES  
604 WASHINGTON AVE. SUITE 200  
ANN ARBOR, MI 48103  
PHONE: 734.769.2345  
FAX: 734.769.2346  
WWW.NSU-UTIL.COM

1



MATCH SHEET 1

MATCH SHEET 3

LINE "A" FROM Sta. 26+61 TO Sta. 33+85.87

NOT IN THIS CONTRACT

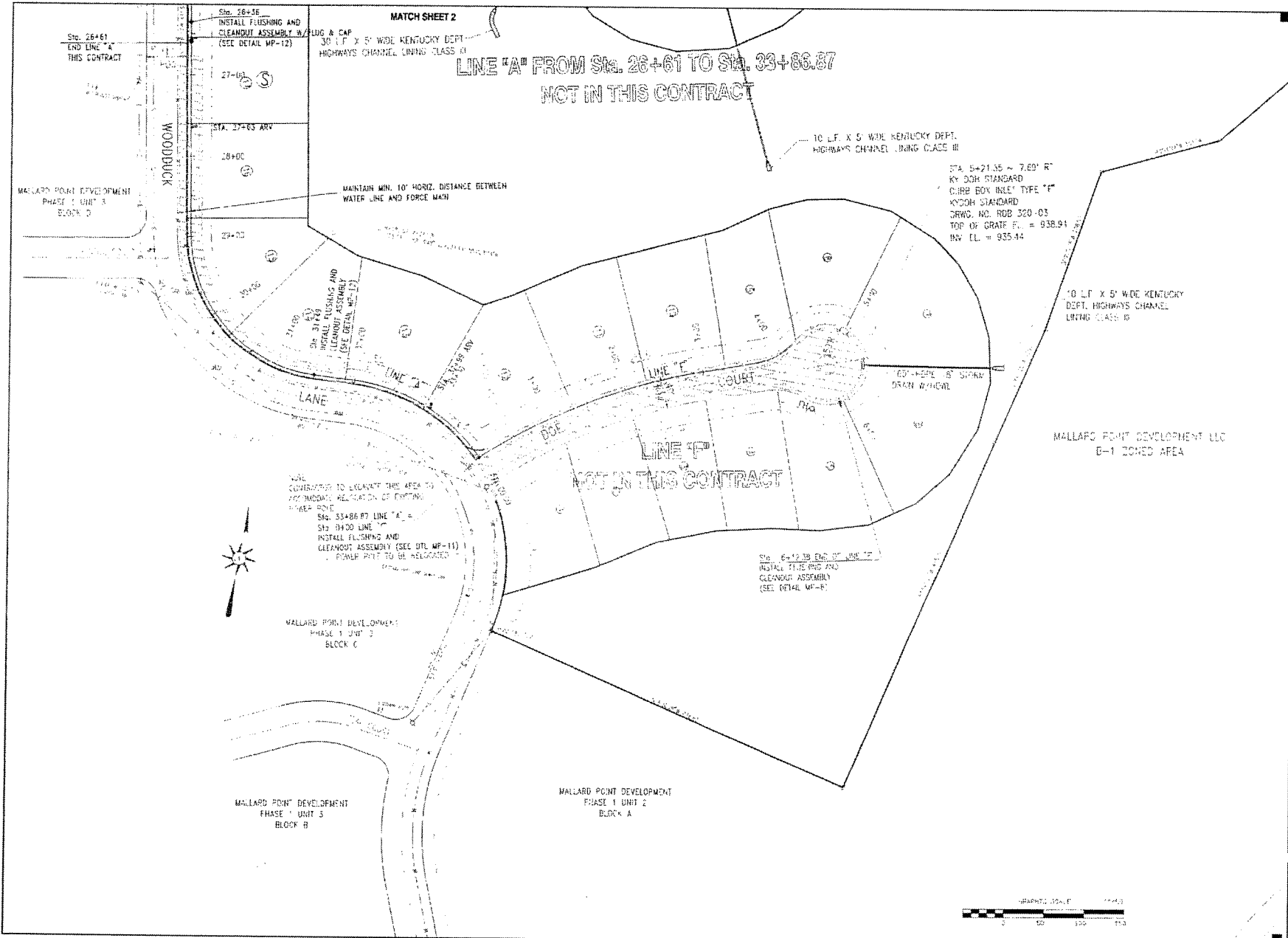
PROPOSED SANITARY SEWER PLAN  
 PHASE 1 UNIT 5  
 MALLARD POINT DEVELOPMENT  
 MALLARD POINT FOR DEVELOPMENT, LLC  
 3200 FALO FIELDS DR. ANN ARBOR, MI 48103

DATE: 08/11/2011  
 DRAWN BY: J. WOOD  
 CHECKED BY: J. WOOD  
 PROJECT NO.: 11-0001

**M&E**

DATE: 08/11/2011  
 DRAWN BY: J. WOOD  
 CHECKED BY: J. WOOD  
 PROJECT NO.: 11-0001

2



**LINE "A" FROM Sta. 26+61 TO Sta. 33+88.87  
NOT IN THIS CONTRACT**

**LINE "F"  
NOT IN THIS CONTRACT**

STA. 5+21.35 ~ 7.60' RT  
KY DOH STANDARD  
CIRCB BOX INLET TYPE "T"  
KYOON STANDARD  
DRWG. NO. RDB 320-03  
TOP OF GRADE E. = 938.94  
INV. EL. = 935.44

10' L.F. X 5' WDC KENTUCKY DEPT.  
HIGHWAYS CHANNEL LIVING CLASS III

MALLARD POINT DEVELOPMENT LLC  
B-I ZONED AREA

USE  
CONCRETE TO EXCAVATE THE AREA TO  
ACCOMMODATE RELOCATION OF EXISTING  
POWER POLE  
Sta. 33+88.87 LINE "A"  
Sta. 34+00 LINE "B"  
INSTALL FLUSHING AND  
CLEANOUT ASSEMBLY (SEE DET. MP-11)  
POWER POLE TO BE RELOCATED

Sta. 6+12.39 END OF LINE "F"  
INSTALL THE PIPE AND  
CLEANOUT ASSEMBLY  
(SEE DET. MP-8)

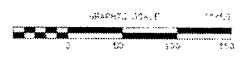
PROPOSED SANITARY SEWER PLAN  
FOR  
PHASE 1 UNIT 5  
MALLARD POINT DEVELOPMENT  
MALLARD POINT DEVELOPMENT LLC  
5200 POLO FIELDS DR. ANN ARBOR, MI 48103

DATE: 08/20/2014  
DRAWN BY: J. B. BROWN  
CHECKED BY: J. B. BROWN  
SCALE: AS SHOWN  
PROJECT NO.: 14-000000-0000

**MS&E**  
Manning & Associates, Inc.  
10000 E. River Road  
Suite 200  
Denver, CO 80231  
Tel: 303.751.1000  
Fax: 303.751.1001  
www.msa-e.com

DATE: 08/20/2014  
DRAWN BY: J. B. BROWN  
CHECKED BY: J. B. BROWN  
SCALE: AS SHOWN  
PROJECT NO.: 14-000000-0000

3



# MALLARD POINT DEVELOPMENT

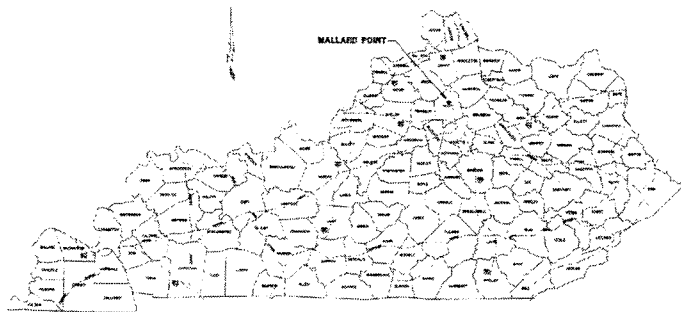
PHASE 1 UNIT 5  
LOTS 1 THRU 16

PROPOSED LOW PRESSURE SANITARY SEWER SYSTEM  
FOR

## BRG DEVELOPMENT CO.

17117 N. NINE MILE ROAD SUITE 1100  
SOUTHFIELD, MICHIGAN 48075

MAY, 2004



**nse** Mayes,  
Sudcerth  
& Etheredge,  
Inc.  
Engineers  
Architects  
Planners

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SET NO. \_\_\_\_\_

MSE PROJECT No. 8377-02 \_\_\_\_\_







8. State the number of Georgetown's customers who:
- a. Reside within Georgetown's corporate limits; and
  - b. Reside outside Georgetown's corporate limits.

**RESPONSE:**

As of June 30, 2013, GMWSS had these customer counts:

	<b>Water</b>	<b>Sewer</b>
a. Customers within:	8,832	10,564
b. Customers outside:	<u>3,488</u>	<u>359</u>
Totals	12,320	10,923

**WITNESS:** Robert Wilhite, General Manager, GMWSS

9. State whether Georgetown provides water service to the area that Mallard Point Disposal currently provides sewer service.

**RESPONSE:**

No. Kentucky-American Water Company provides water service to this area.

**WITNESS:** Robert Wilhite, General Manager, GMWSS

10. For the wastewater assets that Georgetown purchased from the city of Stamping Ground ("Stamping Ground") in 2006, state:

- a. The original cost of the purchased assets;
- b. The assets' net book value on the purchase date; and
- c. The purchase price.

**RESPONSE:**

- a. Unknown
- b. Unknown
- c. **\$352,937.01** This amount represents the total purchase price paid for **both** the water and wastewater systems of Stamping Ground. The purchase price was equal to the total amount owed by Stamping Ground for improvements made to its water and wastewater systems. Stamping Ground owed two (2) loans to the USDA, Rural Development (RD) totaling approximately \$281,500. It also owed approximately \$71,000 to the Kentucky Infrastructure Authority (KIA).

**Note:** The two (2) RD Loans were paid at the Closing and the KIA Loan was assumed by Georgetown. The Scott Fiscal Court provided the funds to Georgetown to pay the two (2) RD Loans. In addition, the Scott Fiscal Court provided the funds to Georgetown to pay the debt service on the KIA Loan. Therefore, neither Georgetown nor its water and sewer customers was required to pay any of the price for acquiring the Stamping Ground water and sewer systems.

**WITNESS:** Robert Wilhite, General Manager, GMWSS

11. For the wastewater assets that Georgetown purchased from the city of Sadieville ("Sadieville") in 2012, state:

- a. The original cost of the purchased assets;
- b. The assets' net book value on the purchase date; and
- c. The purchase price.

**RESPONSE:**

- a. Unknown
- b. Unknown
- c. Two Dollars (\$2.00) was the total consideration paid and there was no debt assumption.

**NOTE:** Sadieville received grants totaling several million dollars and completely rebuilt its wastewater collection system before Georgetown acquired the system. In addition, Sadieville built a new force main from Sadieville to Georgetown's wastewater pump station located at the intersection of U.S. Highway 25 and Double Culvert Road. Sadieville then decommissioned its existing wastewater treatment plant, dismantled it, and replaced it with a new wastewater pump station to pump the Sadieville wastewater to Georgetown's U.S. Highway 25 force main.

**WITNESS:** Robert Wilhite, General Manager, GMWSS

12. Explain why after completion of the transaction Georgetown will not be charging persons currently served by Mallard Point Disposal the same rates as it charges other Georgetown sewer customers.

**RESPONSE:**

Currently, all GMWSS sewer customers pay the same rates. (See response to Question 13 for the GMWSS Rate Schedule.) There is no “outside” City Rate Schedule for customers residing outside the Georgetown corporate limits.

Currently, GMWSS does not provide sewer service for any “outside” City customers, except for the Stamping Ground and Sadieville customers that were acquired by GMWSS in 2006 and 2012 respectively and two (2) additional customers who have since connected to GMWSS’ U.S. Highway 25 force main.

Paragraph 12 of the Asset Purchase Agreement with Stamping Ground requires GMWSS to charge the same rates to the Stamping Ground customers as GMWSS charges to customers residing inside the Georgetown corporate limits.

The Sadieville acquisition was patterned after the Stamping Ground acquisition. Paragraph 12 of the Asset Purchase Agreement with Sadieville requires uniform sewer rates between Sadieville customers and Georgetown customers. Therefore, GMWSS charges the Sadieville customers the same sewer rates that it charges the Georgetown customers and the Stamping Ground customers.

The Mallard Point Disposal sewer customers have been paying a flat monthly rate of \$41.35 for more than seven (7) years (See Mallard Point Disposal Tariff dated April 17, 2006 which is attached hereto). The Asset Purchase Agreement between Mallard Point Disposal and Georgetown requires GMWSS to “freeze” these rates and not increase them for at least three (3) years from the date of the Closing (See paragraph 8 of the Agreement). Thus, at the end of this three (3) year period, the customers currently served by Mallard Point Disposal will not have experienced any rate increase for over ten (10) years (from 2006 through 2016). The residents of Georgetown, Stamping Ground, and Sadieville do not have this guarantee.

A comparison of the existing GMWSS sewer rates with the Mallard Point Disposal “flat” sewer rate reveals that there is very little difference in these rates when applied to the Mallard Point Disposal customers. The average GMWSS residential customer uses approximately 5,000 gallons of potable water per month. Apparently, the average Mallard Point Disposal customer uses considerably more water than GMWSS customers. As noted in response to Question 9, Kentucky American Water Company, not GMWSS provides potable water service to the Mallard Point Disposal customers. Therefore, GMWSS does not have ready access to those water usage records.

The amount of wastewater **discharged** by the Mallard Point Disposal customers is known, however. Thus, the average customer discharge can be easily determined. According to the Annual PSC Report filed by Mallard Point Disposal for the 2012 calendar year, the 535 customers discharged a total of 55,150,000 gallons of wastewater (see pages 27 and 37 of the PSC Annual Report). This equates to 8,590 gallons per month per customer (55,150,000 gallons ÷ 535 customers ÷ 12 months = 8,590 gallons). It should be noted that the Mallard Point Disposal sewer system is a pressure system so there should not be any Inflow or Infiltration to skew the customer discharge volumes.

### Rate Comparison

USAGE (Gallons)	GMWSS RATES	MALLARD POINT RATES
5,000	\$ 24.56	\$ 41.35
6,000	\$ 30.14	\$ 41.35
7,000	\$ 35.72	\$ 41.35
8,000	\$ 41.30	\$ 41.35
<b>8,590</b>	<b>\$ 44.60</b>	<b>\$ 41.35</b>
9,000	\$ 46.88	\$ 41.35
10,000	\$ 52.46	\$ 41.35

Thus, because of the higher usage patterns of the Mallard Point Disposal customers, the average customer would pay **more** if GMWSS were to charge these customers the same rates it charges its other sewer customers.

Furthermore, KRS 65.112(3) permits GMWSS to surcharge the Mallard Point Disposal customers in order to recover the amount of compensation paid for the Mallard Point Disposal wastewater collection system. The monthly surcharge would be \$22.59 per month per customer if GMWSS chose to recover the \$2,900,000 purchase price, without interest, over 20 years ( $\$2,900,000 \div 535 \text{ customers} \div 240 \text{ months} = \$22.59$ ). GMWSS has chosen not to impose a surcharge.

**WITNESS:** Robert Wilhite, General Manager, GMWSS



FOR Entire Area Served  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

Mallard Point Disposal Systems, Inc.  
(Name of Utility)

**RATES AND CHARGES**

**Monthly Rate:**

**Residential**

**\$41.35**

**Commercial/Schools**

**\$41.35 per R.E.<sup>1</sup>**

**Late Penalty Fee**

**\$5.00**

<sup>1</sup> R.E. means residential equivalent, which is defined as 12,000 gallons or fraction thereof. A fraction shall not be rounded to the next whole number.

DATE OF ISSUE 04/17/06  
Month / Date / Year

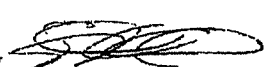
DATE EFFECTIVE 04/17/06  
Month / Date / Year

ISSUED BY   
Mark S. Smith (Signature of Officer)

TITLE President

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. 2005-00235 DATED April 17, 2006

PUBLIC SERVICE  
COMMISSION OF KENTUCKY  
EFFECTIVE  
4/17/2006  
PURSUANT TO 807 KAR 5:011  
SECTION 9 (1)

By   
Executive Director

13. Provide a copy of Georgetown's current rate schedule for sewer service.

**RESPONSE:**

A copy of GMWSS' current Water and Sewer Rate Schedule is attached.

The current sewer rate is also shown below.

\$7.82 – for the first 2,000 gallons (minimum bill)

\$5.58 – for each additional 1,000 gallons thereafter

**WITNESS:** Robert Wilhite, General Manager, GMWSS

**Georgetown Municipal Water & Sewer Service  
Rate Sheet**

**Effective November 15, 2007**

**Water**                    \$8.54– First 2,000 gallons (minimum bill – or any portion thereof)  
\$4.80 – Per 1,000 gallons (anything over minimum)

**Sewer**                    \$7.82 – First 2,000 gallons (minimum bill – or any portion thereof)  
\$5.58 – Per 1,000 gallons (anything over minimum)

**Utility Tax**            3% of water billed (in dollars)

**Garbage**                \$15.00 per month (Residential Rate)  
\$8.00 per month (Residents age 65 or over)

**Sales Tax**              6% of water and sewer (billed in dollars)

**Kentucky River Authority** \$0.045 per 1,000 gallons of water

**Multipliers**            Cubic Feet x 7.48 = Gallons  
Gallons divided by 7.48 = Cubic Feet

“Revised” & Adopted by the Board of Commissioners November 16, 2010

14. State when Georgetown expects to charge persons currently served by Mallard Point Disposal the same rates as other Georgetown sewer customers. Describe how Georgetown determined this time period.

**RESPONSE:**

See the response to Question 12. Georgetown has contractually obligated itself to “freeze” the current “flat” rate paid by Mallard Point Disposal customers for the next three (3) years. Georgetown cannot predict what it will charge any of its sewer customers for 2017 and beyond.

**WITNESS:** Robert Wilhite, General Manager, GMWSS

15. Describe how Georgetown priced its sewer service to customers that were served by the wastewater systems that were operated by Stamping Ground and Sadieville after Georgetown acquired each of those systems.

**RESPONSE:**

See the response to Questions 10, 11, and 12. Georgetown did not incur any debt when it acquired the wastewater systems of Stamping Ground and Sadieville. Additionally, during the separate contract negotiations with Stamping Ground and Sadieville, each of these Cities insisted upon a uniform sewer rate structure. Each City wanted to make certain that its citizens would pay the same sewer rates that Georgetown citizens pay. Both the Asset Purchase Agreement with Stamping Ground and the Asset Purchase Agreement with Sadieville contain the uniform sewer rate provision.

**WITNESS:** Robert Wilhite, General Manager, GMWSS

16. Describe how Georgetown intends to finance the cost of purchasing Mallard Point Disposal's assets.

**RESPONSE:**

Georgetown is in the process of issuing revenue bonds (Water and Sewer Revenue Bonds, Series 2013A) in the amount of \$4,775,000 to finance the cost of purchasing Mallard Point Disposal's assets, the cost of constructing the proposed pumping station and other necessary improvements that will be needed to pump the wastewater flow from Mallard Point to Georgetown's Wastewater Treatment Plant No. 2, and the cost of other GMWSS projects.

The Series 2013A Bonds were sold on September 18, 2013. The Closing will take place on September 30, 2013. The coupon rates on the Series 2013A Bonds range from 2.00% to 4.25%. The All-In True Interest Cost (All-In TIC) is 3.80%. The final maturity date is May 1, 2033.

**WITNESS:** Robert Wilhite, General Manager, GMWSS

17. Describe how Georgetown intends to finance the cost of constructing the proposed pumping station that will serve Mallard Point Disposal customers.

**RESPONSE:**

See the Response to Question 16.

**WITNESS:** Robert Wilhite, General Manager, GMWSS

18. Provide a copy of Georgetown's current regional facility plan. In lieu of submitting an original and ten copies in paper medium, an electronic version in portable document format on electronic storage medium may be submitted.

**RESPONSE:**

Attached is a compact disc which contains GMWSS' current Regional Wastewater Facilities Plan (201 Facilities Plan).

Also attached is the May 4, 1999 letter from the Division of Water approving the Regional Wastewater Facilities Plan.

**WITNESS:** Robert Wilhite, General Manager, GMWSS



**GEORGETOWN MUNICIPAL WATER & SEWER SERVICE**

**201 FACILITIES PLAN UPDATE**

**GEORGETOWN, KENTUCKY**

APRIL 1997  
REVISED JULY 1997  
REVISED APRIL 1998  
APPROVED MAY 4, 1999

Prepared by:

PDR ENGINEERS, INC.  
800 Corporate Drive  
Lexington, KY 40503  
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JAMES E. BICKFORD  
SECRETARY



PAUL E. PATTON  
GOVERNOR

COMMONWEALTH OF KENTUCKY  
**NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
FRANKFORT OFFICE PARK  
14 REILLY RD  
FRANKFORT KY 40601

May 4, 1999

Mr. Bob Riddle, General Manager  
Georgetown Water & Sewer Services  
P.O. Box 640  
Georgetown, Kentucky 40324

Re: Georgetown Water & Sewer Services  
State Planning and Environmental  
Assessment Report and Regional  
Facilities Plan  
Georgetown, Kentucky

Dear Mr. Riddle:

The facilities plan and environmental documents entitled Georgetown Municipal Water and Sewer Services of April 22, 1997, and February 24, 1999 for Regional Wastewater Facilities Plan, Kentucky have been reviewed by this Division and found to conform with the requirements set forth in 40 CFR 35.2030 and 401 KAR 5:006. Approval is hereby given based on the State Planning and Environmental Assessment Report (SPEAR) issued on March 2, 1999, by this Department.

If you have any questions, please contact Jerry Hurst of this office at (502) 564-2225, extension 460.

Sincerely,

A handwritten signature in black ink, appearing to read "W. B. Gatewood".

William B. Gatewood, P.E., Manager  
Facilities Construction Branch  
Division of Water

WBG/DSN/sjm

Attachment

cc: PDR Engineers  
Bluegrass ADD  
Frankfort Regional Office  
Kay Hines, Administration Section



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An Equal Opportunity Employer M/F/D

19. Provide a copy of all appraisals of the assets to be transferred that have been performed since January 1, 2008.

**RESPONSE:** Attached are three (3) appraisals:

<b>Date</b>	<b>Name</b>	<b>Amount</b>
2008	Cornett & Associates	\$ 3,500,000
2010	Hockensmith Agency	\$ 3,800,000
2012	Berkley Appraisal Company	\$ 3,354,931

The negotiated purchase price for the assets of Mallard Point Disposal that will be transferred to Georgetown for the use and benefit of GMWSS is **\$2,900,000**.

**Note:** The value shown on page 1 of the Berkley Summary Appraisal Report (Berkley Report) is \$2,490,000. The present value of cash flows shown on page 27 of the Berkley Report is \$3,354,931 (which is the value shown above). This value was reduced by the estimated Capital Costs (\$848,045) to be incurred by GMWSS for the Pump Station and other capital improvements to be made by GMWSS and a Loan Origination fee (\$16,775). This results in a net Investment Value of \$2,490,111 ( $\$3,354,931$  less  $\$848,045$  less  $\$16,775 = \$2,490,111$ ). Berkley Appraisal Company rounded down this amount to \$2,490,000. GMWSS will not incur a Loan Origination Fee. The amount of the capital improvements to be made by GMWSS is unknown. GMWSS estimates that the costs of the capital improvements will be approximately \$700,000 rather than \$848,045 as deducted by the Berkley Appraisal Company.

It should be noted that all three (3) appraisals utilize the Income Approach to arrive at the “investment value” of Mallard Point Disposal. The “investment value” is equivalent to the net present value of the cash flows generated from the sewer usage fees less the cost of capital improvements and debt service. All three (3) appraisals assumed a 20 year debt repayment schedule at a 4% interest rate.

**WITNESS:** Mark S. Smith, President and Sole Shareholder, Mallard Point Disposal and Robert Wilhite, General Manager, GMWSS

**2008 Appraisal**

**Cornett & Associates**

RESTRICTED APPRAISAL REPORT OF  
THE MALLARD POINT  
DISPOSAL, INC.

as of

May 19, 2008



for

Mark S. Smith  
118 S. Broadway  
Georgetown, KY 40324

by

CORNETT & ASSOCIATES

126 E. Main St., Suite #3  
Georgetown, KY 40324

file  
16764

date  
May 19, 2008

# Cornett & Associates

Real Estate Appraisals and Sales

126 East Main Street - Suite 3  
Georgetown, KY 40324  
(502) 863-0609  
Roy M. Cornett  
State Certified General Appraiser  
Kentucky Real Estate Broker

May 19, 2008

Mr. Mark S. Smith  
Mallard Point Disposal Inc.  
118 S. Broadway  
Georgetown, KY 40324

RE: Updated Restricted Appraisal Report of Mallard Point Disposal, Inc.  
U.S. 25 North & Wright Lane  
Georgetown, Scott County, Kentucky

Dear Mr. Smith:

As requested, we have performed the required investigation to estimate the value of the above referenced property.

Having earlier addressed the disposal system in 2003 and since then we have used historical information in addition to the current income and expense figures to build this restricted report. as of May 19, 2008.

This report is restricted to addressing the existing cash flow of the Mallard Point Disposal Inc. collection system at its present volume & projected 4% growth per year of the projected 20 year holding period. This indication does not reflect valuation of the total permitted capacity. For example, the current load is approximately 80% of the permitted capacity. The overall capacity of the collection system (actual lines in the ground) is currently approximately 40% of the overall capacity. There are currently 2 pump stations and several air valves which require regular attention/ maintenance. All of this information is as per Mark Smith.

Please understand that this report does not address the operation as a stand alone operation which would include the expenses of running the existing treatment plant. The scenario assumes that the existing treatment plant is taken off line and the system is added to an area municipal system.

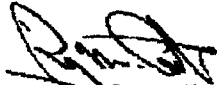
Based upon the attached Analyst Pro Forma, which is restricted to the above mentioned criteria we have an indication of three million five hundred thousand dollars (\$3,500,000.00).

This is a Restricted Appraisal Report of a Complete Real Property Appraisal that is intended to comply with the reporting requirements set forth under Standards Rule 2-2(c) of the Uniform Standards of Professional Appraisal Practice for a Restricted Appraisal Report. As such, it presents no discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated above.

This report is for the sole use of Mark S. Smith of Mallard Point Disposal Inc. in establishing an indication for the projected cash of the disposal system without the overhead of running the existing package plant. Any other scenarios would require sizable adjustments to this report.

If you have any further questions, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Roy M. Cornett", written in a cursive style.

Roy M. Cornett  
State Certified General Appraiser

RMC/clg



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## SUMMARY OF CONCLUSIONS

Property Appraised:	Mallard Point Disposal, Inc.
Address:	U.S. 25 North
Deed Book/Page Number:	158/642
Final Estimate of Value:	\$ 3,500,000 for proposed cash flow

### Purpose of the Report

The purpose of this report is to estimate the value of the Mallard Point disposal system cash flow. The subject property is located in the confines of the Maric Development which consists of the Mallard Point and Harbor Village Subdivisions.

The date of this appraisal report is May 19, 2008.

It should be pointed out that I am not an expert in the field of sewage disposal systems and have not had any experience in addressing such properties. I have attempted to locate someone in the Central Kentucky area who does have experience in addressing values of similar properties. I have been unable to find any additional support in regard to experience. It is imperative that the reader of this report understand the limited experience to which I bring to this project as well as the fact that

most of the information (expenses) provided to me in regard to the income stream was via Mr. Mark Smith, owner of the property. Obviously, there are some significant shortcomings in this report all of which I have tried to disclose as best I can.

### Location & Legal Description

The subject property is located on U.S. 25 North within the confines of the Maric Development which consists of the Mallard Point and Harbor Village Subdivisions.

The legal description referenced in the Scott County Property Valuation Administrator's records is Deed Book 158/642.

*SERVICE AREAS  
INCLUDE:  
MALLARD POINT  
HARBOR VILLAGE  
CEDAR HILLS  
WESTWOODS  
US 25 CORRIDOR*

### Current Offerings or Contracts on Subject Property

The subject property is owned by Mallard Point Disposal Systems. There are no contracts or offerings currently in place on the property, to the best of my knowledge.

### Environmental

The appraiser did not confirm the existence of hazardous materials during our onsite inspection. We are not qualified environmental inspectors and do not guarantee a clean site. We are basing our appraisal upon the assumption that this is an environmentally clean site. Should hazardous materials be discovered, an adjustment to this report might become

necessary. Should an environmental study indicate the presence of hazardous materials, the estimated value resulting from this appraisal will have to be adjusted accordingly.

### Conditions of the Appraisal

This appraisal report is being done strictly for the exclusive use of Mark S. Smith in order to estimate a value for the cash flow of the disposal system. I, in now way, intend its use or benefit for any third parties. Any party, who in any way, relies upon this report, without the preparer's written consent, does so at their own risk. This report is also subject to the attached of Limiting Conditions and Appraiser's Certification and the environmental disclaimer.

## Area Analysis

The Central Kentucky area contains many towns, including, but not limited to the following:

<u>County Seat</u>	<u>County</u>
Lexington	Fayette
Frankfort	Franklin
Versailles	Woodford
Georgetown	Scott
Paris	Bourbon
Mount Sterling	Montgomery
Winchester	Clark
Nicholasville	Jessamine
Richmond	Madison

These towns form the urban centers for those counties which comprise the area known as the Central Bluegrass Region.

The Central Bluegrass Region is not only centered within the state, but within the United States population base as well. Two-thirds of the country's population is within a days' drive of Central Kentucky. Lexington is in the very heart of Central Kentucky and is located approximately 80 miles south of Cincinnati, Ohio and approximately 80 miles east of Louisville, Kentucky. The so-called "Golden Triangle", is formed by Lexington at the southeast corner, and Cincinnati and Louisville forming the remaining corners.

Lexington has been the dominant economic center in the Central Kentucky area and has become increasingly important as the area developed and transportation improved to

make the region increasingly accessible. The area is not served by a major waterway, but is served by the interstate highway system, railroads, and airlines. Norfolk Southern Corporation operates a rail head in Georgetown. The Bluegrass Field Airport, located south-west of Georgetown on the outskirts of Lexington, is the center of air traffic in the area and Scott County has a regional airport. The Louisville International Airport and the Cincinnati/Northern Kentucky International Airports are also located within a reasonable distance from Georgetown. Interstate 75 bisects Scott County and intersects with Interstate 64 just south of the Scott County line. The Bluegrass Parkway and the Mountain Parkway are also easily accessible to the area.

Recreational facilities in the Central Kentucky area include the Opera House, Rupp Arena, the Kentucky Horse Park, etc. There are parks operated by Fayette County both east and west of Lexington. Scott County also operates many small parks, a 96-acre county park, and The Pavilion, an indoor athletic facility. Various lakes are located within a three hour drive from anywhere in the area. The sports teams of the University of Kentucky are a center of interest in the area. An indoor football league, and a minor league

baseball team are both based in Lexington. The Cincinnati Bengals summer training camp is located at Georgetown College and provides events and scrimmages during August. Four commercial television stations also offer viewers in the area the four major networks. They provide full video production and up-linking services for program production and distribution. Kentucky Educational Television (KET), the primary PBS affiliate for the state, provides a full array of arts, education, cultural, news and public affairs programming.

Several state and local agencies offer Internet and World Wide Web access through local on-line services. Central Kentucky is a leader on the information superhighway with many campus and community libraries available on-line, making experts only an e-mail message away.

Light manufacturing was moved to Lexington in the late 1950's. These companies included International Business Machines (now Lexmark), Square D, Trane, and others. These businesses provided an important employment base and brought important changes to Lexington. Other towns in the Central Kentucky area that surround Lexington are attracting new business. The Toyota Manufacturing Company in

Georgetown is the most prominent and has had the biggest effect on the economy of the area. Spinoff plants in towns in the Central Bluegrass area and beyond have been attracted and are making an impact in the area.

The work force in the area is well-educated by the combination of a nationally-recognized program dedicated to improving the quality of education provided to school children and the many facilities of higher education located in Central Kentucky that offer programs for learners at every level. The University of Kentucky, the flagship school of the state university system, is located in Lexington and is the dominant provider of higher education. There is an enrollment of over 23,000 students, with significant numbers of students engaged in graduate studies including medicine, law, pharmacy, etc. Private colleges provide a complement to the public universities. These schools include Transylvania University, Georgetown College and various business colleges. Eastern Kentucky University and Kentucky State University are other important schools in the public system located within an hours' drive.

The medical and hospital facilities in the Central Kentucky area are considered to be excellent. The hospitals in the Lexington

area are the focal point for the area, providing the specialized services not available in the outlying areas. The University of Kentucky Medical Center is the source of most advanced training for medical students. The Humana Hospital, Columbia Hospital - Lexington, Saint Joseph's Hospital, and Central Baptist Hospital are all located in the greater Lexington area. Georgetown Community Hospital serves the local needs.

The overall economy in the Central Kentucky area can be considered to be strong. The effect of the Toyota Manufacturing Company

in Georgetown has been a positive one and has provided stability to the area, offsetting the destabilizing effect of the sale of the IBM plant in Lexington. The influx of thousands of well paying manufacturing jobs in the area has helped the area ride out some of the economic ups and downs that have affected other portions of the country. The area appears to be a healthy, growing region, and with reasonable foresight by local government officials, should remain so for the foreseeable future.

### Neighborhood Analysis

The subject property neighborhood consists of the entire Central Kentucky area and is more specifically described as the residential portions around the rural area of Scott County surrounding the City of Georgetown. The immediate area of the subject property includes Maric Development which consists of Mallard Point Subdivision, the nearby Harbor Village Subdivision, the Westwoods subdivision and nearby Cedar Hills.

The subject neighborhood is approximately seven miles north of the City of Georgetown with municipal water provided by the Kentucky-American Water Company. The

Toyota plant is approximately three miles to the south of the subject off of Delaplain Road near the I-75 interchange. Primary access to the subject property is provided by U.S. 25 North which is the old north-south connector through Scott County. Sadieville is approximately 5 miles north of the developments.

There has recently been a lot of discussion about the city of Georgetown running sewer lines north to the nearby existing dump on Double Culvert Rd. to catch the effluent from that dump from getting into the streams. The sewer line extension is possibly going to be

extended to Sadieville in order to take their existing package sewer plant off line. This line extension would run right along Hwy 25 and near the Mallard Point Disposal system. Thus the possibility of the GMWSS \_\_\_\_\_

(Georgetown Water and Sewer System) absorbing the Mallard Point System into their municipal system.

### Site Analysis

The subject property currently consists of approximately 1.65 acres which is located at the end of Woodduck Lane and Wrights Lane. To more specifically describe the location, it is in behind the Northern Elementary School just below the Mallard Point dam. See the plat in the Addenda of this report for the overall configuration of the 1.65 acres.

The remaining areas of the subject property include the low pressure PVC sewer lines running throughout the system. These sewer lines are run along easements that are of record on all various subdivisions plats. There are approximately 19 miles of underground sewer lines in addition to two lift stations as well as the main sewage treatment plant that is located on the 1.65 acres.

It is likely that this area would not be conveyed with the system if and when it were to be absorbed by GMWSS due to the fact that the existing package plant will be abandoned.

The service area of the system includes a total of approximately 4,000 acres of which approximately is yet to be developed. The zoning in this area includes R-1-A, R-1-B, RC, B-1, B-3 and R-2. If and when this area were to ever be fully developed these zones could possibly allow for up to 5,000 additional units in the systems service area. This of course supports the possibility of continued growth in the system for the projected holding period depicted in the pro forma.

## Improvement Analysis



The subject property's current primary improvements consist of the sewage treatment plant which is located on the 1.65 acres at the end of Woodduck Lane and Wrights Lane in behind the Northern Elementary School.

The sewage treatment plant itself consists of a 150,000 gallon capacity treatment plant.



The system includes 19 miles of low pressure lines, two lift stations, and the treatment plant. The system was originally installed approximately twenty five years (1983) ago with the original development of Mallard Point

and Harbor Village. Mr. Smith advises that during the course of the twenty plus years of operation, there have been very minimal problems regarding maintenance – most of which has been on the individual lines running from the individual residences to the main line. The main lines themselves are operated by the disposal system and have been very functional with very low maintenance requirements. The life expectancy for pressurized PVC pipes such as what is found in the subjects system is estimated to be 100 years per Mr. Smith.

The current daily operation of the sewage treatment plant consists of a visit by a licensed individual. This service is presently costing \$1,050 per month.



It should be pointed out that there are two metal storage buildings and one frame building above the 1.65 acres that is not a part of this appraisal report. These buildings are located on an adjacent parcel.



## Zoning

The subject property is zoned R-1-PUD as per the Scott County Building Inspector's Office. Obviously, the current use of the subject neighborhood as single family residential is considered to be the highest and best use.

## Flood Plain

The subject property is located within the confines of Maric Development which consists of the Harbor Village and Mallard

Point Subdivisions on U.S. 25 North. It is located on FEMA maps 210207 0110B dated September 30, 1981 and 210207 0075B dated September 30, 1981. The subject is in Zone C which is outside of the 100 year flood plain, as per the FEMA map. Copies of these FEMA maps are in the Addenda of this report. It should be pointed out that a portion of the subject property could be in a low lying area that may be subject to flash flooding. This would be subject to an on-site survey by qualified individuals.

---

## Market Value Defined

Market Value as herein used is considered to be "value in exchange" and not "value in use".

The AMERICAN INSTITUTE OF REAL ESTATE APPRAISERS in their textbook, *The Appraisal of Real Estate*, Ninth Edition, state the following on page 19 concerning the definition of market value:

"The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."

*The Appraisal of Real Estate* further states on page 19 that:

"The Standards of Professional Practice of the Appraisal Institute require that the following items directly related to a market value definition must be included in every appraisal report.

1. Identification of the specific property rights to be appraised.
2. Statement of the effective date of the value opinion.
3. Specification of whether cash, or terms equivalent to cash, or other precisely described financing terms are being assumed as the basis of the appraisal.
4. If the appraisal is conditioned upon financing or other terms, specification of whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The terms of

above- or below-market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value

must be described and estimated; and the market data supporting the valuation estimate must be described and explained."

### Highest and Best Use

In The Dictionary of Real Estate Appraisal, Second Edition, published by the American Institute of Real Estate Appraisers, 430 North Michigan Avenue, Chicago, Illinois 60611-4088, highest and best use is defined as:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Land is valued as if vacant and available for its highest and best use. Highest and best use for land is the use that, at the time of appraisal, is the most profitable likely use. Highest and best use may be limited by zoning or deed restrictions. Highest and best use is the use that will provide the greatest return to the land after the requirements of labor, capital, and coordination have been satisfied. Thus, it may also be defined as the

available use and program of future utilization that produces the highest present land value.

Existing use may or may not conform to highest and best use. Highest and best use may comprise a combination of a profitable interim (transitional) use and a deferred, more profitable potential use.

The principle of increasing and decreasing returns affirms the proper apportionment of land and improvements to achieve maximum land value. The concept of highest and best use may be extended to improved real estate for various decision-making situations, but such applications should not be confused with the underlying concept of highest and best use of land only. Balance and consistent use are important collateral considerations in the selection of highest and best use.

It is my best judgment that the highest and best use of the subject property is the current use of the subject which is a sewage disposal system providing sewage disposal to the surrounding subdivisions.

### Approaches to Value

Typically, appraisers consider three approaches to value – the Sales Comparison Approach (or Market Data Approach), the Cost Approach, and the Income Capitalization Approach.

These three approaches to value are described in *The Appraisal of Real Estate*,

Ninth Edition, on page 589 as follows:

"In the sales comparison approach, the subject property is compared to similar properties that have been sold recently or for which listing prices or offering figures are known. Data for generally comparable properties are used, and comparisons are made to demonstrate a probable price at which the subject property would be sold if offered on the market.

In the cost approach, an estimated reproduction or replacement cost of the building and land improvements as of the date of appraisal is developed, together with an estimate of the losses in value that have taken place due to wear and tear, design and plan, or neighborhood influences. To the depreciated building cost estimate, entrepreneurial profit and the estimated value of the land are added. The total represents the value indicated by the cost approach.

In the income capitalization approach, the current rental income to the property is shown with deductions for vacancy and collection loss and expenses. The prospective net operating income of the property is estimated. To support this estimate, operating statements for previous years and

comparable properties may be reviewed along with available operating cost estimates. An applicable capitalization method and appropriate capitalization rates are developed and used in computations that lead to an indication of value."

The following is further stated on page 589 concerning the approaches to value:

"The three approaches are seldom completely independent. An appraisal is composed of a number of integrated, interrelated, and inseparable procedures that have a common objective--a convincing, reliable estimate of value. At times, the three approaches are so intertwined that some appraisers use a "one-approach" concept and do not make separate presentations."

---

### Cost Approach

The Cost Approach is applied typically to fairly new or highly improved properties with very limited amounts of depreciation. Due to the overall average condition of the subject improvements and the limited amount of data available for comparison to the subject property, it is my opinion that the Cost Approach has little or no contributing value in arriving at the final value estimate for this report.

Mr. Smith advises that the original construction cost of the project was approximately \$2,200,000+ and since that time there have been a couple of upgrades over and above that number by far. Some of the areas of expansion include the detached houses built by Barlow Homes, the expansion of Harbor Village by Johnny Saunders, the introduction of Westwoods to the system, Cedar Hills, etc.

Mr. Smith has provided (see attached to the addenda of this report) a recent summary by MSE of Kentucky Inc. who are currently the system engineers estimating what it would cost today to replace the entire system. This

report depicts an overall estimate of \$4,458,150 for the system lines and pumps plus the package plant cost of approximately \$2,250,000, plus the cost of engineering, land acquisition, etc., as per the MSE Engineers.

### Sales Comparison Approach

In the Sales Comparison Approach we typically try to find comparable properties similar to the subject to make the appropriate comparisons and final value indications. In the case of the subject property, I have been unable to find any sewage disposal systems that have actually sold. As a result, the Sales Comparison Approach carries no weight in arriving at the final estimate of value for this report.

It is my understanding through the Revenue Cabinet in Frankfort that there are no sewer system sales that they are aware of other than transactions between municipal authorities and local sewer and water districts.

MAY 2008  
478 RES. UNITS  
MAY 2010  
520 RES UNITS

### Income Approach

In the Income Approach we estimate the potential gross income for the subject property, deduct the estimated expenses, and capitalize the net income to arrive upon an investment value. The Caprate Calculator software package has been used to build the capitalization rate.

houses, one school (Northern Elementary) which uses the equivalent of 18 single family houses. The school's rate is adjusted to reflect the overall annual usage acknowledging the fact that the school is shut down for approximately three months during the summer.

There are currently approximately 478 individual residences in the system, one church which uses the equivalent of two

The rates are currently \$41.35 per month as per Mr. Smith.

The income stream of the property is based upon what is currently being realized . Some of the assumptions that I have made regarding the Caprate package include a projected holding period of 20 years, on the equity investment I have estimated an internal rate of return of 9%. I have assumed an 4% annual increase to the income stream which is based upon the history of expansion in the area of the system and a one per cent increase in value. Due to the circumstances of this unique scenario I have assumed that there would be no debt service against the cash flow of the system.

The attached proforma depicts an estimated \$3,500,000 value indication based upon all the previously mentioned criteria. We have a total gross income of \$247,104 annually indicated.

The expenses have been estimated based primarily upon some information provided to me by Mr. Marc Smith and the assumption that the existing treatment plant would be taken off line and abandoned. Therefore most of the expenses that he currently has would be nullified. Some of the expenses that will longer apply include the insurance, the electricity for running the treatment plant, the estimated maintenance and repairs which consist of daily hosing of the treatment plant,

estimated management which is primarily the office personnel, billing, etc., estimated laboratory expenses, estimated the reserve for replacement which would be funds available for any major maintenance problems that would come up periodically over the years, etc. There are currently taxes paid on the system that are based upon the most recent assessment with the Revenue Cabinet in Frankfort. I previously talked to Mr. Mike Baker and he advised that the real property is assessed at \$215,000, (approximately \$1,800 annual tax bill), including both the real property and the tangible property. This is dated information in that it was not updated for this latest visit (2008).

Based upon all of the above-mentioned criteria, the overall investment value for subjects projected cash flow is \$3,500,000. **Please understand that this is not reflective of the current overall operation including the operation of the package plant.**

During my discussion with the local governing authorities, it is apparent that a licensed individual must be responsible for the operation of the sewage treatment plant. It is my understanding that this licensed individual is a part of the package provided with the

\$900 monthly fee that is currently being paid for in the daily maintenance and operation. I am assuming that the subject's operation is in compliance with all of the local and state regulations. Certification of this compliance is recommended as a part of this report. No

audited records were provided to this appraiser for this report. It is suggested that these records be provided to anyone interested in an audited format in order to realize full disclosure.

---

ANNUAL INCOME NOW  
267173.99 (2009)

---

$478 \div 3500000 = 7322 \frac{00}{\text{PER}}$   
 $520 \times 7322 \text{ per} = 1$   
\$ 3807440.00

**INPUT VARIABLES / KEY NUMBERS**

REFERENCE NO: 16368  
PROPERTY: Mallard Point Disposal Inc.  
ANALYSIS DATE: 03-23-07

**Input Variables**

Projected Holding Period	20 Years
Investor Equity Portion	100.00%
Required Investor Yield (IRR)	9.000%
Growth Rate in Value per Year	1.000%
Growth Rate in Net Income per Year	4.000%
Soft Costs in Addition to Equity	2.000%
Selling Expenses: Terminal Year	6.000%

**Key Numbers**

### ADVANCED MORTGAGE EQUITY CALCULATION

REFERENCE NO: 16368  
PROPERTY: Mallard Point Disposal Inc.  
ANALYSIS DATE: 03-23-07

#### Input Variables

Projected Holding Period	20 Years
Investor Equity Portion	100.00%
Required Investor Yield (IRR)	9.000%
Growth Rate in Value per Year	1.000%
Growth Rate in Net Income per Year	4.000%
Soft Costs in Addition to Equity	2.000%
Selling Expenses: Terminal Year	6.000%

#### CALCULATION

Equity x Required Yield (1.00000 x 0.090000)	<u>0.0900001</u>
	<u>0.0900001</u>



### SUMMARY OF CALCULATIONS

REFERENCE NO: 16368  
PROPERTY: Mallard Point Disposal Inc.  
ANALYSIS DATE: 03-23-07

Overall Capitalization Rate (OAR)				6.69373%
Value (Income / OAR)	235,562	/	0.0669373	\$ 3,519,143
Original Equity			Value	
Equity	1.00000	x	3,519,143	\$ 3,519,143
Soft Costs	0.02000	x	3,519,143	<u>70,383</u>
				\$ 3,589,525
First Year Cash Flow	Net Income		Debt Service	
	235,562	-	000	\$ 235,562

**SUMMARY OF CALCULATIONS**

REFERENCE NO: 16368  
 PROPERTY: Mallard Point Disposal Inc.  
 ANALYSIS DATE: 03-23-07

Overall Capitalization Rate (OAR)				6.69372%
Value (Income / OAR)	235,562	/	0.0669372	\$ 3,519,148
Original Equity			Value	
Equity	1.00000	x	3,519,148	\$ 3,519,148
Soft Costs	0.02000	x	3,519,148	<u>70,383</u>
				\$ 3,589,531
First Year Cash Flow	Net Income		Debt Service	
	235,562	-	000	\$ 235,562
First Year Yield on Equity	Cash Flow	/	Original Equity	
	235,562		3,589,531	6.562%
Resale Value Multiple of Original Value	1 + .22019			1.22019
Resale Value as a Dollar Amount	Appr./Depr.	x	Original Value	
	1.22019		3,519,148	\$ 4,294,029
Net Reversion (Terminal Equity)			Resale Value	\$ 4,294,029
			Loan Balance	000
			Sale Expenses	<u>-257,642</u>
				\$ 4,036,387
Deferred Yield (Amount)	Net Reversion	-	Original Equity	
	4,036,387		3,589,531	\$ 446,857
Terminal Equity (Ratio)	Net Reversion	/	Resale Value	
	4,036,387		4,294,029	0.94000

## Correlation and Final Value Estimate

Cost Approach	N/A
Sales Comparison Approach	N/A
Income Approach	\$3,500,000

Sales Comparison Approach.

The Income Approach has been given 100% of the weight for a final value indication of

Again, please understand that this report is restricted to addressing the proposed income stream of the subjects system without the expenses of the package plant. Otherwise, the indication would require major adjustments.

The Income Approach is the only applicable approach to this report based upon the limited data for the Cost Approach and the

# ADDENDA

May 13, 2008

Engineers  
Architects  
Planners

Mallard Point Disposal System Inc.  
118 S. Broadway  
Georgetown, KY 40324

824 Wellington Way  
Lexington,  
Kentucky 40503  
859-223-5694  
FAX 859-223-2607  
E-Mail: mseinc@mslex.com

RE: Replacement Costs  
MPDS System

As requested by telephone, May 8, 2008, MSE has evaluated and provides herewith our estimate of the replacement cost for the Mallard Point Disposal Systems, Inc. (MPDS) sanitary sewage collection and treatment system. The costs or values indicated are based on current bid prices around the state, adjusted based on construction conditions such as soil, congestion, other utilities in the area, agency requirements, etc.

The estimate is not extremely detailed, ie no specific number of isolation valves, air release valves, concrete encasement, bored & jacked crossings, specific extra depth construction, etc. and is broken out for unit prices. Rather general cost per linear foot (all encompassing or complete in place) is used.

**Collection System**

Item	Unit	Quantity	Unit Price	Cost
6" Force Main	LF	23550	29.00	\$682,950.00
4" Force Main	LF	9600	28.00	268,800.00
3" Force Main	LF	4600	27.50	126,500.00
2 1/2" Force Main	LF	6700	27.25	182,575.00
2" Force Main	LF	14,200	27.00	383,400.00
1 1/2" Force Main	LF	32,450	26.50	859,925.00
Connection Box w/Valves	C.O./Ea.	780	2300.00	1,794,000.00
Major Pump Station	Ea.	2	125,000.00	250,000.00
<b>Sub-total</b>				<b>\$4,548,150.00</b>
<b>Treatment Facility</b>				
50,000 gpd, 100,000 gpd trains, post aeration, disinfection, site fencing, electrical service, influent controls				\$2,250,000.00
<b>Total Construction Cost</b>				<b>\$6,798,150.00</b>



The above cost DOES NOT include the cost of engineering design or construction inspection, permits, studies, planning, administration, interest during construction. Excluded also is the value or cost of easements, pump station sites, treatment plant site or acquisition, spare parts, inventory, tools, vehicles.

In general non-construction costs, exclusive of land, easements, permits etc. can be expected to be in the vicinity of \$2,200,000 for a project this size, if constructed as a single project. For projects of a lesser size or done over multiple years a cost of \$2,600,000 could be expected to reasonably be assessed.

If there are questions please contact us immediately.

Sincerely,  
MSE of Kentucky, Inc.

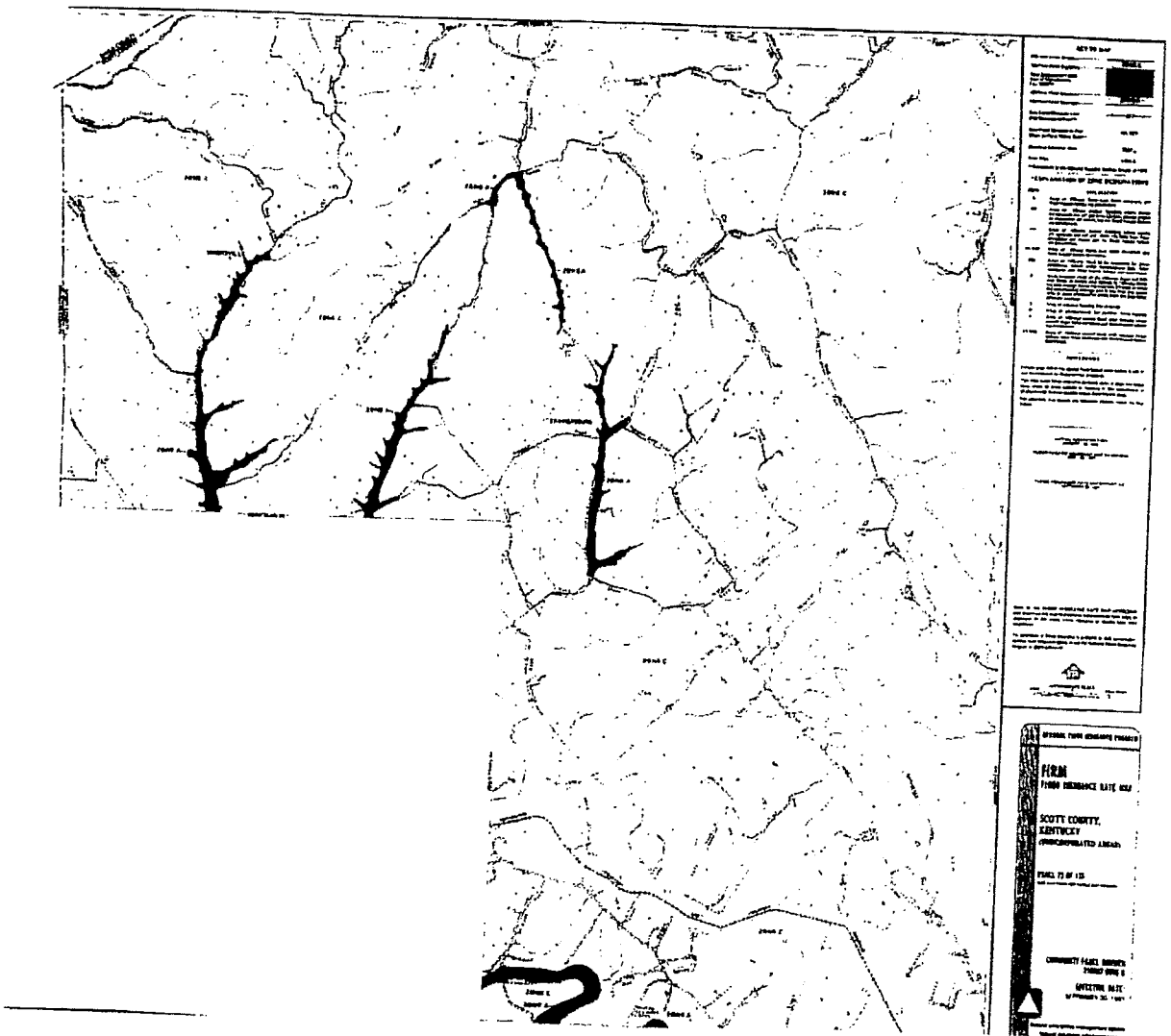
Walter L. Bowman, PE, LLS  
Vice President

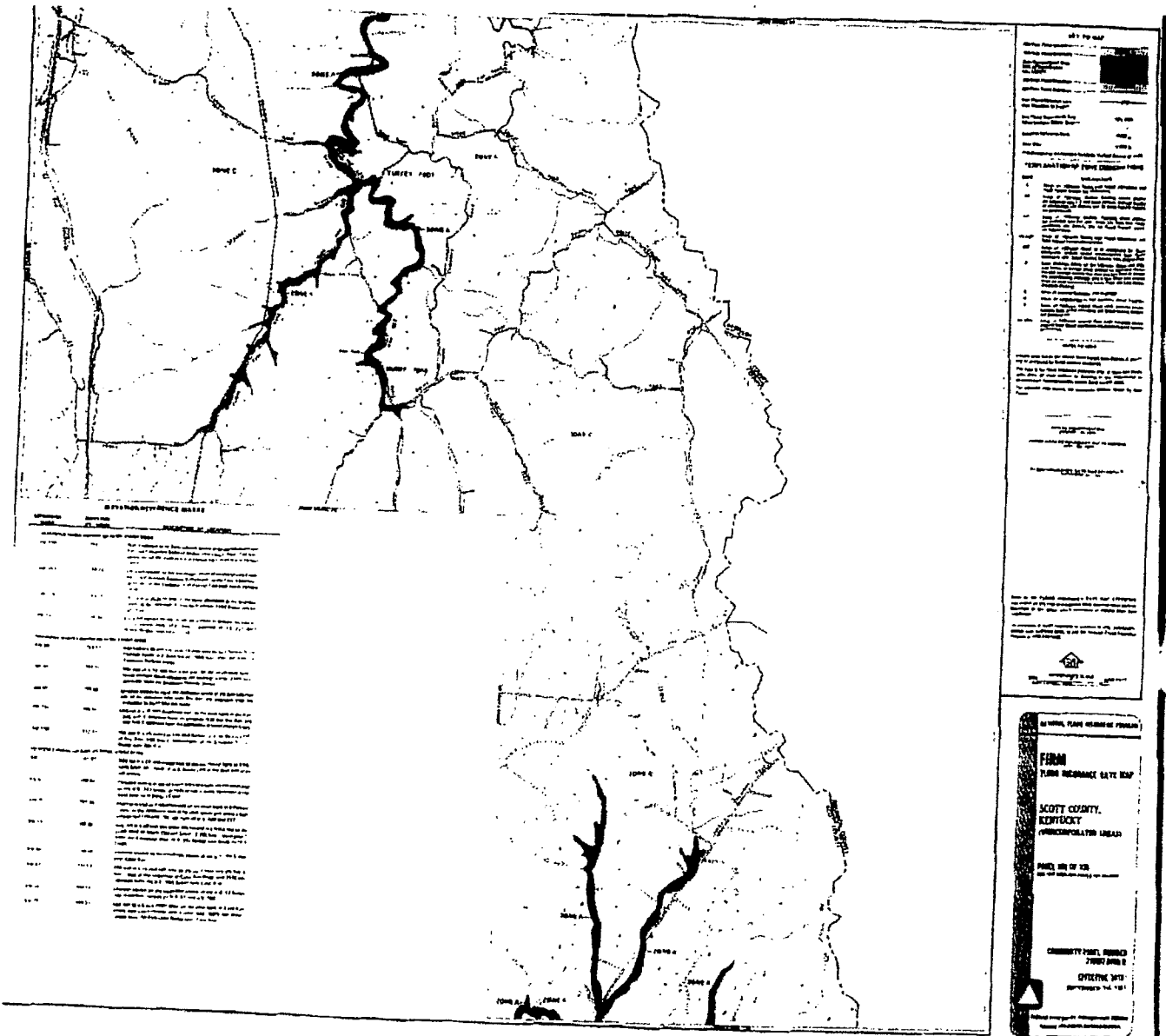
WLB/lc

REPLACEMENT COST  
VALUATION

\$6,798,150.00	HARD COSTS
2,200,000.00	SOFT COST MINIMUM
<hr/>	
\$8,998,150.00	TOTAL
\$9,398,150.00	SOFT COST MAX. TOTAL

Flood Map







**DEFINITION OF MARKET VALUE:** The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he considers his own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions\* granted by anyone associated with the sale.

\* Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgement.

## **STATEMENT OF LIMITING CONDITIONS AND APPRAISER'S CERTIFICATION**

**CONTINGENT AND LIMITING CONDITIONS:** The appraiser's certification that appears in the appraisal report is subject to the following conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraiser assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership.
2. The appraiser has provided a sketch in the appraisal report to show approximate dimensions of the improvements and the sketch is included only to assist the reader of the report in visualizing the property and understanding the appraiser's determination of its size.
3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in the appraisal report whether the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.
5. The appraiser has estimated the value of the land in the cost approach at its highest and best use and the improvements at their contributory value. These separate valuations of the land and improvements must not be used in conjunction with any other appraisal and are invalid if they are so used.
6. The appraiser has noted in the appraisal report any adverse conditions (such as, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property.
7. The appraiser obtained the information, estimates, and opinions that were expressed in the appraisal report from sources that he or she considers to be reliable and believes them to be true and correct. The appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.
8. The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice.
9. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that completion of the improvements will be performed in a workmanlike manner.
10. The appraiser must provide his or her prior written consent before the lender/client specified in the appraisal report can distribute the appraisal report (including conclusions about the property value, the appraiser's identity and professional designations, and references to any professional appraisal organizations or the firm with which the appraiser is associated) to anyone other than the borrower; the mortgagee or its successors and assigns; the mortgage insurer; consultants; professional appraisal organizations; any state or federally approved financial institution; or any department, agency, or instrumentality of the United States or any state or the District of Columbia; except that the lender/client may distribute the property description section of the report only to data collection or reporting service(s) without having to obtain the appraiser's prior written consent. The appraiser's written consent and approval must also be obtained before the appraisal can be conveyed by anyone to the public through advertising, public relations, news, sales, or other media.

**APPRAISER'S CERTIFICATION:** The Appraiser certifies and agrees that:

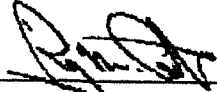
1. I have researched the subject market area and have selected a minimum of three recent sales of properties most similar and proximate to the subject property for consideration in the sales comparison analysis and have made a dollar adjustment when appropriate to reflect the market reaction to those items of significant variation. If a significant item in a comparable property is superior to, or more favorable than, the subject property, I have made a negative adjustment to reduce the adjusted sales price of the comparable and, if a significant item in a comparable property is inferior to, or less favorable than the subject property, I have made a positive adjustment to increase the adjusted sales price of the comparable.
2. I have taken into consideration the factors that have an impact on value in my development of the estimate of market value in the appraisal report. I have not knowingly withheld any significant information from the appraisal report and I believe, to the best of my knowledge, that all statements and information in the appraisal report are true and correct.
3. I stated in the appraisal report only my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the contingent and limiting conditions specified in this form.
4. I have no present or prospective interest in the property that is the subject to this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or the estimate of market value in the appraisal report on the race, color, religion, sex, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property.
5. I have no present or contemplated future interest in the subject property, and neither my current or future employment nor my compensation for performing this appraisal is contingent on the appraised value of the property.
6. I was not required to report a predetermined value or direction in value that favors the cause of the client or any related party, the amount of the value estimate, the attainment of a specific result, or the occurrence of a subsequent event in order to receive my compensation and/or employment for performing the appraisal. I did not base the appraisal report on a requested minimum valuation, a specific valuation, or the need to approve a specific mortgage loan.
7. I performed this appraisal in conformity with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place as of the effective date of this appraisal, with the exception of the departure provision of those Standards, which does not apply. I acknowledge that an estimate of a reasonable time for exposure in the open market is a condition in the definition of market value and the estimate I developed is consistent with the marketing time noted in the neighborhood section of this report, unless I have otherwise stated in the reconciliation section.

8. I have personally inspected the interior and exterior areas of the subject property and the exterior of all properties listed as comparables in the appraisal report. I further certify that I have noted any apparent or known adverse conditions in the subject improvements, on the subject site, or on any site within the immediate vicinity of the subject property of which I am aware and have made adjustments for these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them. I have also commented about the effect of the adverse conditions on the marketability of the subject property.
9. I personally prepared all conclusions and opinions about the real estate that were set forth in the appraisal report. If I relied on significant professional assistance from any individual or individuals in the performance of the appraisal or the preparation of the appraisal report, I have named such individual(s) and disclosed the specific tasks performed by them in the reconciliation section of this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the report; therefore, if an unauthorized change is made to the appraisal report, I will take no responsibility for it.

**SUPERVISORY APPRAISER'S CERTIFICATION:** If a supervisory appraiser signed the appraisal report, he or she certifies and agrees that:

I directly supervise the appraiser who prepared the appraisal report, have reviewed the appraisal report, agree with the statements and conclusions of the appraiser, agree to be bound by the appraiser's certifications numbered 4 through 7 above, and am taking full responsibility for the appraisal and the appraisal report.

**APPRAISER:**

Signature:   
 Name: Roy M. Cornett  
 Date Signed: \_\_\_\_\_  
 State Certification #: 000059  
 State: KY  
 Expiration Date of Certification : 06-30-08

**SUPERVISORY APPRAISER (only if required):**

Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Date Signed: \_\_\_\_\_  
 State Certification #: \_\_\_\_\_  
 State: \_\_\_\_\_  
 Expiration Date of Certification: \_\_\_\_\_

Did  Did Not Inspect Property

Freddie Mac Form 439 693

Fannie Mae Form 1004B 693

# QUALIFICATION FOR ROY M. CORNETT, STATE CERTIFIED GENERAL APPRAISER

## EDUCATION

Eastern Kentucky University - 1974 - BS Degree - Industrial Education  
Graduate Study at Eastern Kentucky University - Education  
American Institute of Real Estate Appraisers - Ethics and Practices of Appraising  
University of Kentucky - Hazard Campus - Real Estate Principles, Real Estate Appraising, Real Estate Law, Real Estate Marketing, Real Estate Management, Real Estate Construction and Blue Print Reading  
Hazard Vocational School - Real Estate Principle of Appraising  
Central Area Vocational School - Real Estate Principles  
Kentucky Real Estate Commission Seminars - Real Estate Law, Real Estate Appraising, Real Estate Ethics, and Telephone Techniques  
Lexington Community College - Real Estate Appraising - 1989, Real Estate Investments - 1989  
Eastern Kentucky University - Real Estate Appraising - 1989-1990  
Numerous Continuing Education Seminars (14 hours per year for appraisals and 6 hours per year real estate)

- Marshall & Swift - Residential and Commercial Cost Evaluation Seminars
- Society of Real Estate Appraisers - Measuring Economic Obsolescence - December-1990
- Residential Exam Preparation and General Exam Preparation Seminars - May 1991
- "Boundary Disputes in Kentucky" Seminar - February 5, 1992
- Farm Evaluation Seminar - April 15, 1992
- Condemnation Seminar - National Association of Independent Fee Appraisers - Evansville, Indiana
- Timber Valuation - Tallahassee, Florida, August, 1996
- Kentucky Real Estate Appraiser's Board - USPAP, January 2003
- Advanced Strategies- Protecting Your Assets - January, 1997 & 1998
- Exchange of Real Properties- 1031 Reverse - April 2000
- CORE Course - Lexington-Bluegrass Association of Realtors, March 2003
- KY Building Code Seminar - 2003
- USPAP- 2005

## EXPERIENCE AS AN APPRAISER

20+ Years of Appraising and Building Residential and Commercial Properties  
First National Bank and Trust Company - Georgetown, Kentucky  
Farmers Bank and Trust Company - Georgetown, Kentucky  
Kentucky Bank - Georgetown, Kentucky  
Central Bank - Georgetown, Kentucky  
U.S. Marshall's Service - Lexington, Kentucky  
Collateral Mortgage - Birmingham, Alabama  
Kentucky Housing Corporation, Frankfort Kentucky  
Farm Service Agency - Cynthiana and Hazard Kentucky  
Federal Bureau of Prisons - Washington, DC  
Scott County Property Valuation Administrator  
Attorneys- Bruce Lankford, Neil Duncliffe, Clay McKnight, Rocky McClintock - Georgetown, Kentucky; Steve Barker - Hazard, Kentucky; Joe Childers, Gus Moss, Les Morris - Lexington  
Expert Testimony: Mason Circuit Court, Perry Circuit Court, Fayette Circuit Court, Scott Circuit Court, Franklin County Circuit Court; U.S. District Court, E.D. KY - Lexington and Pikeville

## PROFESSIONAL QUALIFICATIONS

-State Certified General Appraiser - Kentucky Appraisal Board Certificate #000059 - Expires June 30, 2008  
-Kentucky Association of Realtors -Lexington Board of Realtors  
-Coal Country Board of Realtors/Past President -National Association of Realtors  
-Georgetown-Scott County Chamber of Commerce -State Accredited Affiliate of the Appraisal Institute

## OTHER WORK EXPERIENCE

Member of the Governor's Smart Growth for Kentucky Committee  
Real Estate Broker - Cornett & Associates, Georgetown, Kentucky  
Built, Own and Operate extensive residential & commercial properties in Fayette, Scott, Perry, and Breathitt Co.  
Industrial Arts Teacher, Woodford County Senior High, 1974-1978  
Kentucky River Homes - Owner/Operator - Real Estate and Construction 1978-1988

**2010 Appraisal**

**Hockensmith Agency**

RESTRICTED APPRAISAL REPORT  
OF  
MALLARD POINT DISPOSAL, INC  
GEORGETOWN, KENTUCKY 40324

PREPARED FOR  
MARK S. SMITH  
118 SOUTH BROADWAY  
GEORGETOWN, KENTUCKY 40324

DATE OF VALUATION  
AUGUST 18, 2010

PREPARED BY  
THE HOCKENSMITH AGENCY  
P.O. BOX 310  
GEORGETOWN, KENTUCKY 40324

September 7, 2010

Mark Smith  
118 South Broadway  
Georgetown, KY 40324

Re: Restricted Appraisal Report  
Mallard Point Disposal, Inc  
Georgetown, Kentucky 40324

As per your request, I have inspected the property known as the Mallard Point Disposal, Inc Property, Georgetown, Kentucky, for the purpose of estimating its Fair Market Value. After inspecting this property and reviewing the comparable sales and other pertinent data in the area and after analyzing the data collected, I have reached the following conclusion.

**The Fair Market Value of this property as of August 18, 2010 is:**

**(THREE MILLION EIGHT HUNDRED THOUSAND DOLLARS)  
(\$3,800,000)**

This appraisal is subject to the extraordinary assumption that there are no significant market changes in the near future which would affect the value of the subject property, as well as being subject to the attached statement of contingent and limiting conditions and the environmental disclaimer. This is a Restricted Appraisal Report that is intended to comply with the reporting requirements set forth under Standards Rule 2-2 C of the Uniform Standards of Professional Appraisal Practice for a restricted appraisal report. It is restricted in nature in that it only addresses the existing cash flow of the Mallard Point Disposal, Inc collection system at its present volume. This report presents no discussion of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analysis is retained in the appraisers' file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below.

This report is for the sole use of Mark S. Smith to use in establishing a fair market value for this property. This report does not address the operation as a standalone operation which would include the expenses of running the existing treatment plant. The scenario assumes that the existing treatment plant is taken off line and the system is added to an area municipal system.

Sincerely,

*Michael S. Hockensmith*      *Chris Willhite*

Michael S. Hockensmith  
Certified General Appraiser  
#000893

Chris Willhite  
Certified Residential Appraiser  
#003967



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### **ADDENDUM**

Pictures

Income Statement – KY Revenue Cabinet

Certification

Statement of Contingent and Limiting Conditions

Environmental Disclaimer

Qualifications

## SUMMARY OF DATA

### CLIENT:

Mark S. Smith  
118 South Broadway  
Georgetown, KY 40324

### APPRAISER

Chris Willhite  
Certified Residential Appraiser  
#003967

Michael S. Hockensmith  
Certified General Appraiser  
#000893

### SUBJECT PROPERTY

Mallard Point Disposal, Inc  
Georgetown, KY 40324

## SCOPE OF THE APPRAISAL:

The purpose of this restricted appraisal is to estimate the fair market value of the subject property known as the Mallard Point Disposal, Inc, Georgetown, Kentucky 40324. In preparing this appraisal, the appraisers visited the subject site, did an exterior inspection of the property, was given data from the owner of the property as to the make-up of the property, the previous income figures as well as future income projections, and then researched the area for different types of financing and payment options for the future sale of the property. The value contained herein is considered to be a fair market value for the subject property as of the effective date of the appraisal. Only the Income Approach was performed due to no sales of disposal systems similar to the subject being available and the cost approach is generally only applicable to new or fairly new properties.

Chris Willhite, a certified residential appraiser, provided significant assistance in the preparation of this report. This assistance includes the site visit, collecting, analyzing, and verifying data, and assisting in reconciling and reporting of the indicated value

The appraiser attempted no environmental study for possible problems. If any concerns concerning potential environmental problems with this property exist, an inspection from a qualified environmental inspector should be obtained.

This Restricted Appraisal Report sets forth only the appraiser's conclusions. Supporting documentation is contained in the appraiser's files.

The appraiser is not an expert in the disposal system field. Much of the data has been supplied by Mr. Mark Smith, the current owner of the system. The appraiser is qualified to estimate a value for the cash flow of the disposal system, which is the most likely way to value this system.

## **DEFINITION OF MARKET VALUE**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of sale of a specified date and the passing of title from seller to buyer under all conditions whereby:

- 1) Buyer and seller are typically motivated;
- 2) Both parties are well informed or well advised, and acting in what they consider their best interests;
- 3) A reasonable time is allowed for exposure in the open market;
- 4) Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto;
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale

(The Appraisal of Real Estate, Twelfth Edition; pages 21-24)

## **INTENDED USE OF THE REPORT:**

This appraisal report is intended for the sole use of Mark S. Smith in determining the fair market value of the property known as the Mallard Point Disposal, Inc property based on the cash flow of the property.

## **EFFECTIVE DATE and DATE OF INSPECTION**

The effective date of this appraisal is August 18, 2010. The last date of inspection of the subject property was August 18, 2010.

## **SALES DATA**

The property is not currently under contract at this point. There are ongoing discussions with GMWSS about the potential purchase of the property. There has been no sales activity on this property in the past three years.

## **PROPERTY RIGHTS APPRAISED**

The subject property rights appraised in this appraisal are considered to be fee simple.

## ZONING

The areas to which this disposal system runs includes areas zoned R-1A, R-1B, R-1C, R-2, R-3, B-3, B-4, A-1. According to the owner, the service area includes a total of approximately 4,000 acres. If ever fully developed, these areas could possibly serve up to 5,000 units. There are currently 800 additional taps in the ground. These potential zonings and potential units support future growth of this system.

## HIGHEST AND BEST USE:

The highest and best use analysis is the foundation of the appraisal and the appraisal report. When the purpose of the appraisal is to estimate market value, highest and best use analysis identifies the most profitable, competitive use consistent with region, neighborhood and subject property data conclusions. An understanding of market behavior is essential to the concept of highest and best use. The highest and best use conclusions form the foundation for the application of the three approaches to value and the reconciliation and the final value estimate.

There are four criteria that must be met when determining highest and best use for the land as though vacant and the property as improved.

- (A) Physically Possible - The size and shape of the property, plus soil and terrain, affect the uses to which it can be developed.
- (B) Legally Permissible - Both public and private restrictions may limit the uses of a parcel of land or an improved property.
- (C) Financially Feasible - The appraiser must determine which uses are likely to produce an income or return equal to or greater than the amount needed to satisfy operating expenses, financial obligations, and capital amortization. All uses that are expected to produce a positive return are regarded as financially feasible.
- (D) Maximally Productive - Of the financially feasible uses, the use that produces the highest price or value consistent with the rate of return warranted by the market for that use is the highest and best use.

### HIGHEST AND BEST USE OF THE SITE -

The existing improvements are for a sewage disposal system. The improvements substantially contribute to the value of the property and the existing land use of the site is consistent with those uses that would generate the highest and best use of the site. Accordingly, the tests of highest and best use applied to the site as vacant, also apply to the site as improved. Since the property has been specifically built for a sewage disposal system, the highest and best use of the subject property is its use as a sewage disposal system.

## AREA ANALYSIS

The subject property is located in the world famous Bluegrass area of Central Kentucky. This area is known worldwide for its picturesque horse farms and is known as the "capitol" of the thoroughbred horse business. The Georgetown area is located 12 miles north of Lexington-Fayette County, the SMSA for central Kentucky. The area is 65 miles south of Cincinnati, Ohio and 80 miles east of Louisville, Kentucky. This triangle, sometimes referred to as the "Golden Triangle", contains one-third of Kentucky's population and over one half of its manufacturing jobs.

The Georgetown-Scott County area has transcended over the past fifteen years from an agricultural community to a community with a manufacturing base. This growth of manufacturing jobs coming primarily from the Toyota plant has put the area in a period of population and economic growth. This growth has stabilized in the past year to two years due to the current economic slowdown. This area has not experienced a sharp decline as some areas due to the area having all of the critical factors in sustaining and promoting residential, commercial, and industrial development. Georgetown-Scott County area is still expected to be one of the fastest growing areas in Kentucky over the next decade.

The city of Georgetown is an attractive community that has a fairly healthy central business district surrounded by shopping areas on the extremities of the city. A growing urban and suburban population supports the businesses. This increasing population is providing support to many new developments including shopping areas and residential developments.

The Georgetown-Scott County area is served by commercial airlines from Bluegrass Field in Lexington. There is also an airport in Scott County that handles cargo and private passenger traffic primarily. Bus lines, railroad lines, and truck lines also serve it. The area is served by North-South Interstate (75) and an East-West Interstate (64) as well as several other US highways. The medical and educational facilities located in the community are considered to be of good quality.

Lexington, as the hub of the Central Kentucky area, has grown into a city with an excellent economic base. The entire Central Kentucky area has the lowest unemployment rate in the state. The Toyota plant and its many supporting satellite facilities have provided a strong economic boost to the entire area. Lexington also has a strong economic base of white-collar jobs that contributes to the areas strong economic growth.

## SITE AND IMPROVEMENT ANALYSIS

The subject site consists of approximately 1.65 acres which is located off of Wrights Lane in behind Northern Elementary School. The remaining property includes the PVC sewer lines running throughout the system. There are approximately 19 miles of underground sewer lines, two pump stations, and the main sewage treatment plant that is located on the 1.65 acre tract. This sewage treatment plant would probably not be used if Georgetown Municipal Water and Sewer System (GMWSS) take over this system, as they would use their own system.

This system was originally installed in 1983 with the development of Mallard Point and Harbor Village Subdivisions. According to the owner, there have been very minimal maintenance issues, most of which are the lines running from the individual residences to the main line. The main lines have had very low maintenance requirements as the life expectancy of the PVC pipes found in this system is estimated to be 30 years.

At the current time, GMWSS is running a sewer line to the existing dump located on Double Culvert Road. This sewer line extension is to run along US 25 in front of Harbor Village Subdivision, Mallard Point Subdivision, Mallard Point Church, and the Northern Elementary School, which makes the potential of the Mallard Point Disposal System tying onto this new system much more feasible.

This property is located within the subdivisions and properties as mentioned earlier in the report, and located on Flood Maps 210207 0110B and 210207 0075B dated 09-30-81. Utilities available to the site include water, sewer, and electricity. City services provided to the property include fire and police protection.

This site contains no apparent easements or restrictive covenants other than the normal utility easements that were observed. I did not see from a visual inspection anything else that appeared to be an environmental hazard, but an inspection of the property by a qualified engineering firm has not been completed. There are no apparent adverse factors which influence value or marketability of the subject site.

## VALUATION PROCESS

The appraisal process is the orderly program in which the data used to estimate the value of the property in question is acquired, classified, analyzed, and presented. The first step is defining the appraisal problem - i.e., identification of the real estate, the effective date of the value estimate, the property rights of estate appraised, and the type of value sought. Then the appraiser collects and analyzes the factors that affect the market value of the subject property. Appraisers may use all three traditional approaches to value (Cost Approach, Income Capitalization Approach, and/or Sales Comparison Approach).

The Cost Approach to market value is based on the premise that the value of the property can be derived by adding the estimated value of the land to the current cost of replacement for the improvements and then subtracting the amount of depreciation (deterioration and obsolescence) in the structures, from all causes. This provides an estimate of the subject's underlying land value, as if vacant.

The Income Approach is predicted on the assumption that there is a definite relationship between the amount of income a property is capable of producing and its value. The anticipated annual net income of the subject property is processed to produce an indicated value. Net income is the income generated before payment of debt service. The process of converting the net income into value is called capitalization, which involves dividing the net income of the property by a capitalization rate.

The Sales Comparison Approach is most useful when a number of similar properties have been sold, or are currently offered for sale, in the local market. The appraiser can produce a value indication by comparing a subject property with similar sales and listings. The sale prices of the properties that are judged most similar tend to indicate a range in which the value for the subject property should fall.

Finally, the appraisal process is the reconciliation or correlation of the value indications into a single dollar figure or range in which the value will most likely fall.

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----The Cost Approach is applied to new or fairly new properties with very limited depreciation. Due to the overall average condition of the property and the fact that it is nearly 30 years old and the difficulty in determining depreciation on this, the Cost Approach is not completed in this report.

---The Sales Comparison Approach is not able to be completed due to their being no sales available of sewage disposal systems.

## INCOME APPROACH

In the Income Approach, we take the most recent gross income of the subject property as supplied by the owner; deduct estimates for expenses such as taxes, insurance, and maintenance to arrive at a net income, which is capitalized to arrive at an investment value. The advanced mortgage equity calculation is used to arrive at the overall rate. The Investment Analyst Software package was used to help in arriving at these values.

Since this property has the potential to be purchased by GMWSS, one must also examine the types of financing that would be available and the amount of income that would have to be generated to satisfy this financing.

Because most properties are purchased with debt and equity capital, the overall capitalization rate must satisfy the market return requirement of both investment positions. Lenders generally require that the loan principal be repaid through periodic amortization payments. Similarly, equity investors must anticipate receiving a competitive equity cash return commensurate with the perceived risk.

The mortgage capitalization rate is the ratio of the annual debt service to the principal amount of the mortgage loan. The rate established at the inception of a mortgage is commonly called the mortgage constant. The mortgage constant is calculated by multiplying the monthly payment by 12 and then dividing by the loan amount.

In this scenario, it is assumed that the loan amount would be 100% based on a bond more than likely being purchased in the amount of the total purchase price. The equity dividend rate is the rate of return the investor would expect in order to invest funds in a project. In this report, since the mortgage percentage is 100%, the equity percentage will be zero.

The input variables used to arrive at the overall rate by the mortgage equity equation are a projected holding period of 20 years, loan ratio of 100%, interest rate of 4%, required investor yield of 9%, growth rate of net income per year of 4%, soft costs of 2%, and selling expenses of 6%. The growth rate is based on the previous year's growth rate for the disposal system.

There are currently 520 residential customers in the Mallard Point, Harbor Village, Cedar Hills, and Westwoods Subdivisions. The rates for residential customers are \$41.35 per month. There is one church which is figured based on two residential fees, which equates to \$82.70 per month. The monthly amount for the school is based on the 12 month average of the past year of \$700 per month.

Thus from these income figures, it is estimated that the effective gross income is \$267,416. The actual gross income from last year supplied by the owner to the Kentucky Public Service Commission was \$267,173.99. Expenses were estimated and were for real estate taxes, insurance, and management. Subtracting these expenses from the effective gross income, we arrive at a net operating income of \$253,109.



The attached proforma based on the above criteria arrives at a rounded value of the subject property of \$3,800,000. This figure takes into account the current income and expenses, a growth rate of 4% per year for the holding period, and the present value of the future cash flows of the project.

Based on the above criteria, the subjects projected cash flow is:

(THREE MILLION, EIGHT HUNDRED THOUSAND DOLLARS)

(\$3,800,000)

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## CONCLUSION

In summary, we have concluded that the value arrived at in this report based on the projected cash flow is \$3,800,000. In order for a potential purchaser to be able to retire a 20 year bond at 4%, they must be able to satisfy the monthly payments based on the income generated from the disposal system. If we assume a 20 year loan at 4% interest and a purchase price of \$3,800,000, the yearly payments would be \$276,327. Based on the projected cash flow analysis, it will be between Year 3 and Year 4 before a positive cash flow is realized based on the 4% projected growth rate of the system.

There are 800 additional taps already in the ground for future development, as well as the potential for up to 5,000 as indicated by the owner. This potential available growth supports the income needed to support a purchase of this property.

More than likely, the potential purchaser of this disposal system would be an area municipal system. In this case, a bond would be purchased to cover the purchase price. In the normal cost of business, the purchaser would be responsible for the cost of the bond.



### Input Variables / Key Numbers

REFERENCE NO: 1  
PROPERTY: Mallard Point Disposal, Inc  
ANALYSIS DATE: 9/2/2010

#### Input Variables

Projected Holding Period	20 Years
Loan Ratio 1	100.00%
Interest Rate	4.00%
Loan Term	20 Years
Balloon Payment in Year	
Investor Equity Portion	0.00%
Required Investor Yield (IRR)	9.000%
Growth Rate in Value per Year	1.000%
Growth Rate in Net Income per Year	4.000%
Soft Costs in Addition to Equity	2.000%
Selling Expenses: Terminal Year	6.000%

#### Key Numbers

Initial Cash Investment	\$ 76,118
Indicated Value	\$ 3,805,914
Overall Capitalization Rate	6.65%
Positive Cash Flow Begins in Year	1

#### First Year Numbers

Annual Net Income	\$ 253,109
Debt Service	\$ 0
Annual Cash Flow	\$ 253,109
Cash on Cash Yield	332.52%
Debt Coverage Ratio	0.00

#### Stabilized Year Information

Stabilized Income Projected in Year	1
Stabilized Expenses Projected in Year	1
Stabilized Net Income Project in Year	1

### Advanced Mortgage Equity Calculation

REFERENCE NO: 1  
PROPERTY: Mallard Point Disposal, Inc  
ANALYSIS DATE: 9/2/2010

#### Input Variables

Projected Holding Period	20 Years
Loan Ratio 1	100.00%
Interest Rate	4.00%
Loan Term	20 Years
Balloon Payment in Year	
Investor Equity Portion	0.00%
Required Investor Yield (IRR)	9.000%
Growth Rate in Value per Year	1.000%
Growth Rate in Net Income per Year	4.000%
Soft Costs in Addition to Equity	2.000%
Selling Expenses: Terminal Year	6.000%

#### CALCULATION

Equity x Required Yield (.00000 x 0.090000)	<u>0.0000000</u>
LESS Credit for Equity Build-up	0.0000000
RATIO x %PAID OFF x SINKING FUND	
Balloon in Year	0.0238972
Balloon 1 100.00 -3.3523 0.019546	<u>0.0655249</u>
BASIC RATE	0.0894220
ADD Amortization of Soft Costs (2.00 x 0.10955)	<u>0.0021909</u>
	0.0916129
LESS Appreciation Factor	-0.0028729
LESS Income Growth Factor	<u>-0.0222360</u>
CAP RATE AT STABLE OPERATION	0.0665040
OVERALL RATE - ROUNDED TO	6.65%

### **Stabilized Market Income Statement**

REFERENCE NO: 1  
PROPERTY: Mallard Point Disposal, Inc

	<b>Amount</b>	<b>% of E.G.I.</b>
<b><u>Gross Income</u></b>		
Total Income	\$267,416	100.00%
<b><u>Fixed</u></b>		
Real Estate Taxes	1,800	0.67%
Insurance	508	0.19%
<b><u>Operating</u></b>		
Management	<u>12,000</u>	<u>4.49%</u>
Total Expenses	<u>\$14,308</u>	<u>5.35%</u>
NET INCOME	\$253,108	94.65%

**Projected Cash Flow Analysis**

REFERENCE NO: 1  
ANALYSIS DATE: 9/2/2010

Indicated Value \$3,805,914  
Less Loans 100.00% 3,805,914  
Equity 0  
Soft Costs: 2.00% 76,118  
Total Investment \$76,118

	<u>Year 1</u> 09-2010	<u>Year 2</u> 09-2011	<u>Year 3</u> 09-2012	<u>Year 4</u> 09-2013	<u>Year 5</u> 09-2014	<u>Year 6</u> 09-2015	<u>Year 7</u> 09-2016	<u>Year 8</u> 09-2017	<u>Year 9</u> 09-2018	<u>Year 10</u> 09-2019
<b><u>Cash Flows</u></b>										
Net Income	253,108	263,233	273,762	284,713	296,101	307,945	320,263	333,074	346,396	360,252
Interest Expense	-155,059	0	0	0	0	0	0	0	0	0
Loan Amortization	<u>155,059</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flow	253,108	263,233	273,762	284,713	296,101	307,945	320,263	333,074	346,396	360,252
Cash on Cash Yield	332.52%	345.82%	359.65%	374.04%	389.00%	404.56%	420.74%	437.57%	455.08%	473.28%
Debt Coverage Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Reversion - Proceeds of Sale at the end of 20 Years**

Future Sale \$4,643,938  
Sale Costs: 6.00% -278,636  
Less Loans 0  
Reversion \$4,365,302

**Internal Rate of Return: 20 Year Holding Period**

Initial Investment	-76,118									
Cash Flow	253,108	263,233	273,762	284,713	296,101	307,945	320,263	333,074	346,396	360,252

ERROR! IRR CALCULATION DOES NOT EQUAL SPECIFIED REQUIRED YIELD. PLEASE REVIEW ALL CALCULATIONS.

**Present Value of Cash Flows using a Discount Rate of 336.519%**

Cash Flow	253,108	263,233	273,762	284,713	296,101	307,945	320,263	333,074	346,396	360,252
Present Value										
Discount Factor	<u>0.917431</u>	<u>0.641680</u>	<u>0.772184</u>	<u>0.708425</u>	<u>0.649931</u>	<u>0.596267</u>	<u>0.547034</u>	<u>0.501866</u>	<u>0.460426</u>	<u>0.422411</u>
Present Value	232,210	221,558	211,395	201,698	192,445	183,618	175,195	167,158	159,491	152,174

(continued)

REFERENCE NO: 1  
ANALYSIS DATE: 9/2/2010

Indicated Value	\$3,805,914
Less Loans 100.00%	<u>3,805,914</u>
Equity	0
Soft Costs: 2.00%	<u>76,118</u>
Total Investment	\$76,118

	<u>Year 11</u>	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>	<u>Year 15</u>	<u>Year 16</u>	<u>Year 17</u>	<u>Year 18</u>	<u>Year 19</u>	<u>Year 20</u>
	09-2020	09-2021	09-2022	09-2023	09-2024	09-2025	09-2026	09-2027	09-2028	09-2029
<b>Cash Flows</b>										
Net Income	374,662	389,649	405,235	421,444	438,302	455,834	474,067	493,030	512,751	533,261
Interest Expense	0	0	0	0	0	0	0	0	0	0
Loan Amortization	0	0	0	0	0	0	0	0	0	0
Cash Flow	374,662	389,649	405,235	421,444	438,302	455,834	474,067	493,030	512,751	533,261
Cash on Cash Yield	492.21%	511.90%	532.38%	553.67%	575.82%	598.85%	622.80%	647.72%	673.62%	700.57%
Debt Coverage Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Reversion - Proceeds of Sale at the end of 20 Years**

Future Sale	\$4,643,938
Sale Costs: 6.00%	-278,636
Less Loans	0
Reversion	<u>\$4,365,302</u>

**Internal Rate of Return: 20 Year Holding Period**

Cash Flow	374,662	389,649	405,235	421,444	438,302	455,834	474,067	493,030	512,751	533,261
Reversion										4,365,302

ERROR! IRR CALCULATION DOES NOT EQUAL SPECIFIED REQUIRED YIELD. PLEASE REVIEW ALL CALCULATIONS.

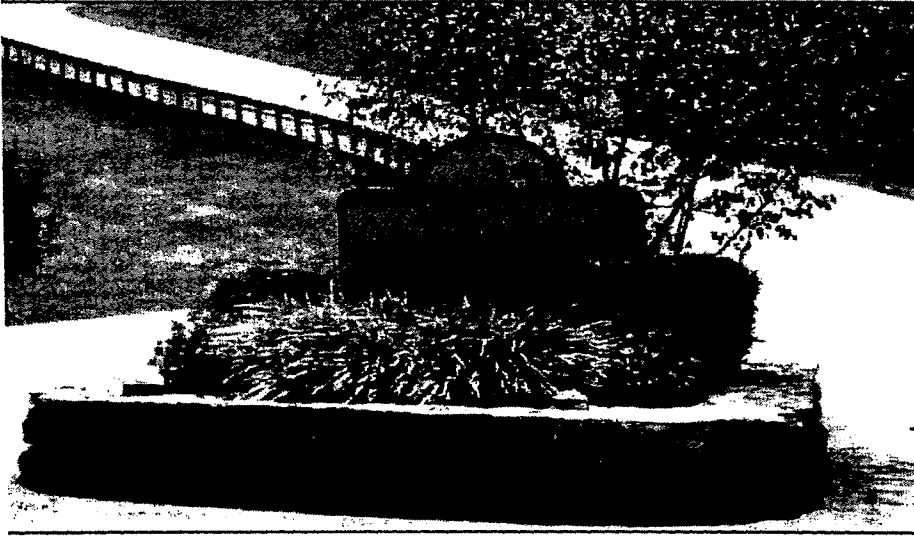
**Present Value of Cash Flows using a Discount Rate of 336.519%**

Cash Flow	374,662	389,649	405,235	421,444	438,302	455,834	474,067	493,030	512,751	533,261
Reversion										4,365,302
Present Value										4,898,563
Discount Factor	<u>0.387533</u>	<u>0.355535</u>	<u>0.326179</u>	<u>0.299247</u>	<u>0.274538</u>	<u>0.251870</u>	<u>0.231073</u>	<u>0.211994</u>	<u>0.194490</u>	<u>0.178431</u>
Present Value	145,194	138,534	132,179	126,116	120,331	114,811	109,544	104,519	99,725	874,055

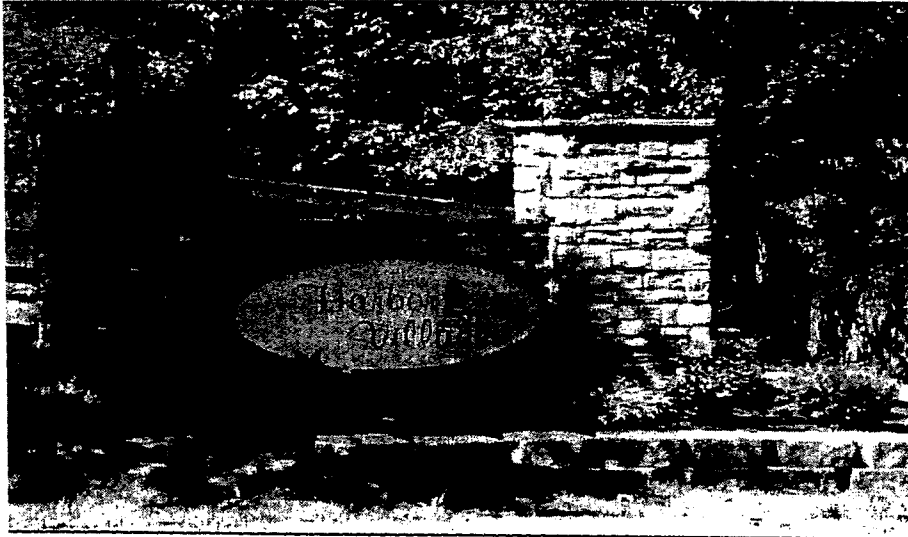
ERROR! PRESENT VALUE OF CASH FLOWS DOES NOT EQUAL INVESTMENT. PLEASE REVIEW CALCULATIONS.

PHOTOGRAPH ADDENDUM

Drawn or Owner Mark Smith  
Property Address Mallard Point Disposal Systems  
City Georgetown County Scott State KY Zip Code 40324  
Agent Mark Smith



MALLARD POINT



HARBOR VILLAGE



WESTWOODS SUBDIVISION

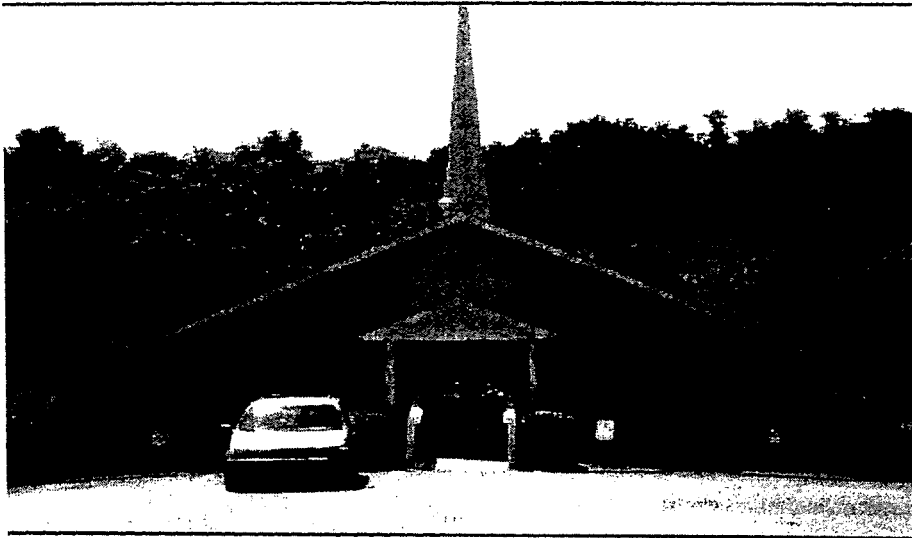


PHOTOGRAPH ADDENDUM

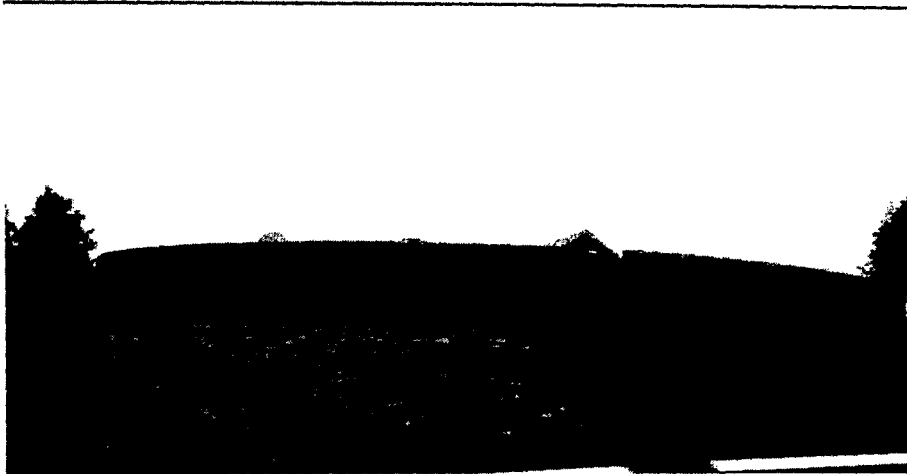
Stowner or Owner Mark Smith  
Property Address Mallard Point Disposal Systems  
City Georgetown County Scott State KY Zip Code 40324  
Agent Mark Smith



CEDAR HILLS SUBDIVISION



MALLARD POINT CHURCH



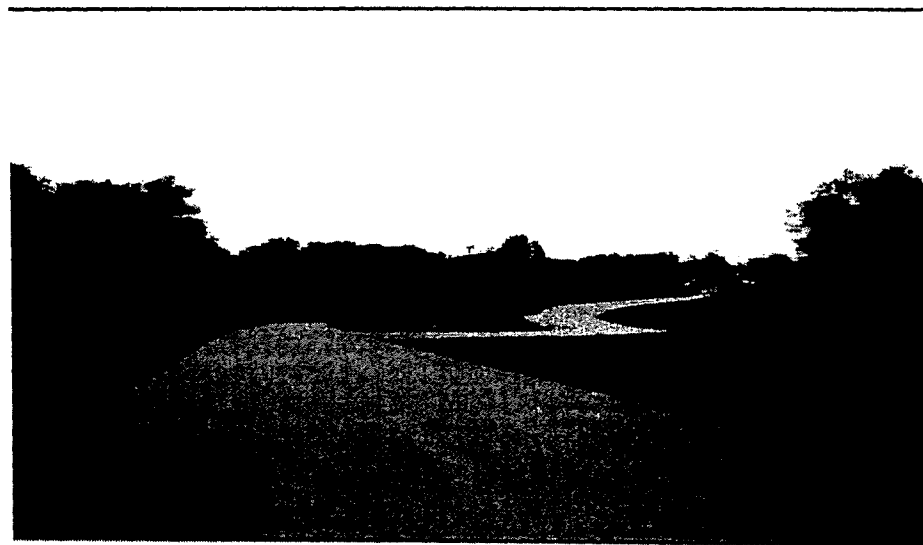
NORTHERN ELEMENTARY SCHOOL

PHOTOGRAPH ADDENDUM

Applicant or Owner Mark Smith  
Property Address Mallard Point Disposal Systems  
City Georgetown County Scott State KY Zip Code 40324  
Agent Mark Smith



ENTRANCE TO TREATMENT FACILITY ON WRIGHT LANE

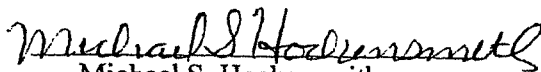


WRIGHT LANE


## CERTIFICATION

The undersigned does hereby certify that, to the best of my knowledge and except as otherwise noted in this appraisal report:

- The statements of fact contained in this report are true and correct.
- The reported analysis, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial, and unbiased professional analysis, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no specified personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The analysis, opinions, and conclusions were developed, and this report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice ("USPAP"), and in accordance with the regulations developed by the Lender's Federal Regulatory Agency as required by FIRREA.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- We have made a personal inspection of the property that is the subject of this report.
- This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- No one provided significant real property appraisal assistance to the person signing this certification.



Michael S. Hockensmith  
Certified General Appraiser  
000893



Chris Willhite  
Certified Residential Appraiser  
003967

## STATEMENT OF CONTINGENT AND LIMITING CONDITIONS

CONTINGENT AND LIMITING CONDITIONS: The certification of the appraisers appearing in this appraisal report is subject to the following conditions and to such other specific and limiting conditions as set forth by the appraisers in this report.

1. This is a Restricted Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2 C of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it does not include discussions of the data reasoning and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraisers' file. The information contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraisers are not responsible for unauthorized use of this report.
2. As agreed upon with the client prior to the preparation of this appraisal, this is a Limited Appraisal because it invokes the Departure Provision of the Uniform Standards of Professional Appraisal Practice. As such, information pertinent to the valuation has not been considered and/or the full valuation process has not been applied. Depending on the type and degree of limitations, the reliability of the value conclusion provided herein may be reduced.
3. The appraisers assume no responsibility for matters of a legal nature affecting the property appraised or the Title hereto, nor do the appraisers render an opinion as to the Title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
4. The appraisers have made no survey of the property. The final, total value for the subject parcel is contingent on the completion of a survey.
5. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.
6. The appraisers are not required to give testimony or appear in court, because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made.
7. The distribution, if any, of the total valuation in this report between land and improvements applies only under existing programs of utilization. The separate valuation for land and buildings must not be used in conjunction with any other appraisals and is invalid if so used.
8. The appraisers assume there are no hidden or unapparent conditions of the property, subsoil, or structures which would render them more or less valuable. The appraisers assume no responsibility for such conditions or for engineering which might be required to discover such facts.
9. Information, estimates, and opinions furnished to the appraisers and contained in this report were obtained from sources considered reliable and believed to be true and

correct. However, no responsibility for accuracy for such items furnished the appraisers can be assumed by the appraisers.

10. Disclosure by the appraisers of the contents of this appraisal report is subject to review in accordance with the bylaws and regulations of the professional appraisal organizations with which the appraisers are affiliated
11. The appraisers assume no liability for toxic materials, if any, stored or used on the site. No environmental test has been completed, nor are the appraisers qualified to conduct or comment on waste, storage, or use of any toxic materials.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.
13. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.
14. The Americans with Disability Acts ("ADA") became effective January 26, 1992. The appraisers have not made specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the Appraisers have no direct evidence relating to this issue, possible noncompliance with the requirements of ADA in estimating the value of the property has not been considered

## ENVIRONMENTAL DISCLAIMER

The value estimated is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions unless otherwise stated in this report. The appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions. The appraiser's routine inspection of and inquiries about the property did not develop any information that indicated any apparent significant hazardous substance or detrimental environmental conditions which would affect the property negatively unless otherwise stated in this report. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous substances or detrimental environmental conditions on or around the property that would negatively affect its value.

THE HOCKENSMITH AGENCY  
MICHAEL S. HOCKENSMITH  
APPRAISALS  
P.O. BOX 310  
GEORGETOWN, KY 40324

QUALIFICATIONS

B.S. Degree in Agronomy - University of Kentucky 1973

M.S. Degree in Agricultural Economics - University of Kentucky - 1975

Real Estate Salesman - 1977 - 1981

Real Estate Broker - 1981 - 2010

Certified General Real Property Appraiser - Kentucky

Certificate number - 000893

Fee Appraiser - 1977 - 2010

Member of Bluegrass Chapter of American Society of Farm Managers and Rural Appraisers

President of Bluegrass Chapter of American Society of Farm Managers and Rural Appraisers - 1986

Various appraisal courses and seminars – 300+ hours

Appraisals made for various banks, insurance companies, City of Georgetown, Scott County Fiscal Court, various horse farms, relocation firms, other government projects, and various individuals

**2012 Appraisal**

**Berkley Appraisal Company**



**SUMMARY APPRAISAL REPORT**

**OF**

**MALLARD POINT DISPOSAL SYSTEMS, INC.  
GEORGETOWN, SCOTT COUNTY, KY**

**DATE OF VALUATION:**

**“INVESTMENT VALUE”  
JUNE 14, 2012**

**PREPARED FOR:**

**GEORGETOWN MUNICIPAL WATER & SEWER SERVICE  
ADMINISTRATION BUILDING  
125 WEST CLINTON ST.  
PO BOX 640  
GEORGETOWN, KY 40324**

**PREPARED BY:**

**BERKLEY APPRAISAL COMPANY  
366 WALLER AVENUE SUITE 203  
LEXINGTON, KY 40504**

# **BERKLEY APPRAISAL COMPANY**

## **REAL ESTATE APPRAISERS**

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366 Waller Avenue, Suite 203 ~ Lexington, KY 40504

Phone (859) 276-2278

Commercial, Industrial, Multi-Family, Subdivision & Farms Appraisal Services

June 15, 2012

Georgetown Municipal Water & Sewer Service  
Administration Building  
125 West Clinton St.  
PO Box 640  
Georgetown, KY 40324

RE: Investment Value Opinion  
Mallard Point Disposal Systems, Inc.  
Georgetown, Scott County, Kentucky

To Board Members:

As requested, we have inspected the above referenced property for the purpose of providing an opinion of the current "investment value" to the Georgetown Municipal Water & Sewer Service. This valuation includes the necessary permanent easements, underground sanitary sewer lines, and three pump stations required for operation of what is known as the Mallard Point Disposal Systems, Inc. Investment value is defined in the appraisal report. We have analyzed information pertinent to the formulation of the value opinion and are reporting the conclusions in this report.

The subject is known as the Mallard Point Disposal System and is located in northern Scott County, Kentucky. It is a private sanitary sewer system which currently serves a total of 521 residential customers in 4 subdivisions and 2 commercial customers. The date of the inspection was November 12, 2010, with the effective date of the appraisal being June 14, 2012. Based on the analysis contained within the appraisal report, the "investment value" to the Georgetown Municipal Water & Sewer Service on June 14, 2012 is as follows:

### **MALLARD POINT DISPOSAL SYSTEM, INC. INVESTMENT VALUE**

**--- TWO MILLION FOUR HUNDRED NINETY THOUSAND DOLLARS ---**

**\$2,490,000**

By nature, the "investment value" opinion requested by the client is specific to the Georgetown Municipal Water and Sewer Service and their return requirements and provided scope of work.

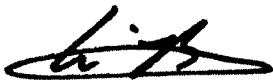
This summary appraisal report contains a summary of the market data together with our analysis, reasoning, and judgment, and forms the basis for the value opinion. The investment value opinion is subject to the limiting conditions contained in the report to follow.

The appraiser is unaware of any listings, contracts, or options to purchase on the property.

The appraisers are aware that the underground lines are used for transportation of raw sewage from residential and commercial customers to a private treatment plant. While it is unknown whether any of the transported materials or processes generate any type of hazardous materials, for the purposes of this valuation no hazardous conditions are assumed to exist which is an extraordinary assumption of the value opinion. The appraisers are not qualified to detect such materials and no responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them.

We are pleased to provide you with professional appraisal services. If you have any questions please do not hesitate to call.

Sincerely,



\_\_\_\_\_  
William L. Berkley, Jr.  
Berkley Appraisal Company  
Kentucky Certified General Appraiser #721

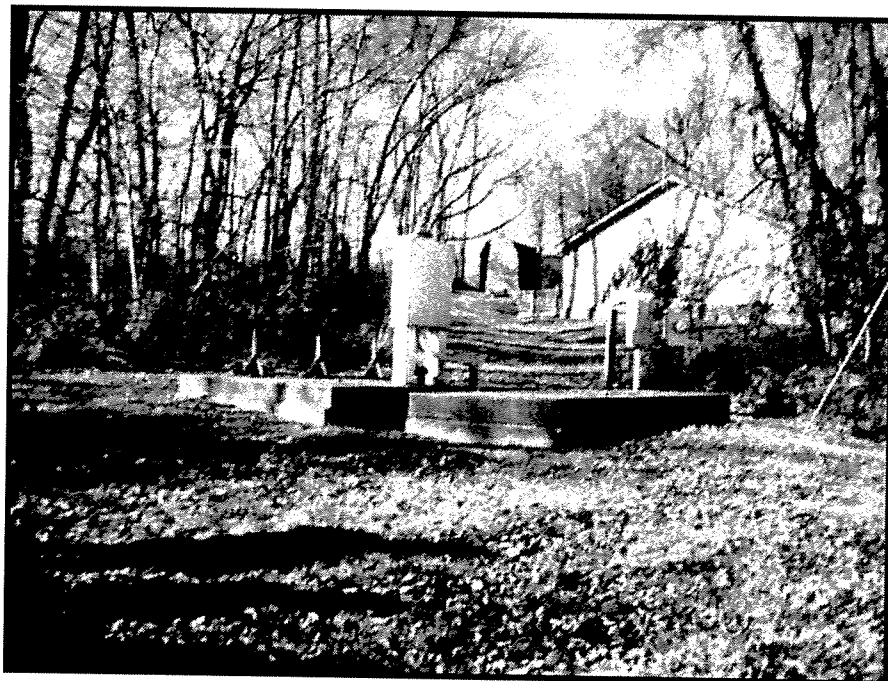


Benjamin D. Baker  
Kentucky Associate Appraiser #4240

**PHOTOGRAPHS OF SUBJECT PROPERTY**



**MALLARD POINT DRIVE PUMP STATION**



**HARBOR VILLAGE PUMP STATION**

**TYPE OF REPORT:** This is a Summary Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documents concerning the data, reasoning, and analyses are retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

**CLIENT:** Georgetown Municipal Water & Sewer Service  
Administration Building  
125 West Clinton St.  
PO Box 640  
Georgetown, KY 40324

**APPRAISER:** William L. Berkley  
Benjamin D. Baker  
Berkley Appraisal Company  
366 Waller Avenue Suite 203  
Lexington, Kentucky 40504

**SUBJECT:** Investment Value Opinion  
Mallard Point Disposal Systems, Inc.  
Georgetown, Scott County, Kentucky

**EFFECTIVE DATE:** June 14, 2012

**REPORT DATE:** June 15, 2012

**FINAL VALUE OPINION:** **Investment Value**

**Mallard Point Disposal Systems, Inc - \$ 2,490,000**

**PURPOSE OF THE APPRAISAL:** The purpose of this appraisal is to provide the appraiser's opinion of the investment value of the subject property to the Georgetown Municipal Water & Sewer Service as of the effective date.

Investment value is defined as follows.

*Investment value* is the value of an investment to a particular investor based on his or her investment requirements. In contrast to market value, investment value is value to an individual, not value in the marketplace. It reflects the subjective relationship between a particular investor and a given investment. When measured in dollars, investment value is the price an investor would pay for an investment in light of its perceived capacity to satisfy his or her desires, needs, or investment goals.

<b>INTENDED USE OF REPORT:</b>	For Purchase Decision
<b>INTEREST VALUED:</b>	Sewer Line Easements Excluding Existing Treatment Plant
<b>EFFECTIVE DATE OF VALUE:</b>	June 14, 2012

**SCOPE OF WORK**

The scope of the appraisal requires compliance with the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards Board of the Appraisal Foundation and the Appraisal Institute. The standards contain rules that must be followed and specific guidelines that deal with the procedures to be followed in developing an appraisal, analysis, or opinion. These uniform standards set the requirements to communicate the appraisers' analyses, opinions, and conclusions in a manner that will be meaningful and not misleading in the marketplace. The scope of the assignment further requires compliance with the client's requirements.

A summary appraisal report on the subject property has been prepared. The subject property data such as the existing customer base, system infrastructure (i.e pump stations, linear footage of sewer lines/easements), historical flowage from the operation of the sewer system, the client's cost of capital and current sewer rates are the major factors considered. The data is used to consider the highest and best use of the subject property and to conclude an opinion of the

investment value. In this case the opinion of investment value measures the clients ability to purchase the existing sewer line easements, line and pump station infrastructure, customer base/flowage and connect to the existing Georgetown Municipal Water and Sewer System transmission and treatment infrastructure. Specifically excluded from the analysis is the affect if any that the existing private treatment facility has on the value as the client does not intend to purchase, repair, utilize or be responsible for closing the existing treatment plant. These are considered to be hypothetical conditions of the value opinion since at current it is operating as a private self contained system.

Extraordinary assumptions which the client has requested be considered in forming the value opinion and thus limitations on scope of work include 1) the investment value opinion is such that the return on and of capital or NOI (Net Operating Income) is sufficient to satisfy the incremental expenses associated with adding the customer base to the existing system, required replacement and reserve factors for the infrastructure, and make periodic payments of principal and interest in order to retire the debt structure as defined here in resulting in a zero net profit. 2) Debt Structure is to include a 100% loan or bond at a fixed interest rate of 4.0%, 20-year amortization period, and 0.5% origination fee. 3) Flowage calculations are based on the most recent 12 months of flowage (May 2011 - April 2012) of approximately 54,084,000 gallons and customer base of 520. 4) Current Georgetown Municipal Water and Sewer rates of \$7.82 per customer for the first 2,000 gallons, and \$5.58 per each additional 1,000 gallons. These assumptions are considered to be reasonable within the context of forming an opinion of investment value to the Georgetown Municipal Water and Sewer System.

The value opinions are also subject to the general assumptions and limiting conditions contained within the appraisal report.

The appraisers lack the knowledge and experience with respect to the detection and measurement of hazardous substances. Therefore, this assignment does not cover the presence or absence of such substances as discussed in the General Underlying Assumptions section. However, any visual or obviously known hazardous substances affecting the property will be reported and an indication of its impact on value will be discussed.

This description of Scope of Work does not have all items included since they are in other parts of the report. This is a sign of the Summary Appraisal Report with as little repetition as reasonable, but covers any special instructions or influencing factors agreed upon with the client.

**APPRAISAL DEVELOPMENT AND REPORTING PROCESS:** Following the client's request, the subject property and its neighborhood were last inspected on November 12, 2010. The effective date of the appraisal is June 14, 2012. Data pertinent to the subject's investment value were collected and analyzed by income approach to value. The data include but are not limited to the following topics: physical characteristics of the subject property, the subject neighborhood and market area, and real estate market data relevant to the subject property. Data sources range from public records and published studies to individuals with information relevant to the subject or of the value indicators analyzed. This report is a summary of the data gathered and analyzed, and of the conclusions developed in the valuation of the subject.

As requested, the value opinion provided is the investment value of the existing sewer line easements, line and pump station infrastructure and customer base/flowage of the Mallard Point Disposal System, Inc. Based on the highest and best use analysis within the context of the clients scope of work, is for the redirection of the subject transmission system to the existing Georgetown Municipal Water and Sewer System.

A title examination of the easement agreements has not been conducted as a part of this process. Information regarding the size and location of easements, underground sewer line width and linear footage, and condition of the infrastructure and pump stations was based on a report provided by Kentucky Engineering Group, PLLC dated December 2010 and titled. "Review and Evaluation of the Sanitary Sewer System". The Mallard Point Drive and Harbor Village pump stations were inspected on the exterior by the appraiser as shown in the subject photographs. The sewer system maps provided were utilized for a visual representation of the Mallard Point Disposal System. Should additional information be provided, we reserve the right to adjust the value opinion accordingly.



As stated, the income approach to value is the primary method utilized in this report. The cost approach is not considered applicable due to the age and condition of the system and the ability to accurately reflect accrued depreciation and the client's investment criteria. The sales comparison approach is also considered not applicable due to the lack of comparable sales.

In the income approach, the potential gross income is established through an analysis of historical flowage. As indicated in the engineering reports the existing treatment facility is at or very near capacity and while there is the potential to add to the customer base via existing taps and additional development land, the client's scope of work has limited this from consideration.

The majority of data utilized in the valuation was provided by the client and/or Kentucky Engineering Group, PLLC. Furthermore, PSC reports for the system from 2006 to 2008 and 2010, and the Discharge Monitoring Report for April 2011 to April 2012 were also analyzed. Therefore, although the data utilized herein was obtained from sources believed to be reliable and accurate, no warranty is implied.

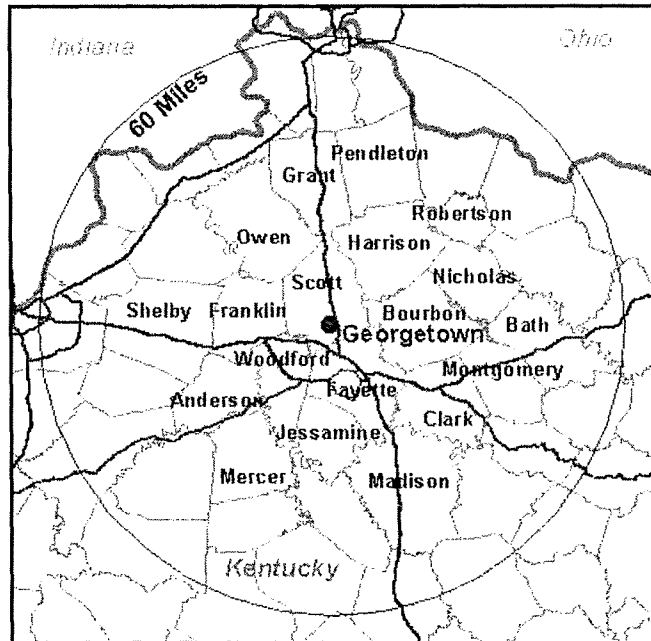
The value opinion is predicated on the assumption that there are no hazardous materials on or in the property, or in proximity thereto, that would cause a loss in value. See Assumptions and Limiting Conditions for a further explanation.

Based on the information and plans provided, the subject includes no atypical or burdensome easements that would materially affect the subject's value. However, no warranty is made as to the presence or absence of additional easements. See Assumptions and Limiting Conditions for further explanation.

American Disabilities Act - The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. See Assumptions and Limiting Conditions.

**IDENTIFICATION AND HISTORY OF THE PROPERTY:** The subject property consists of an operating private sanitary sewer system known as the Mallard Point Disposal System, Inc. in Georgetown, Scott County, Kentucky. The system was first established in 1985 by Mark Smith along with the Mallard Point residential subdivision. Subject is a low pressure system, which is an alternative to a gravity sewer or septic tank. The current rates charged are \$41.35 per month for each residential customer and \$41.35 per every 12,000 gallons for the 2 commercial customers.

The client, Georgetown Municipal Water and Sewer Service, intends to purchase the systems easements, lines and infrastructure with exception of the existing treatment facility and redirect the flowage into their transmission system and treatment facilities. They intend to charge the existing rate of \$7.82 per customer for the first 2,000 gallons, and \$5.58 for every 1,000 gallons thereafter. Mark Smith, the developer of the Mallard Point subdivision, currently owns and operates the entire system and treatment plant. The property is not subject to any listings, offers to purchase, options, or other exchange agreements.

**AREA AND CITY DATA**

The subject property is located within the city limits of Georgetown, Scott County, Kentucky. Georgetown is the county seat and largest city in Scott County. Georgetown is located approximately 16 miles north of Lexington, Kentucky, 70 miles east of Louisville, KY and approximately 70 miles south of Cincinnati, Ohio.

Major roadways serving the city and county include Interstates 75 and 64 and U.S. Highways 25, 62, and 460. The Bluegrass Parkway is accessible 15 miles south of Georgetown. Norfolk Southern provides rail and piggyback service to Georgetown and Scott County. Bluegrass Airport, located 15 miles south in Lexington, provides the nearest commercial air service. Cincinnati International Airport, located 75 miles north of Georgetown, is a major hub for Delta Airlines and provides service from many other major airlines. The Louisville International Airport is located approximately 70 miles west of Georgetown and also offers service from many of the major airlines.

The Georgetown Labor Market Area includes Scott County and the additional Kentucky Counties of Anderson, Bourbon, Clark, Estill, Fayette, Franklin, Grant, Harrison, Jessamine,

Madison, Montgomery, Owen, and Woodford. Population for the labor market area has grown by 6.84% from 2005 through 2009, or 1.71% annually. Population for Scott County increased by 16.57% from 2005 to 2009 and is projected to grow to 49,755 by 2015 or an increase of 1.58% annually. Population for the city of Georgetown increased by 8.01% from 2005 to 2009, or 2.67% annually. Scott County and the city of Georgetown were among the fastest growing communities in the state of Kentucky over the last decade and continue to exhibit strong growth today.

#### Total Population

	2005	2006	2007	2008	2009
<b>Labor Market Area</b>	750,208	757,412	762,300	779,965	801,550
<b>Scott County</b>	38,974	40,210	39,915	44,320	45,431
<b>Georgetown</b>	19,988	20,685	21,074	21,589	N/A

Source: Applied Geographic Solutions, Simi Valley, CA (Labor Market Area and County, 2005 and later);  
U.S. Department of Commerce, Bureau of the Census (all other)

Household growth was steady with 16,110 households in 2000 versus 16,818 in 2007, or an increase of 708 units or 4.39%. However, the number of households dipped from 2007 to 2009, with current figures at 16,230, or a decrease of 3.5% over the two year period. Persons per household declined from 2.6 in 2000 to 2.59 in 2007. However, there has been a reversal over the past two years, with 2009 figures at 2.71 per household, or an increase of 4.6% from 2007. Median Household Income has continued to rise from \$49,007 in 2002 to \$59,040 in 2007, and \$62,787 in 2009.

#### Households

	2009		2009
	Number of Households	Persons Per Household	Median Household Income
Scott County	16,230	2.71	\$62,787

Source: Applied Geographic Solutions, Simi Valley, CA

Personal income for Scott County has grown from 2002 to 2007, from \$27,736 to \$32,076, or an increase of 15.6%. Income levels remain above the state average and near the middle of the range for the Labor Market Area.

**Personal Income**

	<b>2002</b>	<b>2007</b>	<b>Pct. Change</b>
<b>Scott County</b>	27,736	32,076	15.6 %
<b>Kentucky</b>	25,777	30,824	19.6 %
<b>U.S.</b>	30,804	38,615	25.4 %
<b>Labor Market Area Range</b>	\$16,758- \$33,242	\$20,592- \$46,240	

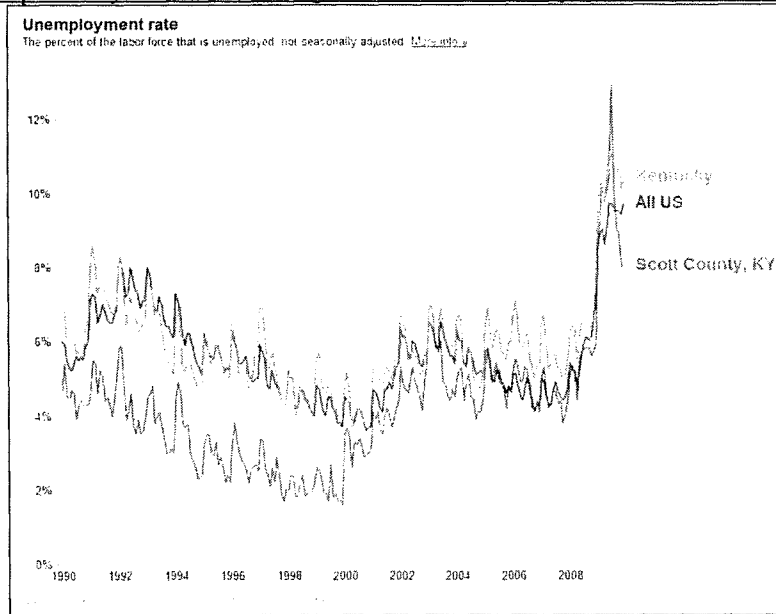
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Unemployment for Scott County has been consistently lower than the average for the labor market area, the state, and the U.S. as a whole. Included below is a summary of the current unemployment figures through the end of 2009 and a graph illustrating the change in unemployment rate from 1990 to current.

**Unemployment Rate (%)**

<b>Year</b>	<b>Scott County</b>	<b>Labor Market Area</b>	<b>Kentucky</b>	<b>U.S.</b>
<b>2004</b>	4.6	4.7	5.5	5.5
<b>2005</b>	4.9	5.0	6.0	5.1
<b>2006</b>	4.8	4.8	5.7	4.6
<b>2007</b>	4.4	4.6	5.5	4.6
<b>2008</b>	5.5	5.6	6.4	5.8
<b>2009</b>	8.0	N/A	10.4	9.7

Source: U.S. Department of Labor, Bureau of Labor Statistics.



The tables below show the total civilian labor force for the area and the employment by place of work.

**Civilian Labor Force**

	Scott County		Labor Market Area	
	2008	Nov. 2009	2008	Nov. 2009
<b>Civilian Labor Force</b>	22,425	22,683	403,947	407,879
<b>Employed</b>	21,194	20,860	381,363	373,142
<b>Unemployed</b>	1,231	1,823	22,584	34,737
<b>Unemployment Rate (%)</b>	5.5	8.0	5.6	8.5

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The single largest employment category for the county is manufacturing and related industries with approximately 40% of the labor force, which is heavily influenced by the Toyota plant. The second largest is the service industry with 19% of employment followed by trade, transportation, and utilities at 18%. The following table shows the percentage for each industry, followed by a chart with the largest employers in the county.

**Employment by Major Industry by Place of Work, 2008**

	<b>Scott County</b>		<b>Labor Market Area</b>	
	<b>Employment</b>	<b>Percent</b>	<b>Employment</b>	<b>Percent</b>
<b>All Industries</b>	22,341	100	360,169	100
<b>Agriculture, Forestry, Fishing and Hunting</b>	0	0	N/A	N/A
<b>Mining</b>	0	0	N/A	N/A
<b>Construction</b>	636	2.8	14,798	4.1
<b>Manufacturing</b>	8,854	40	N/A	N/A
<b>Trade, Transportation, and Utilities</b>	3,988	18	64,024	18
<b>Information</b>	116	0.5	7,535	2.1
<b>Financial Activities</b>	483	2.2	14,384	4.0
<b>Services</b>	4,168	19	115,478	32
<b>Public Administration</b>	632	3	25,669	7
<b>Other</b>	16	0	N/A	N/A

Source: U.S. Department of Labor, Bureau of Labor Statistics.

**Major Business & Industry** (Manufacturing & Supportive Service Firms Only)

Firm	Product(s)/Service(s)	Emp.	Year Est.
<b>Georgetown</b>			
<b>Aichi Forge USA Inc</b>	Steel forgings and powder metal sinter forgings for application in automotive/aircraft engine and suspension components.	198	1985
<b>Carbide Products Inc</b>	Special tools, dies, machine parts any material; multi-discipline hi-precision machine, turn, grind, lap, EDM; Solid & brazed carbide cutting tools; carbide, steel & composite	38	1942
<b>Concept Packaging Group</b>	Corrugated and plastic containers	97	2006
<b>Hamilton Hinkle Paving Company</b>	Asphalt, paving materials, aggregates and limestone	35.0	1989
<b>Industrial Concepts Inc</b>	Custom industrial automation equipment design & build including turn key integration on customer site. Robotic work cells, conveyors, material handling & assembly machinery	29	2001
<b>International Crankshaft Inc</b>	Crankshafts & steel forgings	125	1990
<b>ITS</b>	Automobile paint finishing systems; coolant filtration systems, robot installation	51	1987
<b>Johnson Controls Inc</b>	Automotive seats and interior components. Foam pads for automotive industry. Pads include seating, armrests, and headrests.	431	1993
<b>Minova USA</b>	Mine roof stabilization & ventilation control products	82.0	1981
<b>ORBIS Material Handling Inc</b>	Structural foam containers	120	1994
<b>Qualex Manufacturing LLC</b>	Sheet metal fabricating, gas welding, assembly	165	1984
<b>RR Donnelley</b>	Supply chain management headquarters, distribution center	110	1994
<b>Southern States Georgetown Cooperative Inc</b>	Feed & fertilizer mixing & blending	29.0	1970
<b>Toyota Logistic Services</b>	Vehicle preparation & distribution from plant to dealers. Install add-on accessories per customer request	168	1989
<b>Toyota Motor Manufacturing Kentucky</b>	Automobiles-Avalon, Camry, Camry-hybrid, Solara, Venza. Engines, axles, steering components, blocks/cylinder heads/crankshafts, and North American Production Support Center (NAPSC)	7,000	1988
<b>Toyota Tsusho America Inc</b>	Metals service center; steel slitting; blanking; warehousing; distribution, logistics	356	1986
<b>Transfreight LLC</b>	Logistics and cross-docking facility	207	2004
<b>VASCOR Ltd</b>	Logistics - supply chain service, headquarters, vehicle inspection services associated with transportation	85	1988
<b>Vuteq USA Inc</b>	Car windows & sunroofs	100	1987

Source: Kentucky Cabinet for Economic Development (1/10/2010).



Toyota located a major automotive manufacturing facility in Georgetown in 1988 and the plant manufactures the Toyota Camry, Avalon, and the Sienna Mini-Van. There are over 45 manufacturing and related services that employ people in Scott County. Many of these businesses provide products for Toyota.

The Georgetown Bypass was constructed in the middle 1990's, resulting in new commercial construction along the roadway, primarily near the major intersections with U.S. 25 south of the CBD and E. Main Street to the east of the CBD. Other recent construction has taken place near interchanges with I-75. The most recent significant commercial development has been occurring along U.S. 62 and Cherry Blossom Way at exit 126 of Interstate 75. A Super Walmart has recently opened and numerous commercial out lots are presently being developed with restaurants, branch banks, a car wash, and office space. In addition a new Lowe's anchored shopping center has developed just south of Walmart.

### **Conclusion**

The location of Toyota Motor Manufacturing in Georgetown has been almost entirely responsible for the strong economic growth experienced by Georgetown and Scott County over the last 20+ years. The plant currently employs over 7,000 people and there has been recent speculation of an expansion to allow for the manufacturing of some of the Toyota hybrid vehicle lines. Scott County has consistently exhibited low unemployment rates over the last decade and the employment base is considered strong. Major recent commercial development has taken place on the eastside of Georgetown along Interstate 75, particularly near exit 126. Georgetown and Scott County exhibited very strong population growth over the last decade and was one of the fastest growing communities in the State. However, it too has been negatively affected by the recent state of the economy and residential growth has slowed of late. Nevertheless, the long term socio-economic prospects for Georgetown and Scott County are considered positive.

## **NEIGHBORHOOD DESCRIPTION**

Property values are affected by the social, economic, governmental and environmental forces. These forces influence value on properties in the vicinity of the subject, which in turn directly affect the value of the subject property. In order to analyze the affect of the forces on value, the appraiser identifies the area within which these forces influence value in the same way as the subject, and this area is commonly called a neighborhood. As defined by *The Appraisal of Real Estate*, Thirteenth Edition, by the Appraisal Institute, a neighborhood is “a group of complementary land uses.”

### **Neighborhood Boundaries**

The subject sewer system is located in a rural area of the county between Sadieville and Georgetown and serves the residents of Mallard Point, Harbor Village, Cedar Hills, and Westwoods subdivisions along with the Mallard Point Baptist Church and Northern Elementary School. In this case the neighborhood is defined as the northern part of Scott County.

### **Access & Transportation**

The neighborhood is served primarily by US 25, which is the main north-south route and runs south through Georgetown. US Hwy 25 parallels Interstate 75 and runs farther north to Cincinnati and south to Lexington. Access to the Interstate is available from Cherry Blossom Way approximately 5 miles south of the subject and at Sadieville approximately 4 miles north. Overall, the quality of the transportation routes and access is considered to be good.

### **Utilities**

Utilities available in the area including city water, electricity and telephone. The residential subdivisions in the neighborhood are serviced by the subject sanitary sewer system.

**Property Types & Development Trends**

The neighborhood is comprised primarily of agricultural land, rural residential and single family residential subdivisions. Developing subdivisions include Mallard Point, Harbor Village, Deer Run, Westwoods, Cedar Hills, and Riffton Meadows to the south. Mallard Point and Harbor Village have been developing for 15-20 years, while Deer Run is much newer with a start date in 2004. The Moonlake subdivision is also in the neighborhood, just south of Deer Run. It is an older development that lies between US Hwy 25 and Interstate 75.

New residential development within the Georgetown city limits is occurring along Lemons Mill Road, around the Georgetown Bypass, Whitaker Farm off U.S. 62, along US 460 where there is Adena Ridge and Rocky Creek, Old Oxford Road and around Cherry Blossom Golf Course where two other subdivisions are in the process of being developed. There are some small commercial uses along this portion of US 460 including a service station, restaurant and older motel but the majority of the development is residential in nature within the city limits.

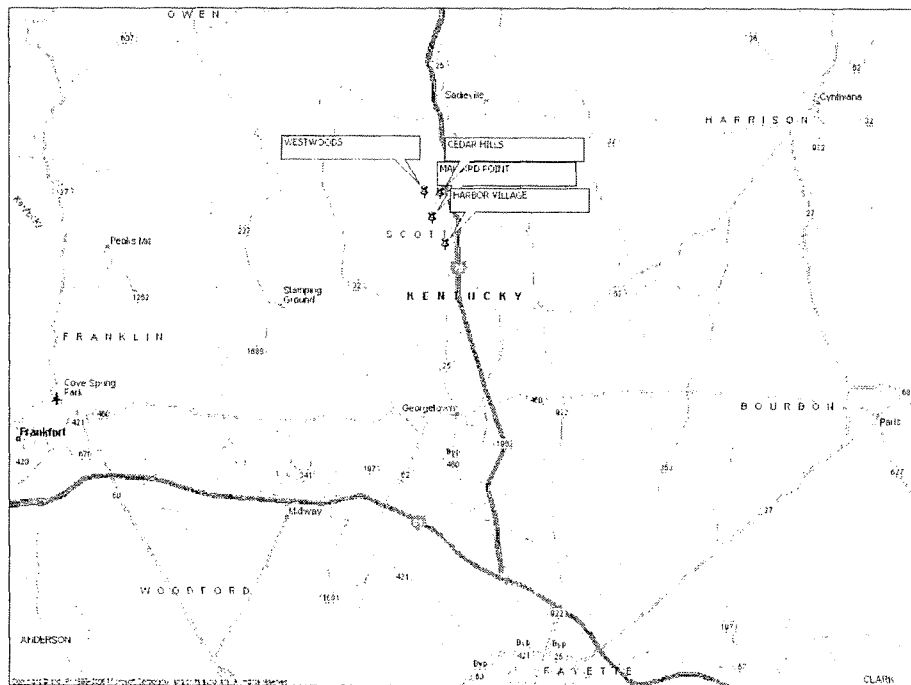
Most of the development is occurring within proximity of the bypass, U.S. 62 and I-75 with the majority of the new development classified as being within the entry and move up housing market. The expanding residential base is a result of employment opportunities within the community and the proximity to Lexington with Georgetown also viewed as being a bedroom community for Lexington. Executive housing tends to be found in the areas outside of the Georgetown city limits and on small rural tracts.

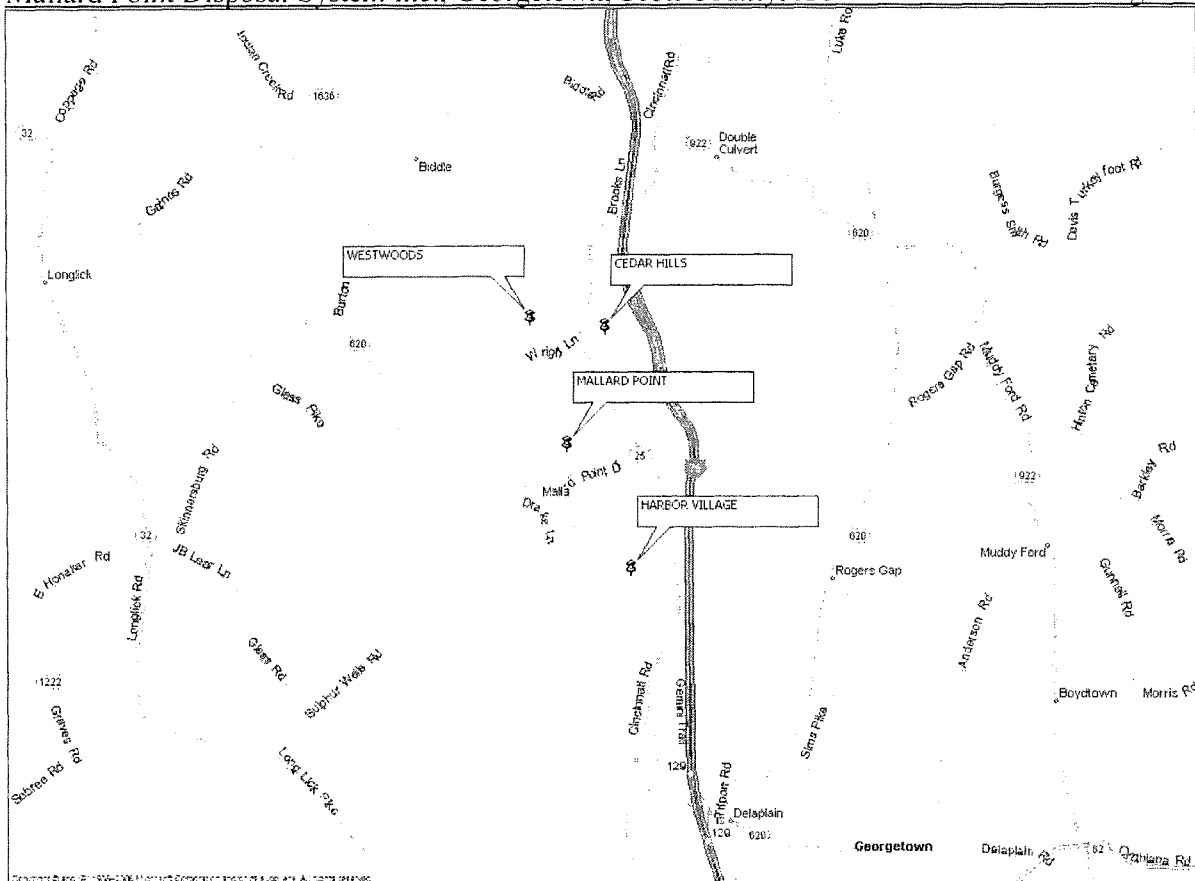
Industrial development is occurring south of the subject in the are of the Delaplain Industrial Park. Sizes range from 1+/- acre to 10+ acre sites with current asking rates of approximately \$40,000 per acre and actual sale prices over the last 5 years ranging from approximately \$16,000 to \$60,000 per acre. The industrial market was stimulated in the middle 1980's primarily as a result of the Toyota Plant. Growth was initially strong, and then tapered off from 1989 to about 1994. Since that period, growth and development has begun to increase moderately with some new construction.

Commercial development continues to occur around the bypass and near the I-75 interchanges. A Super Wal-Mart, Lowe's and Kohl's is located at U.S. 62 and I-75 and numerous commercial out lots have developed with restaurants, branch banks, a car wash, retail and office space. Other commercial developments include the Georgetown Center, an Outlet Mall, gas stations/convenience stores, restaurants, and motels. There is also a planned 300,000 + SF shopping center at the I-75/US 460 interchange. These properties cater to the industrial employment base, interstate motorist, and the expanding residential base in the immediate neighborhood. The recent commercial development has had a significant impact on the residential growth in Georgetown.

In summary, the neighborhood was experiencing growth up to 2008 when the housing market collapsed and new development slowed. Since this time the area has stabilized with no significant growth seen in the foreseeable future. Utilities available to the neighborhood are comparable to competing neighborhoods and are sufficient to support most uses which would be anticipated. Overall the socio-economic prospects for the neighborhood are positive.

### MAP OF SUBJECT PROPERTY





## PROPERTY DESCRIPTION

The subject sewer system was first established in 1985 by Mark Smith along with the Mallard Point residential subdivision. The system is low pressure as opposed to gravity fed and thus requires the use of pump stations at various collection points. At the tap each customer has a below grade interceptor (holding) tank, grinder and pump chamber which houses a small electrical pump. Sewage is pumped automatically through a small diameter pressure line into the collection and transmission lines which are generally located along the street layout and then into an existing private treatment plant located within Mallard Point Subdivision. The system currently serves residents of Mallard Point, Harbor Village, Cedar Hills, and Westwoods subdivisions along with the Mallard Point Baptist Church and Northern Elementary School. The customer base is currently 520 with an additional 323 taps installed on vacant lots/homes.

As a part of the analysis, Public Service Commission reports for the years 2006-2008, and 2010 were reviewed. Additionally, total flowage for 2009 was provided, but a PSC report was not obtained. The last 12 months (Apr 2011 - Mar 2012) flowage was obtained from the Discharge Monitoring Report for that time period:

- 2006 – 414 Customers; 31,720,000 gallons
- 2007 – 484 Customers; 41,109,120 gallons
- 2008 – 500 Customers; 42,465,300 gallons
- 2009 - Customers Unknown; 42,974,880 gallons
- May '11 to Apr '12 - 54,084,000 gallons

The existing treatment plant has a capacity of 150,000 gallons per day or approximately 54,750,000 gallons per year. Based on this, it is currently operating at 99% of capacity per current 2011-2012 figures.

The customer base appears to have grown by 18 or approximately 9 per year based on a comparison of the 2008 PSC report to the December 2010 Kentucky Engineering PLLC report. It is reported that the current customer base is at 521. It increased by 70 from 2006 to 2007, 16 from 2007 to 2008, and 20 over the two-year period 2008 to 2010.

The system includes over 20 miles of low pressure force mains varying in size from 1 ½ to 8 inches. Mallard Point Disposal requires each customer or homeowner to provide and maintain in good order, a pump and grinder as designated by the utility's engineering firm. Maintenance of the main collection and transmission lines from the tap to the treatment plant as well as the pumping stations is by the disposal system.

There are three pump stations within the system, one in Mallard Point, one in Harbor Village, and one on Wright Lane at US 25. The Harbor Village pump station houses three 15-hp submersible pumps that serve a 6-inch PVC force main that runs along Harbor Village Drive to US 25 and then north for approximately 2,700 feet where it intersects with the Wright Lane Station and increases to 8-inches before reaching the treatment plant. The total length of the

force main is estimated at 3,450 feet of 6-inch and 12,500 feet of 8-inch. Both Cedar Hills and Westwoods subdivision are serviced by this pump station and force main.

The Mallard Point Drive station consist of a 4-inch PVC force main along Mallard Drive to the intersection with Woodduck Lane, then north for approximately 4,400 feet where it increases to 6-inch PVC before entering the plant. The total length of force main from the pump station is approximately 4,400 feet of 4-inch and 2,650 feet of 6-inch.

Northern Elementary School maintains a submersible pump station on the property and pumps directly to the plant. In contrast to the residential lines, this tap is metered and billed based on usage.

The existing pumps were inspected on July 29, 2010 by Kentucky Engineering, PLLC, and the original repair estimates for each are included in the addenda of the report. In summary, the Harbor Village station is in need of interior cleaning and coating with a chemical resistant, replacement of some corroded piping and guard rails, installation of an odor control system, a third pump installed, and chain link fence around the site. The total estimated cost of all repairs in \$126,650. The Mallard Point station is severely deteriorated, has inadequate access, and does not comply with 401 KAR 5:005. Based on this, it has been recommended that the station be abandoned and reconstructed at another suitable location. The estimated cost is \$209,850.

In order to redirect the transmission into the clients system, the US 25-Wright Lane station would also be abandoned and a new station constructed. It is proposed that this would be an above ground suction lift station and comply with all requirements of 401 KAR 5:005. Details are provided within the included engineering reports. Total cost is estimated at \$528,850.

As of June 2012, the client has provided revised pump station upgrade costs, with figures now at:

Harbor Village - \$113,450  
Mallard Point - \$183,750  
US 25/Wright Lane - \$473,750

This results in a revised cost of \$770,950, and **\$848,045** with a 10% contingency added.

It is noted that the existing Mallard Point Wastewater treatment plant has a capacity of approximately 54,750,000 gallons per year. Based on the total May 2011 - April 2012 flowage of 54,084,000 gallons, the plant is virtually operating at capacity, and a new treatment plant needs to be installed. However, upon being connected to the municipal sanitary sewer system, a new plant will not be necessary as there is capacity for additional customer base. As such, the client does not intend to acquire, repair, replace, expand or be responsible for closing the existing private treatment facility.

The current rates charged are \$41.35 per month for each residential customer and \$41.35 per every 12,000 gallons for the 2 commercial customers. Georgetown Municipal Water and Sewer Service intends to charge the going rate of \$7.82 per customer for the first 2,000 gallons, and \$5.58 per every 1,000 gallons thereafter.

#### **HIGHEST AND BEST USE**

Within the context of the client's scope of work and value opinion sought, the feasibility and thus highest and best use of the subject to the client is achieved at the indicated "investment value." As mentioned the subject is currently a self contained private sewage treatment system and will require some modifications in order to redirect flowage into the clients system. While some of the physical components will require repairs, abandonment or replacement, the redirection into the municipal system is considered to be financially feasible and physically possible at the indicated investment value. Further, the purchase of the system and redirection of flowage is also believed to be legally possible. While there is the possibility of adding additional customer base to the transmission system, the uncertainty of demand has resulted in the client's desire to base the value opinion on existing flowage. As such, at the "investment value" reported herein, the maximally productive and highest and best use of the subject to the client/investor would be for the purchase of the private system, issuance of debt to finance and replacement/repair of the necessary infrastructure in order to redirect flowage from the existing private treatment plant into the municipal system.



**SUMMARY OF VALUATION ANALYSES**

**Income Approach:** The income approach is the valuation procedure which converts anticipated future benefits into a value opinion. In this case the client has requested an investment value which has been previously defined and is best represented by the income approach to value. In forming the “investment value” opinion the following extraordinary assumptions and thus limitations on scope of work include 1) the investment value opinion is such that the return on and of capital or NOI (Net Operating Income) is sufficient to satisfy the incremental expenses associated with adding the customer base to the existing system, required replacement and reserve factors for the infrastructure, and make periodic payments of principal and interest in order to retire the debt structure as defined here in resulting in a zero net profit. 2) Debt Structure is to include a 100% loan or bond at a fixed interest rate of 4.0%, 20-year amortization period, and 0.5% origination fee. 3) Flowage calculations are based on the most recent 12 months from May 2011 - April 2012, with a total of 54,084,000 gallons and customer base of 521. 4) Current Georgetown Municipal Water and Sewer rates of \$7.82 per customer for the first 2,000 gallons, and \$5.58 per each additional 1,000 gallons. These assumption are considered to be reasonable within the context of forming an opinion of investment value to the Georgetown Municipal Water & Sewer System.

Sewer Flowage and Customer Base

In this case flowage is based on the most recent 12 months of flowage figures from the Discharge Monitoring Report (DMR). From May 2011 through April 2012, the report indicates approximately 54,084,000 total gallons and a customer base of 521. This is considered to be the most accurate representation of the system's current performance. As a comparison, the client provided a total flowage for 2009 of 42,974,880 and the 2010 PSC report indicated 51,400,000. Thus, the 54 Million gallons at current is well in line.

Municipal Sewer Rates

Upon being connected to the municipal sanitary sewer system, the customers monthly rate will be calculated from the clients current rates of; \$7.82 per customer for the first 2,000 gallons, and \$5.58 for each additional 1,000 gallons.

Financing Terms

The client has indicated that they will be financing the purchase of the subject system through a 100% loan or bond which will carry a 4.00% annual interest rate and a 20-year amortization term. In addition the cost of obtaining the financing (origination fee) is equivalent to 0.50% of the loan amount.

Incremental Expenses & Reserves

As the client will be redirecting the existing flowage into their system for treatment, the incremental increase in operating expenses is anticipated to be minimal due to the fixed nature of many of the costs. Their treatment plant currently has the capacity to process the additional waste, and an incremental expense ratio of 5% of gross revenues has been provided by the client. Similarly, a reserve for replacement which would cover the future cost of maintaining the pumps, collection and transmission lines of the Mallard Point system in the amount of \$20,000 per year was also specified by the client.

Required Repairs & Capital Improvements

At present there are a number of capital items that either need to be repaired, replaced, abandoned or constructed in order to redirect the flowage from the existing system into the client's treatment system. As such, the client commissioned a study of the existing infrastructure and proposed transmission systems from Kentucky Engineering Group, LLC. A copy of the study is included in the addenda and concludes a total of \$865,350 would be needed to repair, replace, abandon and construct the necessary infrastructure. **This has since been revised to a total of \$770,950, and \$848,045 with a 10% contingency added in.** As such, this forms a basis for the adjustment made to the income approach value indication in order to arrive at an "as is" value opinion.

Valuation Process

Based on the criteria given above, the "investment value opinion" would be equivalent to the net present value of the cash flows generated from the sewer usage fees less the cost of capital improvements and debt service. In this case the projection of potential gross income is based on current annual flowage from the 521 existing customers of 54,084,000 gallons annually

as indicated from the May 2011 to April 2012 Discharge Monitoring Report. Applied to this is the current Georgetown Municipal Water and Sewer usage fees of \$7.82 for the first 2,000 gallons used by each customer and \$5.58 per 1,000 gallons thereafter. Based on this 12,504,000 gallons (521 X 2,000 Gallons X 12) is charged at the \$7.82 rate with the balance of 41,580,000 gallons charged at the \$5.58 rate. As such, the gross income calculations are as follows;

521 Customers X \$7.82 X 12 Months = \$48,891

54,084,000 – (2,000 Gal X 521 Customers X 12 Mo) = 41,580,000 X \$5.58/\$1,000 = \$232,016

Total Potential Gross Income is therefore; \$280,907 annually.

Deducted from this is 5% incremental cost in operating expenses associated with adding the customer base and the annual reserve requirements for the replacement of capital items @ \$20,000. This results in net income from operations of \$246,862 annually and is the amount of cash flow available to service the debt.

The debt structure is to include a bond equivalent to 100% of the cost of acquisition and capital improvement cost necessary to redirect flowage to the clients transmission system and repair any deferred maintenance. The financing assumptions provided by the client include a 4% annual interest, 20-year amortization period, and 0.5% origination cost. With \$246,862 of cash flow available annually to service debt, the present value is \$3,354,931. Deducted from this is the 0.5% origination fee or \$16,775 and the \$848,045 in immediate capital repairs/costs. A summary of the calculations is shown on the following page.

**MALLARD POINT DISPOSAL SYSTEM**

<b>Georgetown Rates</b>		Gallons
\$	7.82	2,000
\$	5.58	1,000

Gallons	54,084,000
Customers	521

Total Revenue	\$	<b>280,907</b>
Expenses (5%)	\$	(14,045)
Reserves	\$	(20,000)
NOI	\$	<b>246,862</b>

**Loan Terms**

Rate (I)		4%
Term (N)		20
PMT	\$	246,862
<b>PV of Cash Flows</b>		<b>\$3,354,931</b>

Capital Costs	\$	(848,045)
Loan Origination	\$	(16,775)

<b>Investment Value</b>	<b>\$</b>	<b>2,490,111</b>
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Based on this the client will achieve a breakeven cash flow after debt service at a value of \$2,490,111. As such, the "investment value" of the Mallard Point Disposal Systems, Inc. to the Georgetown Municipal Water and Sewer System is as follows;

**FINAL OPINION OF INVESTMENT VALUE  
TO GEORGETOWN MUNICIPAL WATER & SEWER SERVICE**

**--- TWO MILLION FOUR HUNDRED NINETY THOUSAND DOLLARS ---  
(\$2,490,000)**

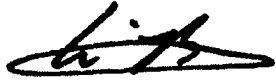
The above noted value opinions are subject to the limiting conditions stated within this appraisal report. The appraisers have made no deductions for possible compliance issues related to the Americans with Disabilities Act requirements, for potential environmental hazards, or for any legal or other encumbrance which may affect the value of the subject, but which were considered to be beyond the scope of this appraisal report.

## CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- My prior services on the subject property within the three-year period immediately preceding acceptance of this assignment includes a prior appraisal in November 2010. The value opinion was the "investment value" specific to the Georgetown Municipal Water & Sewer Service.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- William L. Berkley and Benjamin D. Baker made a personal inspection of the property that is the subject of this report.
- No one provided significant professional assistance to the person(s) signing this report.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, William L. Berkley has completed the requirements of the continuing education program of the Appraisal Institute.

- Based on the market conditions as of June 14, 2012 my opinion of the investment value of the Mallard Point Disposal system, under the conditions indicated by the client, is indicated to be \$2,490,000.



William L. Berkley, Jr.  
Berkley Appraisal Company  
Kentucky Certified General Appraiser #721



Benjamin D. Baker  
Kentucky Associate Appraiser #4240

**ASSUMPTIONS AND LIMITING CONDITIONS**

1. This is a Summary Appraisal Report, which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied

unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. It is assumed that there is no environmental contamination on the site or in the improvements. There was no evidence of environmental contamination. However, it should be pointed out that the appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.
15. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
16. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
17. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.
18. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.



## QUALIFICATIONS OF THE APPRAISER

**William L. Berkley, Jr.**

### Professional Affiliations:

- General Certification - Kentucky Real Estate Appraisers Board No.721.
- General Certification - Ohio Department of Commerce Division of Real Estate No. 3343.
- MAI Candidate of the Appraisal Institute.  
Candidate No: M90-0111.  
Secretary of the Bluegrass Chapter of The Appraisal Institute
- Licensed Real Estate Broker in the State of Kentucky
- Member of the International Right of Way Association

### Education:

- Graduated: University of Kentucky,  
BS in Business Administration, Finance Major.  
Courses include Real Estate Principles, Real Estate Finance, Independent Study in Real Estate, Statistical Inference, Statistical Probability.
- Graduated: Lexington Community College,  
Associate of Applied Science, Real Estate Major.  
Courses include Real Estate Appraisal, Real Estate Principles, Real Estate Marketing I & II, Real Estate Law, Real Estate Finance, Real Estate Investment, Real Estate Property Management.
- Course work through the Appraisal Institute: Real Estate Appraisal Principles, Capitalization A, Capitalization B, Advanced Applications, Report Writing and Valuation Analysis, Standards of Professional Practice, Fundamentals of Rural Appraisal.
- Seminars through the Appraisal Institute: Appraisal Practices for Litigation, Easement Valuation, Subdivision Analysis, Understanding Limited Appraisals, Highest and Best Use Analysis, Money Market, Appraising From Blueprints and Specifications, Reviewing Appraisals, Evaluating Residential Construction, Survey Research Techniques, Appraising Troubled Properties, Applied Sales Comparison Approach, Appraisal Regulations of the Federal Banking Agencies, Farm Valuation, Accrued Depreciation, Cash Equivalency.

Experience:

Full time career in appraising commercial, industrial, multi-family, subdivisions, easement, condemnation, farm and residential properties. Owner and manager of investment property.

**RECENT APPRAISAL CLIENTS:**

Financial Institutions:

Traditional Bank, Traditional Bank, Provident Bank, PNC Bank, Huntington National Bank, Bank of Kentucky, Heritage Bank, Central Bank & Trust Company, Vine Street Trust, Bank One Lexington NA. Recent non-bank lender clients include: Law firm of Deters, Benzinger & Lavelle; Law firm of White, Peck & Carrington; Law firm of Greenbaum, Doll & McDonald.

Governmental, Utilities, & Railroads:

Commonwealth of Kentucky Department of Transportation - Right of Way and Legal Departments, Commonwealth of Kentucky Real Property Division, Columbia Gas of Kentucky, CSX Real Property, Norfolk Southern Railroad, FDIC, General Services Administration, University of Kentucky, Lexington Fayette Urban County Government.

**APPRAISED FOR:**

Full Range of Commercial Properties, Multi-Family Residential, Subdivision Development, Horse Farms, Condemnation cases for both Plaintiff and Defendant, Tax & Divorce Cases, Gas & Water Utility Companies, Kentucky Department of Highway Projects, Urban Renewal, and Major Industrial Properties.

**QUALIFIED AS EXPERT IN REAL ESTATE VALUES:**

Federal Bankruptcy Court Eastern Division State of Kentucky. Testified in Bankruptcy Court.

Qualified as Expert Witness in Circuit Court. Testified in condemnation proceedings.

**Benjamin D. Baker**

Professional Affiliations:

- Associate Appraiser - Kentucky Real Estate Appraisers Board No. 4240

Education:

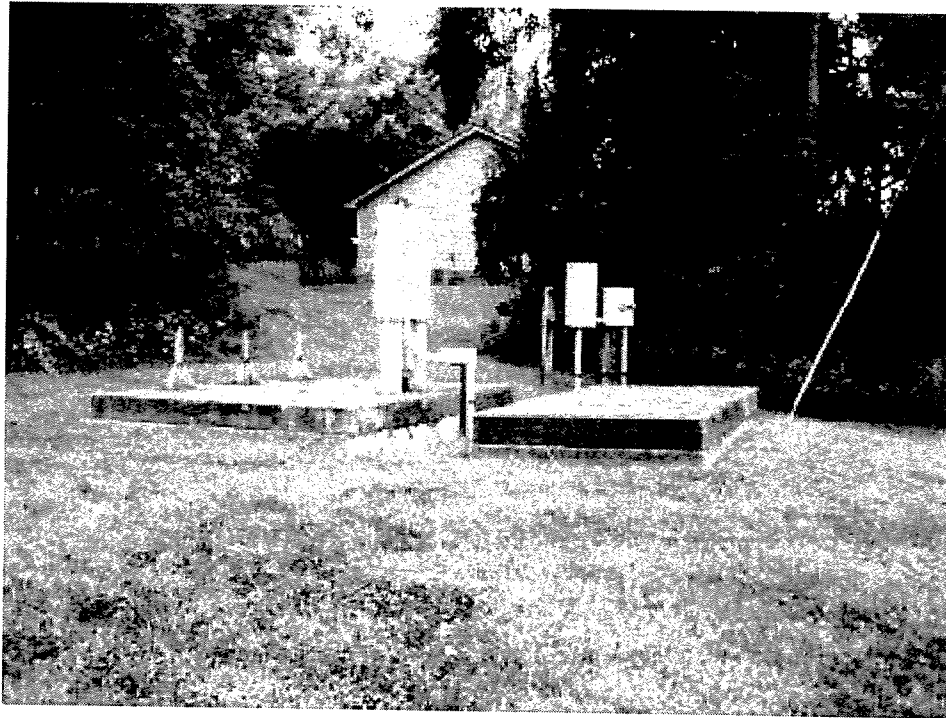
- University of Kentucky, Lexington, Kentucky  
B.S. in Economics and Finance, 2007.
- Courses include Real Estate Principles, Financial Analysis, Microeconomics, Macroeconomics, Economic Development, Statistics, and Monetary Economics.
- Weikel Institute of Real Estate: Real Estate Law
- Appraisal Institute:
  - General Market Analysis & Highest and Best Use
  - General Site Value and Cost Approach
  - General Appraiser Income Approach (Part II)
  - General Appraiser Sales Comparison Approach
  - General Appraiser Report Writing & Case Studies
  - Advanced Applications
  - Advanced Sales Comparison & Cost Approach
  - Advanced Income Capitalization
- Licensed Real Estate Sales Associate in the State of Kentucky

Experience:

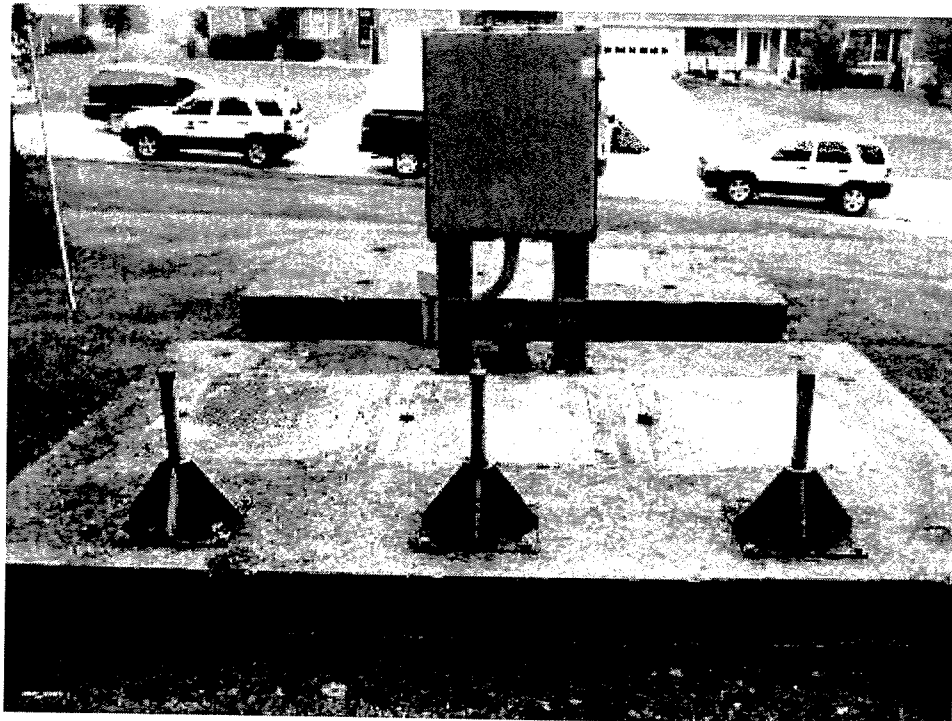
- Berkley Appraisal Company, Lexington, Kentucky  
May 2008 - Present  
Full Time Appraisal of Commercial and Right-of-Way Properties
- Empire Management., Lexington, Kentucky  
September 2007 to May 2008  
Full time Property Management and Leasing at a large Apartment Complex.
- Full time career in the Real Estate Industry since graduation from University of Kentucky in May of 2007.

**ADDENDA**

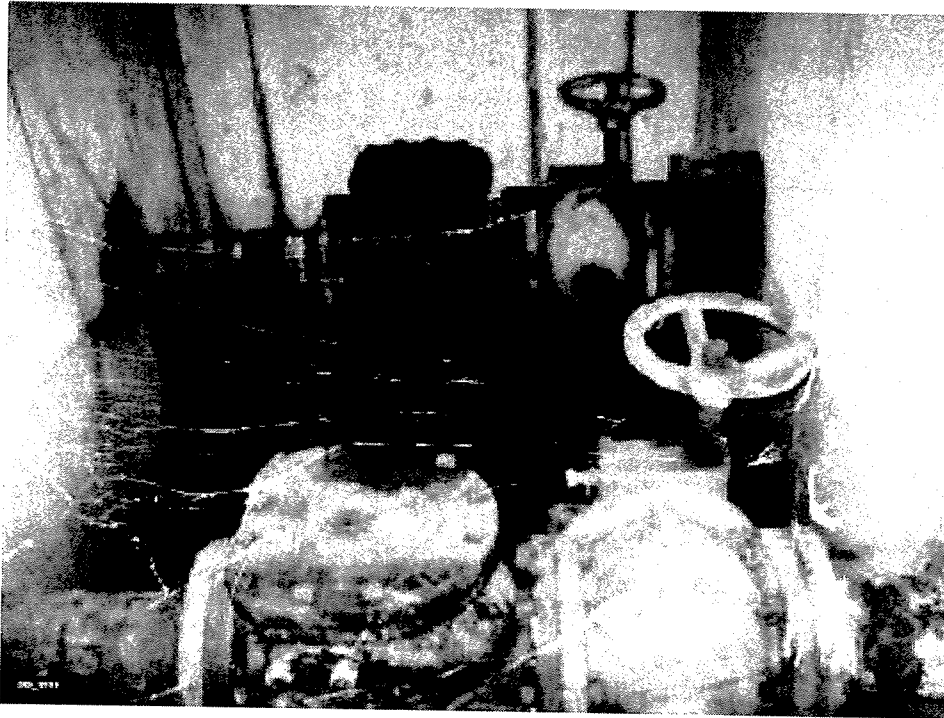
## Harbor Village Pump Station



Harbor Village Pump Station - Site Plan



Wet Well and Valve Vault



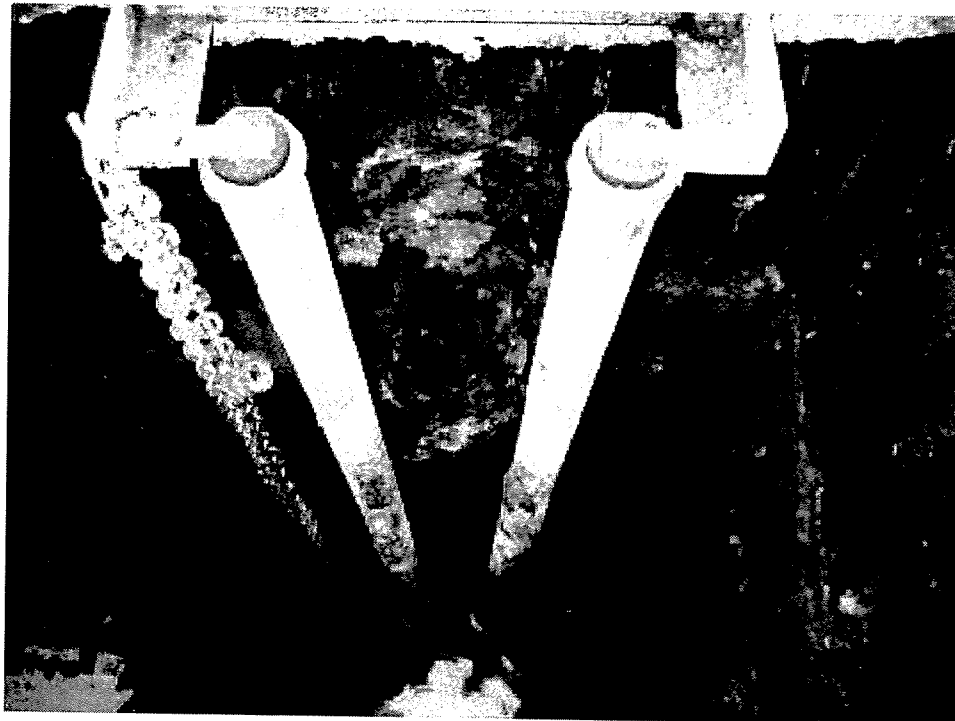
**Valve Vault - Discharge Piping with Check Valve and Plug Valve**



**Wet Well - Influent piping and signs of severe concrete deterioration**

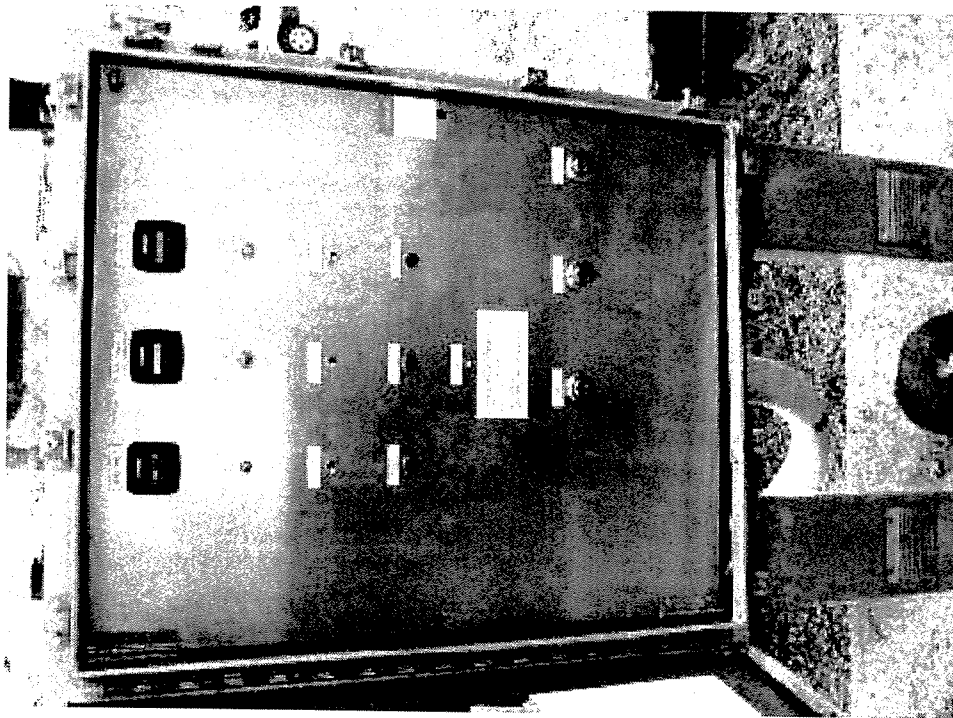


**Wet Well – Signs of severe concrete deterioration**



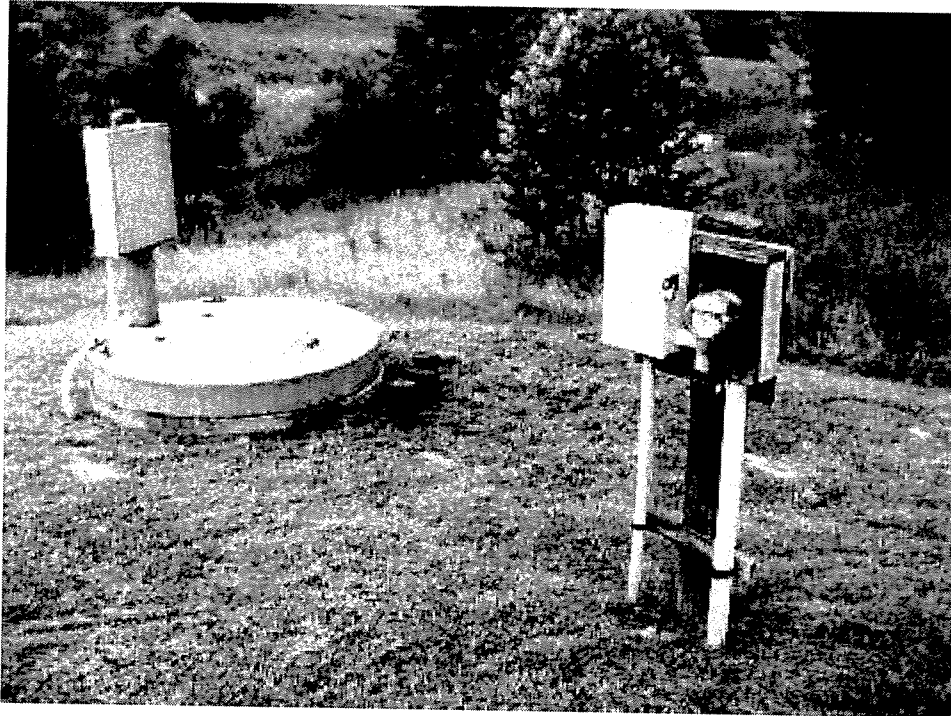
**Wet Well – Pump guide rails and signs of severe concrete deterioration**





Electrical Control Panel

## **Mallard Point Drive Pump Station**



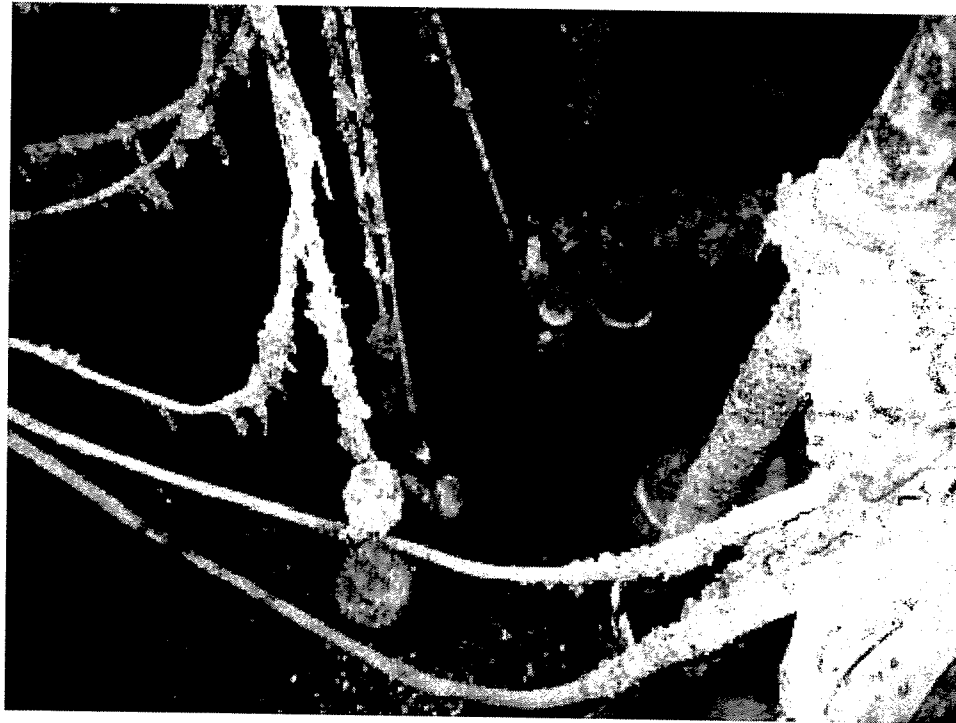
**Mallard Point Drive Pump Station - Site Plan**



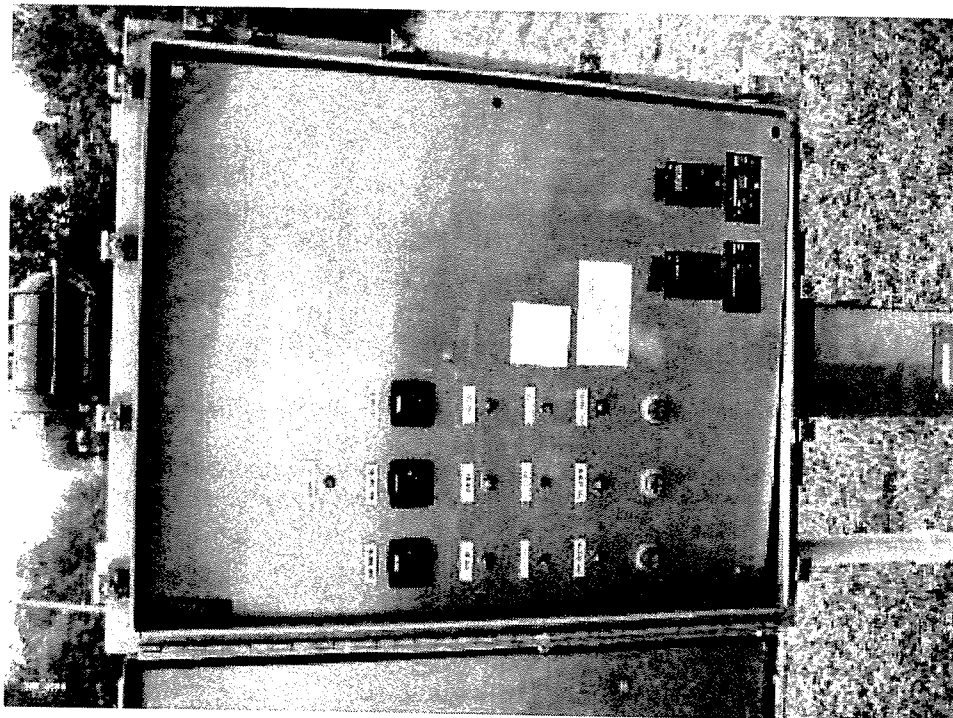
**Discharge piping isolation valves**



Wet Well - Guide rails and signs of severe corrosion

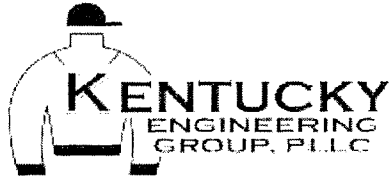


Discharge piping with trash and floatables attached to the cables

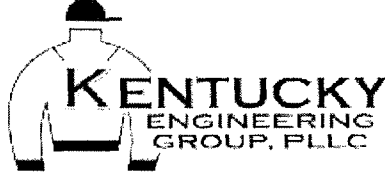


Electrical Control Panel

**ORIGINAL REPAIR COST ESTIMATES**

		Preliminary Project Cost Estimate			
		Mallard Point - Delaplain Disposal Sewer System Project: Evaluation Date : 12/15/10      Job No. : 10008 Revised : 01/07/11      Est. By: BKL			
ITEM NO.	SUMMARY OF: Mallard Point Disposal Systems, Inc. Harbor Village PS	QUANTITY		COST PER UNIT	TOTAL COST
		NO. OF UNITS	UNIT MEAS.		
1	Chain Link Fence & Access Gate	200	LF	\$ 15.00	\$ 3,750.00
2	Portable Pump Connection - Suction/Discharge	1	LS	\$ 5,000.00	\$ 5,000.00
3	Odor Control System	1	LS	\$ 15,000.00	\$ 15,000.00
4	Emergency Generator and ATS	1	LS	\$ 45,000.00	\$ 45,000.00
5	Wet Well Coagling System	440	SF	\$ 60.00	\$ 26,400.00
6	Replace Piping and Guide Rails	1	LS	\$ 7,500.00	\$ 7,500.00
7	Installation of Third Pump	1	LS	\$ 500.00	\$ 500.00
8	Installation of Telemetry System	1	LS	\$ 12,000.00	\$ 12,000.00
SUBTOTAL AMOUNT					\$ 115,150.00
10% CONST. CONTINGENCY					\$ 11,500.00
TOTAL ESTIMATED CONSTRUCTION COST					\$ 126,650.00



		Preliminary Project Cost Estimate			
		Mallard Point - Detraplain Disposal Sewer System Project: Evaluation Date : 12/15/10 Job No. : 10008 Revised : 01/07/11 Est. By: BKL			
ITEM NO.	SUMMARY OF: Mallard Point Disposal Systems, Inc. US 25 & Wright Lane	QUANTITY		COST PER UNIT	TOTAL COST
		NO. OF UNITS	UNIT MEAS.		
1	Chain Link Fence & Access Gate	250	LF	\$ 15.00	\$ 3,750.00
2	Door Control System	1	LS	\$ 15,000.00	\$ 15,000.00
3	Installation of Telemetry System	1	LS	\$ 12,000.00	\$ 12,000.00
4	New Suction Lift Pump Station	1	LS	\$ 450,000.00	\$ 450,000.00
SUBTOTAL AMOUNT					\$ 480,750.00
10% CONST. CONTINGENCY					\$ 48,100.00
TOTAL ESTIMATED CONSTRUCTION COST					\$ 528,850.00

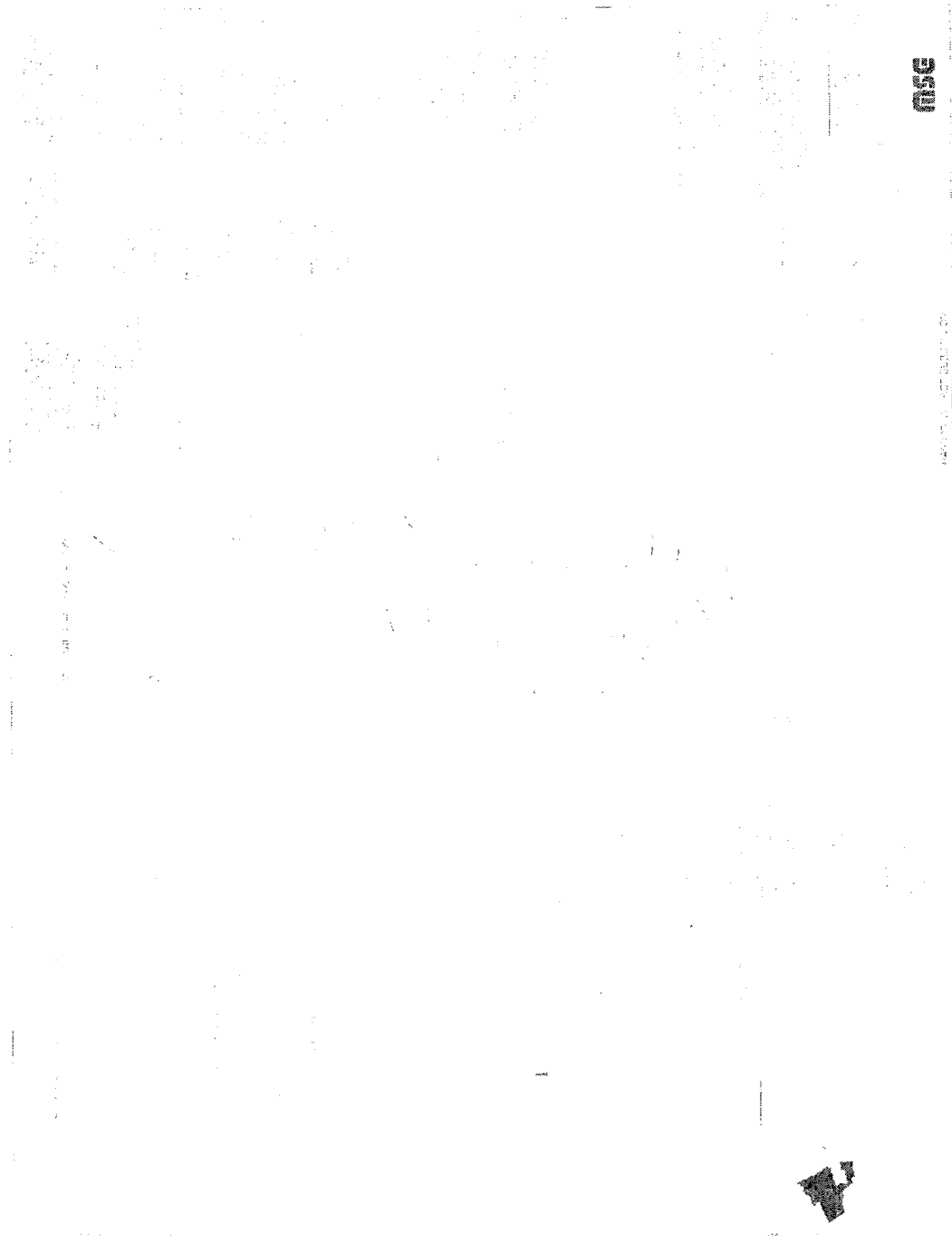


## REVISED REPAIR COST ESTIMATES

Revised Project Cost Estimate			
	Harbor Village PS	Mallard Point Drive PS	US 25 & Wright Lane
Chain link fence & access gate	3,750	3,750	3,750
Portable pump connection	5,000	-	-
Odor Control System	15,000	10,000	15,000
Emergency generator and ATS	45,000	-	-
Wet Well Coating System	26,400	-	-
Replace Piping & Guide rails	7,500	-	-
Installation of third pump	5,800	-	-
New suction lift pump station	-	165,000	-
New suction lift pump station-350 GPM *	-	-	450,000
Installation of telemetry system	5,000	5,000	5,000
Totals	\$ 113,450	\$ 183,750	\$ 473,750

\* Per Bryan Lovan, 350 GPM equates to daily flow of 150,000 gallons

# MALLARD POINT



MSG

HARBOR VILLAGE PHASE 1

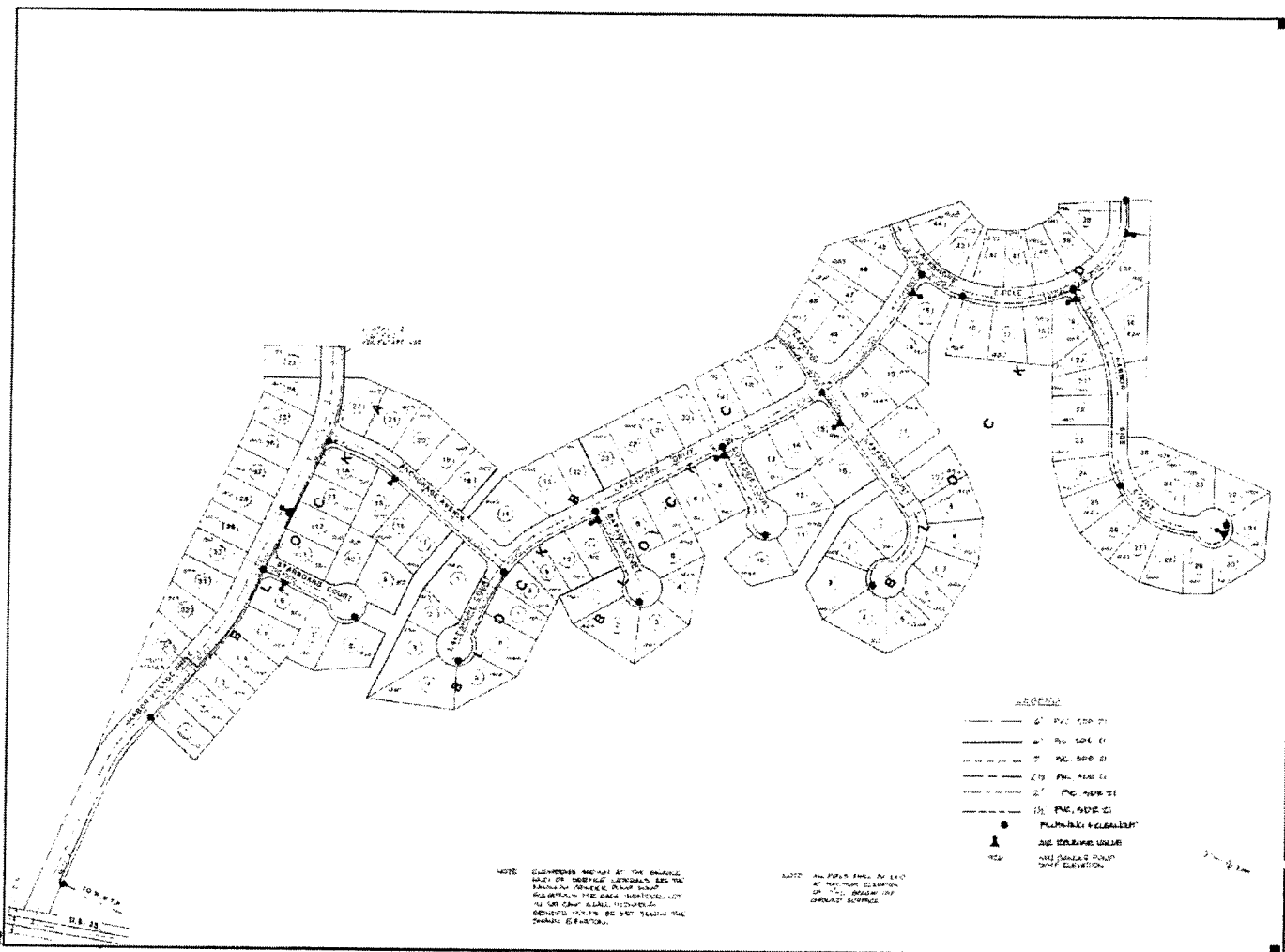


**PRESSURE SEWER SYSTEM PLANS**  
 PROJECT: HARBOR VILLAGE PHASE 1  
 SHEET: 50 OF 50  
 DATE: 12/15/00  
 ENGINEER: [Name]

DATE: 12/15/00	SCALE: AS SHOWN
PROJECT: HARBOR VILLAGE PHASE 1	SHEET: 50 OF 50
ENGINEER: [Name]	DATE: 12/15/00

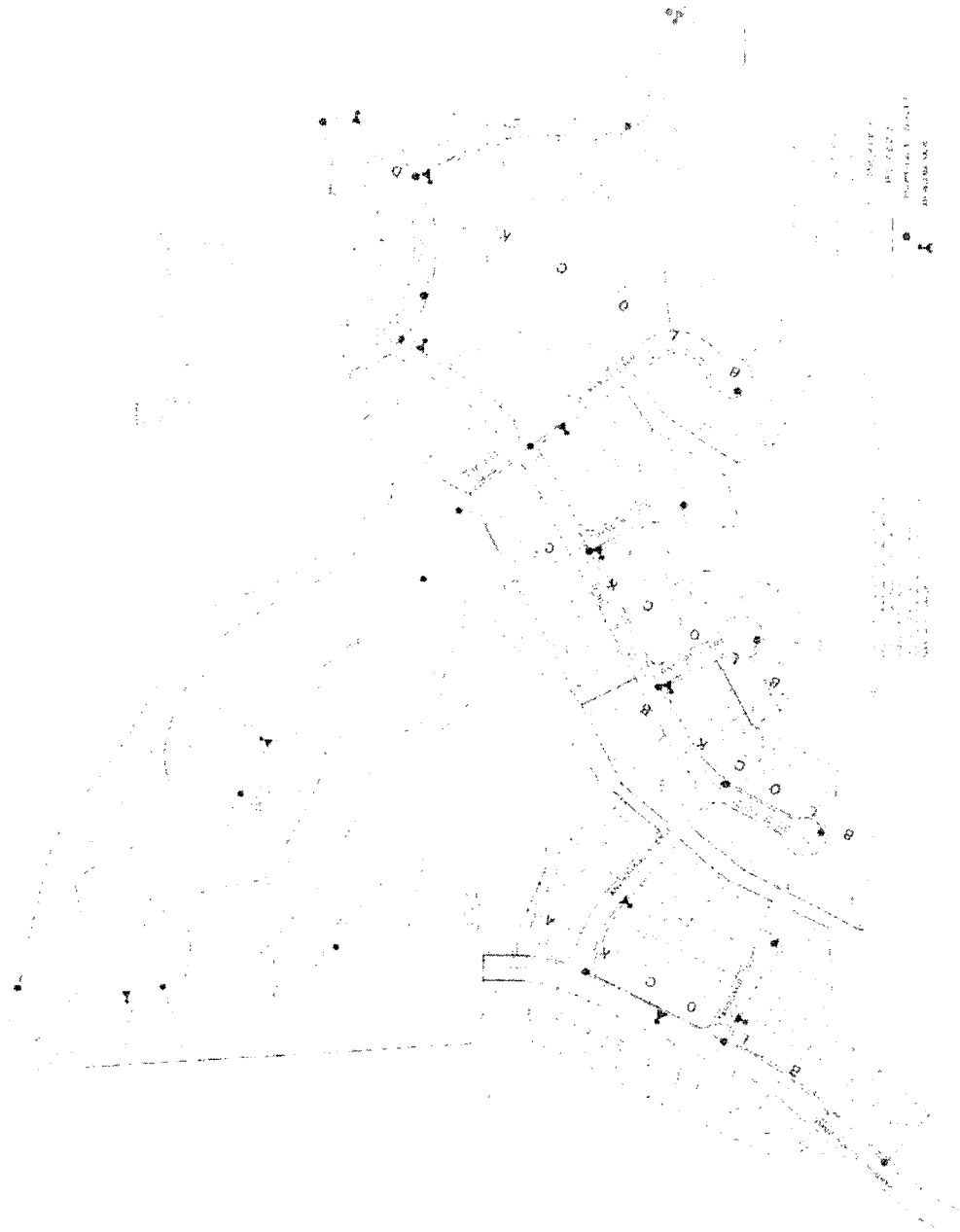


DATE: 12/15/00  
 SHEET 7 OF 1

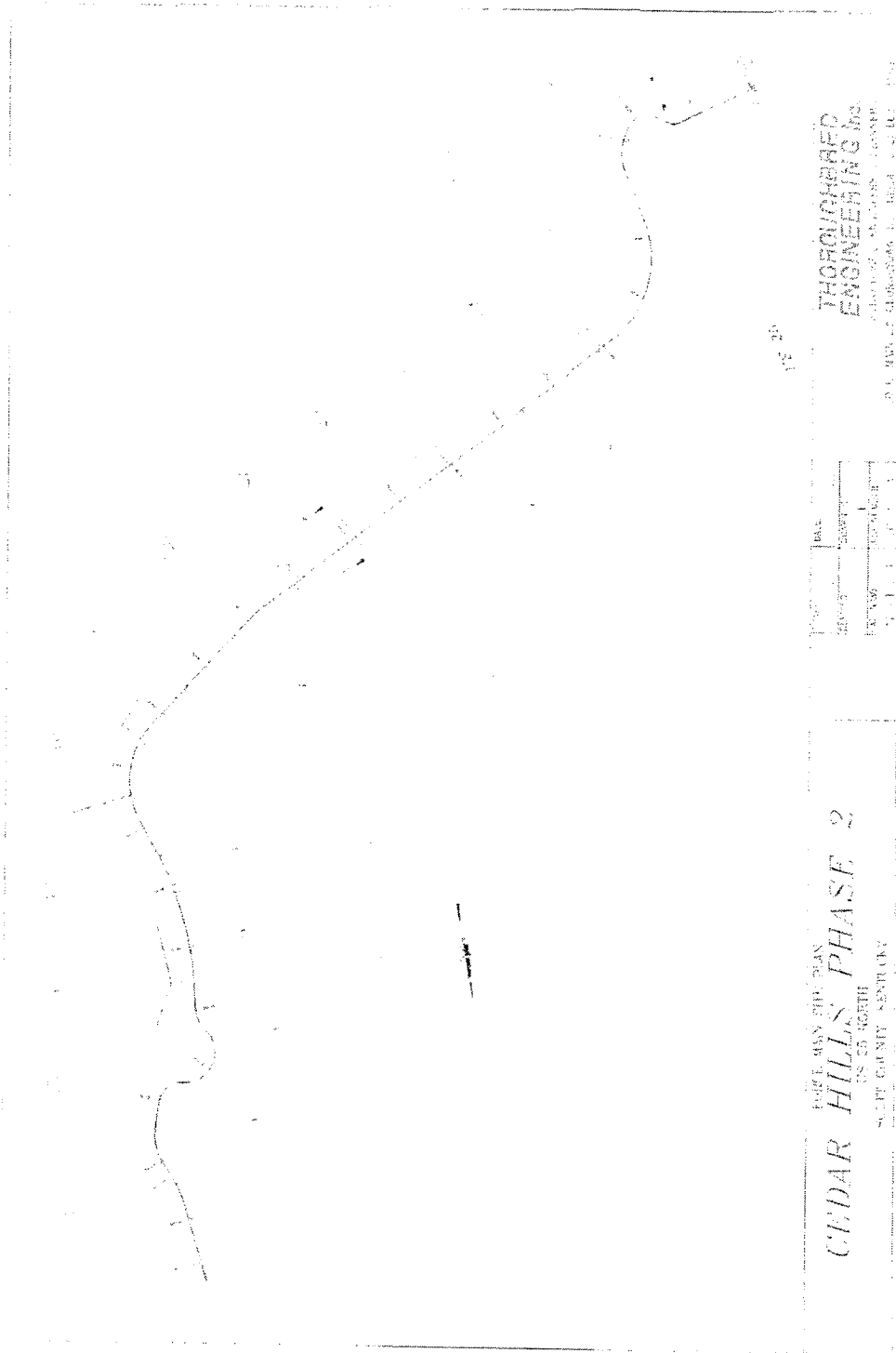


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### HARBOR VILLAGE PHASE 1 & 2



### CEDAR HILLS



20. List and describe all material changes to Georgetown's financial condition since June 30, 2012.

**RESPONSE:**

GMWSS' audited financial statements for the fiscal year ending June 30, 2013 (FYE 2013 Audit) has just been completed and was presented to the GMWSS Board on September 17, 2013. Attached is a complete copy of the FYE 2013 Audit.

The FYE 2012 Audit for GMWSS was previously filed in this case as Exhibit 1 to the Joint Application.

A quick comparison of the Audits reveals that the financial strength of GMWSS has increased from the prior fiscal year.

**WITNESS:** Robert Wilhite, General Manager, GMWSS

**CITY OF GEORGETOWN  
GEORGETOWN MUNICIPAL WATER AND  
SEWER SERVICE  
Georgetown, Kentucky**

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**FINANCIAL STATEMENTS  
June 30, 2013**

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**GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

The Management Discussion and Analysis (MD&A) gives readers an overview and analysis of the financial position and activity of Georgetown Municipal Water and Sewer Service (GMWSS) for the fiscal year ended June 30, 2013. This information should be read in conjunction with the Auditor's Reports and the financial statements immediately following this analysis.

**FINANCIAL HIGHLIGHTS**

- The assets of GMWSS exceeded its liabilities at the close of the fiscal year by \$80.4 million, compared to the previous fiscal year balance of \$79.3 million (net position).
- GMWSS's total net position increased \$1,136,659 from fiscal year 2012.
- GMWSS had total assets of \$91.8 million at June 30, 2013 with capital assets, net of depreciation comprising \$86.5 million of the total.
- GMWSS's debt decreased \$1.3 million to \$9.9 million at June 30, 2013.

**FINANCIAL STATEMENTS**

Financial statements include the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. 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 the revenues earned and expenses incurred in the fiscal year are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the assets and liabilities of GMWSS as of June 30, 2013. Net position is the difference between assets and liabilities. Over time, increases or decreases in net position is one indicator of whether financial health is improving or deteriorating. Information on other factors, such as changes in the revenue structure and the condition of GMWSS's assets, is also needed to assess the overall financial situation of the GMWSS.

The Statement of Revenues, Expenses, and Changes in Fund Net Position present GMWSS's annual revenues and expenses, as well as any other transactions that increase or reduce net position.

The Statement of Cash Flows presents the changes in the GMWSS's cash and cash equivalents for the year ended June 30, 2013, summarized by operating, capital and noncapital financing, and investing activities. The statement is prepared using the direct method of reporting cash flows, and, therefore, presents gross rather than net amounts for the year's activities.

**REPORTING ON FUNDS**

The combining and individual Enterprise Fund financial statements report GMWSS's activities in more detail than the consolidated financial statements. Plant No. 1 (which comprises the primary water plant, distribution, and two waste water plants) financial statements are presented on pages 21 through 24. Plant No. 2 is comprised of a waste water plant, which receives most of its revenues from a local manufacturing plant and a small portion from residential customers. These financial statements are presented on pages 25 through 26.

## **ANALYSIS OF GMWSS**

### ***Net Position***

As of June 30, 2013, GMWSS had net position of \$80.4 million. Of this net position, \$76.6 million or 95.3% is net invested in capital assets. Restricted net position total \$3.2 million or 4.0%. This reflects funds held in various reserve accounts to meet the various bond and note covenants, or as deemed appropriate by management. Total assets were \$91.8 million and decreased by \$89,273 versus the prior year.

As of June 30, 2012, GMWSS had net position of \$79.3 million. Of this net position, \$75.4 million or 91% is net invested in capital assets. Restricted net position total \$3.3 million or 4.0%. This reflects funds held in various reserve accounts to meet the various bond and note covenants, or as deemed appropriate by management. Total assets were \$93.5 million and decreased by \$100,000 versus the prior year.

### ***Revenues***

Revenues for GMWSS for the fiscal year ended June 30, 2013, totaled \$10.1 million. Water and sewer revenues represent \$7.9 million or 78.5% of the total. Other major sources of revenue are connection fees and commercial user fees. Budgeted revenues for this same fiscal year were \$9.9 million. Water and sewer revenues increased approximately \$253,000 or 3.3% over the previous fiscal year.

Revenues for GMWSS for the fiscal year ended June 30, 2012, totaled \$9.9 million. Water and sewer revenues represent \$7.7 million or 77.8% of the total. Other major sources of revenue are connection fees and commercial user fees. Budgeted revenues for this same fiscal year were \$9.3 million. Water and sewer revenues decreased approximately \$28,000 or 0.4% versus the previous fiscal year.

### ***Expenses***

Expenses for GMWSS for the fiscal year ended June 30, 2013, totaled \$10.5 million; of which \$3.5 million represented depreciation expense. Budgeted expenses for this same fiscal year were \$10.6 million. Actual expenses for water treatment & distribution and sewer collection & treatment totaled \$8.9 million or 85.1% of the total. Expenses increased approximately \$483,000 or 4.9% over the previous fiscal year.

Expenses for GMWSS for the fiscal year ended June 30, 2012, totaled \$10.0 million; of which \$3.5 million represented depreciation expense. Budgeted expenses for this same fiscal year were \$10.4 million. Actual expenses for water treatment & distribution and sewer collection & treatment totaled \$8.4 million or 81.0% of the total. Expenses increased approximately \$17,000 or 0.2% over the previous fiscal year.

### ***Operating Income***

For the year ended June 30, 2013, operating loss before non-operating revenues and expenses was approximately \$386,000, which includes an allowance of \$3.5 million for depreciation expense. Non-operating expenses total \$452,000. Contributed capital, which consists primarily of assets constructed by developers and contributed to GMWSS, totals \$1.8 million. The increase in net position is \$1.1 million.

For the year ended June 30, 2012, operating loss before non-operating revenues and expenses was approximately \$49,000, which includes an allowance of \$3.5 million for depreciation expense. Non-operating expenses total \$459,000. Contributed capital which consists primarily of assets constructed by developers and contributed to GMWSS totals \$700,000. The increase in net position is \$285,000.

### ***Liabilities***

Total liabilities as of June 30, 2013, were \$11.4 million. Of this amount approximately \$2.3 million is classified as current liabilities to be paid from unrestricted assets. Additionally, \$1.2 million in current liabilities is to be paid from restricted assets. GMWSS maintains sufficient balances in unrestricted & restricted assets to cover these liabilities. Long-term liabilities consist primarily of bonds payable and notes payable, which are funds borrowed by GMWSS to finance major capital improvement projects. These amounts, along with an accrual for compensated absences, total \$9.1 million.

Total liabilities as of June 30, 2012, were \$12.6 million. Of this amount approximately \$2.4 million is classified as current liabilities to be paid from unrestricted assets. Additionally, \$1.3 million in current liabilities is to be paid from restricted assets. GMWSS maintains sufficient balances in unrestricted & restricted assets to cover these liabilities. Long-term liabilities consist primarily of bonds payable and notes payable, which are funds borrowed by GMWSS to finance major capital improvement projects. These amounts, along with an accrual for compensated absences, total \$10.2 million.

### ***Capital Assets***

GMWSS has been recording the value of capital assets on an ongoing basis. GMWSS's investment in capital assets totaled \$147.5 million as of June 30, 2013, an increase of \$3.5 million over the previous fiscal year. This investment in capital assets includes land, buildings, equipment, water systems, and sewer systems. Major capital additions for this fiscal year included:

- Water and sewer system improvements constructed by developers and donated to GMWSS in the amount of \$1.8 million.
- Water and sewer system improvements constructed by GMWSS in the amount of \$496,100.

Additional information on GMWSS's capital asset activity can be found in the notes on page 13.

### ***Debt Administration***

At the end of the fiscal year, GMWSS had \$9.9 million in bonds and notes outstanding, of which \$1.2 million is the current portion payable. The Board of Commissioners for GMWSS has authorized a debt to equity ratio of 28%. As of June 30, 2013, the debt to equity ratio was 10.8%. Additional information about long-term debt can be found in the notes beginning on page 14.

### **BUDGET FOR FISCAL YEAR 2014**

FY 2014 revenues are budgeted to be \$10.4 million, an increase of approximately \$486,000 or 4.9% from fiscal year 2013 budgeted revenues. Expenses (including depreciation) are budgeted to be \$11.0 million, an increase of approximately \$348,000 or 3.3% from 2013 budgeted expenses. Although GMWSS faces substantial price increases in many expense items in our budget, management continues to look for operating efficiencies in all areas that can be translated to budget savings.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the GMWSS's finances for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed to Finance Director, Georgetown Municipal Water and Sewer Service, P O Box 640, Georgetown, Kentucky 40324.

# Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

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## INDEPENDENT AUDITORS' REPORT

Board of Water and Sanitary  
Sewer Commissioners  
City of Georgetown  
Georgetown, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Georgetown Municipal Water and Sewer Service, a component unit of the City of Georgetown, Kentucky as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

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Members American Institute of Certified Public Accountants and Kentucky Society of Certified Public Accountants

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Georgetown Municipal Water and Sewer Service, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Georgetown Municipal Water and Sewer Service's basic financial statements. The combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with **Government Auditing Standards**, we have also issued our report dated September 9, 2013, on our consideration of the Georgetown Municipal Water and Sewer Service'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** in considering Georgetown Municipal Water and Sewer Service's internal control over financial reporting and compliance.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
Lexington, Kentucky  
September 9, 2013

**CITY OF GEORGETOWN**  
**GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE**  
**STATEMENT OF NET POSITION**  
June 30, 2013

<b>ASSETS</b>	<b>2013</b>	<b>2012 Totals</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 504,536	\$ 485,556
Accounts receivable	1,067,287	967,951
Prepaid expenses	78,360	25,672
Total current assets	<u>1,650,183</u>	<u>1,479,179</u>
<b>Noncurrent assets</b>		
Restricted cash	1,975,136	2,024,456
Restricted investments	1,530,233	1,527,337
Accrued interest receivable	394	1,951
Other assets	190,298	214,600
<b>Capital assets</b>		
Construction in progress	368,883	360,265
Land and easements	734,074	705,308
Buildings, property and equipment	7,772,096	7,743,278
Utility plants in service	137,069,023	133,915,612
Transportation and work equipment	1,589,745	1,590,064
Less accumulated depreciation	<u>(61,071,909)</u>	<u>(57,664,621)</u>
Total noncurrent assets	<u>90,157,973</u>	<u>90,418,250</u>
Total assets	<u>\$ 91,808,156</u>	<u>\$ 91,897,429</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 62,700	\$ 75,487
Accrued liabilities	736,209	658,427
Contracts payable	100,858	52,009
Current portion of long-term debt	1,157,839	1,329,183
Customer deposits	215,480	209,365
Accrued interest payable	<u>58,027</u>	<u>63,005</u>
Total current liabilities	<u>2,331,113</u>	<u>2,387,476</u>
<b>Noncurrent liabilities</b>		
Accrued expenses	344,058	354,787
Bonds, notes, and loans payable	<u>8,722,749</u>	<u>9,881,589</u>
Total noncurrent liabilities	<u>9,066,807</u>	<u>10,236,376</u>
Total liabilities	<u>11,397,920</u>	<u>12,623,852</u>
<b>NET POSITION</b>		
Net invested in capital assets	76,581,324	75,439,134
Restricted for debt service	3,232,256	3,281,374
Unrestricted	<u>596,656</u>	<u>553,069</u>
Total net position	<u>80,410,236</u>	<u>79,273,577</u>
Total liabilities and net position	<u>\$ 91,808,156</u>	<u>\$ 91,897,429</u>

The accompanying notes are an integral part  
of the financial statements.

**CITY OF GEORGETOWN**  
**GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION**  
**for the year ended June 30, 2013**

	<b>2013</b>	<b>2012 Totals</b>
<b>Operating revenues</b>		
Water revenue	\$ 4,166,502	\$ 4,067,307
Sewer revenue	3,747,385	3,593,623
Connection fees	710,369	814,425
Commercial user fees	1,041,116	1,057,639
Miscellaneous	330,038	322,663
Penalties	86,620	80,386
Total operating revenues	10,082,030	9,936,043
<b>Operating expenses</b>		
Administration	552,515	534,926
Customer accounts	648,196	633,754
Water treatment plant	1,617,211	1,416,014
Water distribution	1,960,139	1,926,043
Wastewater treatment plant #1	2,538,998	2,477,887
Engineering	362,744	396,406
Wastewater collections	954,262	783,650
Wastewater treatment plant # 2	1,834,261	1,816,817
Total operating expenses	10,468,326	9,985,497
Operating income (loss)	(386,296)	(49,454)
<b>Nonoperating revenues (expenses)</b>		
Interest income	16,349	28,905
Interest expense	(431,478)	(451,107)
Amortization expense	(36,949)	(36,949)
Total nonoperating expenses	(452,078)	(459,151)
Loss before capital contributions	(838,374)	(508,605)
Developer contributions	1,755,155	702,444
Commercial user contributions	219,878	81,700
Grant revenues	-	10,000
<b>Change in net position</b>	1,136,659	285,539
Net position at beginning of year	79,273,577	78,988,038
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 80,410,236</b>	<b>\$ 79,273,577</b>

The accompanying notes are an integral part  
of the financial statements.

**CITY OF GEORGETOWN**  
**GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE**  
**STATEMENT OF CASH FLOWS**  
for the year ended  
June 30, 2013

	<b>2013</b>	<b>2012 Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 9,658,771	\$ 9,563,908
Payments to suppliers	(3,000,484)	(2,705,627)
Payments for employee services and benefits	(3,942,652)	(3,706,997)
Other receipts	330,038	322,663
Net cash provided by operating activities	3,045,673	3,473,947
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,784,532)	(2,075,646)
Capital contributions	509,745	375,103
Grants in aid of construction	-	10,000
Principal paid on capital debt	(1,342,831)	(1,281,647)
Draws on line of credit	-	1,000,000
Interest paid on capital debt	(473,405)	(522,190)
Net cash (used) by capital and related financing activities	(3,091,023)	(2,494,380)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(2,896)	(4,598)
Interest income	17,906	27,789
Net cash provided by investing activities	15,010	23,191
Net increase (decrease) in cash and cash equivalents	(30,340)	1,002,758
Cash and cash equivalents at beginning of year	2,510,012	1,507,254
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 2,479,672</b>	<b>\$ 2,510,012</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating loss	\$ (386,296)	\$ (49,454)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	3,499,310	3,456,185
Change in assets and liabilities:		
Receivables, net	(99,336)	(63,107)
Prepaid expense	(52,688)	(1,768)
Other assets	24,302	24,302
Accounts payable and other accrued liabilities	54,266	94,154
Customer deposits	6,115	13,635
Net cash provided by operating activities	<b>\$ 3,045,673</b>	<b>\$ 3,473,947</b>
<b>Supplemental disclosures of cash flow information:</b>		
<b>Non-cash capital and related financing activities:</b>		
Capital contributions (non-cash)	\$ 1,465,288	\$ 409,041
Increase (decrease) in contracts payable for capital items	\$ 48,849	\$ (254,673)
Deferred bond cost included with bonds payable	\$ 9,485	\$ 12,648

The accompanying notes are an integral part  
of the financial statements.



**CITY OF GEORGETOWN**  
**GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Georgetown, Kentucky, Georgetown Municipal Water and Sewer Service ("Water and Sewer Service") have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body of governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below, and where appropriate, subsequent pronouncements will be referenced.

**A. Reporting Entity**

The City of Georgetown, Kentucky ("the City") created the Georgetown Municipal Water and Sewer Service by a City Ordinance and has delegated the authority of managing and controlling the municipal water and sewer systems to the Board of Water and Sanitary Sewer Commissioners (Board). The Board consists of five members, which are appointed by the Mayor and approved by the City Council.

The City retains certain control over the Board including:

1. Approval of all contracts for the purchase of materials, supplies, and equipment which exceed \$20,000,
2. Issuing all debt instruments required for capital construction or maintenance purposes, and
3. Approval of changes in the customer rate structure for services provided.

Because of the above oversight criteria, The Georgetown Municipal Water and Sewer Service and their activities are considered to be a part of the reporting entity of the City. As such, these financial statements are not intended to present fairly the financial position, results of operations and cash flows of the City.

**B. Basis of Presentation, Fund Accounting**

The accounts of the Water and Sewer Service are organized on the basis of funds, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, net position, revenues and expenses, as appropriate.

The Water and Sewer Service has two enterprise funds consisting of one municipal water filtration plant, one distribution system, and two sewage treatment plants, which have been established to account for the acquisition, operation, and maintenance of the Water and Sewer Service facilities and services, which are entirely or predominately self-supported by user charges.

The sewage treatment plants are referred to as Wastewater Treatment Plant No. 1 and Wastewater Treatment Plant No. 2. Residents and businesses within the City have services provided by Wastewater Treatment Plant No. 1, and it is accounted for with the water system. Wastewater Treatment Plant No. 2 provides sanitary sewer service to a local manufacturing plant, with a portion of its capacity used for residential customers.

CITY OF GEORGETOWN  
GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Basis of Accounting**

The enterprise funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned, and expenses are recognized at the time liabilities are incurred. Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Service are charges to customers for sales and services. The Water and Sewer Service also recognizes as operating revenue connection fees intended to recover the costs of connecting new customers to the utility system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for account balances deemed not collectible, and the time period used to depreciate the utility plants. Actual results could differ from estimated amounts.

**E. Budgetary Control and Encumbrances**

*Budget Policy* - The Board annually prepares and approves a budget. The budget is prepared on the same basis as the financial statements, and budgetary control is maintained at the department level. Appropriations lapse at year end; however, uncompleted capital projects may be re-appropriated at the beginning of each fiscal year.

*Encumbrances* - The Water and Sewer Service does not report its financial statements on an encumbrance basis.

**F. Assets, Liabilities, and Net Position**

**Cash and cash equivalents-** For purposes of reporting cash flows, cash and cash equivalents consist of cash on hand, cash on deposit with banks, and certificates of deposit with an original maturity of less than three months (including amounts held in restricted assets accounts).

**Investments-** Investments are reported at fair value. Investments of the Water and Sewer Service consist of certificates of deposits with an original maturity of three months or greater.

**Receivables-** Customer accounts receivable reflect revenues earned or accrued in the current period from customers of the water and sewer system. These accounts are stated at face value less an allowance for uncollectible accounts of \$16,614. Accounts receivable from other governments include amounts due to be reimbursed on the cost of construction projects, which have been incurred by the Water and Sewer Service.

**CITY OF GEORGETOWN**  
**GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories-** Purchases of supplies are expensed when purchased and are not inventoried and reflected in the balance sheet. Generally, supplies are purchased as needed. This departure from GAAP is not considered material to the financial statements.

**Restricted Assets-** Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet since their use is limited by applicable bond and note indentures.

**Capital Assets-** Expenditures are items having a useful life greater than one year are capitalized. Capital assets are stated at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method as follows:

Buildings and improvements	15-40 years
Utility plant	15-40 years
Furniture, fixtures and equipment	7-10 years
Transportation and work equipment	5-10 years

Construction in progress represents construction projects for capital assets that have not yet been placed in service. Interest expense related to these projects has not been capitalized as the amount is minimal.

**Deferred Charges-** The discounts and costs associated with issuing debt are deferred and amortized to non-operating expenses, using the straight-line method over the life of the related debt.

**Contracts Payable-** Contracts payable reflect amounts due to contractors for work on construction projects, which were incurred at June 30, 2013, but unpaid at that date. This liability includes amounts held by the Water and Sewer Service for retainage, which is to be paid upon completion of the construction projects.

**Long-Term Obligations-** Long-term liabilities include (a) principal outstanding on revenue bonds and notes, and (b) accrued compensated absences, which reflect the extent that future benefits have been earned as it relates to rights attributable to employee services already rendered, and are probable of being paid out. Management has estimated a portion of the compensated absences to be a current liability.

**Restricted Net Position-** Restricted net position reflect funds held in various reserve accounts to meet the various covenants as may be specified and defined in the revenue bond and note indentures or as deemed appropriate by management.

When both restricted and unrestricted resources are available for use, it is the Water and Sewer Service's policy to use restricted resources first, then unrestricted resources as they are needed.

**CITY OF GEORGETOWN  
 GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2013**

**2. CASH AND INVESTMENTS**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Water and Sewer Service funds on deposit with the banks may not be returned or the Water and Sewer Service will not be able to recover collateral securities in the possession of an outside party. The Water and Sewer Service's policy requires bank balances to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. At June 30, 2013, all of the Water and Sewer Service's funds were fully insured or collateralized.

Under KRS 66.480, the Water and Sewer Service is allowed to invest in obligations of the U.S. treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Water and Sewer Service does not have a policy related to interest rate risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Water and Sewer Service's investment in a single issuer. The Water and Sewer Service's policy is that with the exception of fully insured or fully collateralized investments and demand deposit accounts, no more than 20% of the total investment portfolio shall be invested in a single security type of a single financial institution.

The Water and Sewer Service's investments at June 30, 2013 are as follows:

<u>Type of Investments</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
United Bank:				
Certificate of deposit	\$ 483,111	\$ 483,111	0.350%	11/17/2014
Certificate of deposit	122,405	122,405	0.350%	4/17/2015
Certificate of deposit	300,680	300,680	0.200%	8/2/2013
Certificate of deposit	201,201	201,201	0.450%	8/2/2014
Central Bank of Jefferson County:				
Certificate of deposit	172,836	171,297	0.896%	5/5/2014
Central Bank & Trust Company:				
Certificate of deposit	250,000	250,000	0.598%	3/26/2015
	<u>\$ 1,530,233</u>	<u>\$ 1,528,694</u>		

**CITY OF GEORGETOWN  
 GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2013**

**3. CAPITAL ASSETS**

The following is a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2013:

	<u>Balance July 01, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Land and easements	\$ 705,308	\$ 28,766	\$ -	\$ 734,074
Buildings, property, and equipment	7,743,278	45,381	(16,563)	7,772,096
Utility plants in service	133,915,612	3,153,411	-	137,069,023
Transportation and work equipment	1,590,064	75,141	(75,460)	1,589,745
Construction in progress	<u>360,265</u>	<u>630,441</u>	<u>(621,823)</u>	<u>368,883</u>
	<u>144,314,527</u>	<u>3,933,140</u>	<u>(713,846)</u>	<u>147,533,821</u>
Accumulated depreciation	<u>(57,664,621)</u>	<u>(3,499,311)</u>	<u>92,023</u>	<u>(61,071,909)</u>
	<u>\$ 86,649,906</u>	<u>\$ 433,829</u>	<u>\$ (621,823)</u>	<u>\$ 86,461,912</u>

Depreciation expense was charged to operations as follows:

Administration	\$ 34,806
Customer accounts	22,708
Water treatment plant	174,658
Water distribution	1,041,424
Engineering	8,308
Waste water treatment plant No. 1	1,552,005
Wastewater collections	172,410
Sewer plant No. 2	492,991
	<u>\$ 3,499,310</u>

**4. RETIREMENT PLAN**

The Water and Sewer Service is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2013, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky

**CITY OF GEORGETOWN  
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 June 30, 2013**

**4. RETIREMENT PLAN (CONTINUED)**

Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2013, participating employers contributed 19.55% of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employer and employee) and the actual percentage contributed for the Water and Sewer Service for the current and previous two years are as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 644,311	100%
2012	\$ 590,238	100%
2011	\$ 537,238	100%

**5. LONG-TERM DEBT**

**Bonds Payable, Notes Payable and Compensated Absences**

	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding Principal</u>
Revenue bonds:			
Water and Sewer, Series 2003A	2.00-4.125%	2023	\$ 3,210,000
Kentucky Rural Water & Sewer, Series 2007A	4.00-4.375%	2027	5,450,750
Deferred cost of refunding			<u>(9,485)</u>
Total revenue bonds			<u>8,651,265</u>
Notes payable and lines of credit:			
Kentucky Infrastructure Authority Subordinated Note, Series 2004	2.25-5.25%	2014	10,000
Kentucky Infrastructure Authority Subordinated Note, Series 1993	4.00%	2014	219,324
Kentucky Bank line of credit	2.98%	2014	<u>1,000,000</u>
Total notes payable and lines of credit			<u>1,229,324</u>
Other long-term obligations:			
Compensated absences			<u>344,057</u>
Total obligations			<u>10,224,646</u>
Less current portion of:			
Revenue bonds			938,000
Notes payable			229,324
Deferred cost of refunding			<u>(9,485)</u>
Total current portion			<u>1,157,839</u>
Total long-term obligations			<u>\$ 9,066,807</u>

**CITY OF GEORGETOWN  
 GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE  
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 June 30, 2013**

**5. LONG-TERM DEBT (CONTINUED)**

**Summary of Bonds, Notes and Compensated Absences Transactions**

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Revenue bonds	\$ 9,545,617	\$ -	\$ 894,352	\$ 8,651,265
Notes payable	1,665,155	-	435,831	1,229,324
Compensated absences	<u>354,787</u>	<u>-</u>	<u>10,730</u>	<u>344,057</u>
	<u>\$ 11,565,559</u>	<u>\$ -</u>	<u>\$ 1,340,913</u>	<u>\$ 10,224,646</u>

The annual requirements to amortize the Water and Sewer Service's indebtedness as of June 30, 2013 (including interest payments) are as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2014	\$ 383,749	\$ 1,167,324	\$ 1,551,073
2015	314,958	1,565,417	1,880,375
2016	293,076	588,417	881,493
2017	270,049	611,833	881,882
2018	245,576	636,250	881,826
2019-2023	824,361	3,580,167	4,404,528
2024-2027	<u>177,675</u>	<u>1,740,667</u>	<u>1,918,342</u>
	<u>\$ 2,509,444</u>	<u>\$ 9,890,075</u>	<u>\$ 12,399,519</u>

**Description of Bonds and Notes Payable-** The Water and Sewer Revenue Bonds, Series of 2003A, and 2003B are secured by a pledge of a fixed portion of the gross income and revenues of the water and sewer system other than from Wastewater Treatment Plant No.2. The Kentucky Rural Water Finance Corporation Water and Sewer Revenue Bonds, Series of 2007A are secured by a pledge of all system gross income and revenues. The bonds are subject to redemption prior to maturity at various times, along with a call premium, as more fully described in the ordinance.

The Kentucky Infrastructure Authority Subordinated Note, Series of 1993 and 2004, are secured by a second lien on the water and sewer system gross income and revenues, other than from Wastewater Treatment Plant No.2. The notes are subordinated to the revenue bonds.

The City entered into a \$3 million line of credit agreement with Kentucky Bank August 31, 2009, on behalf of the Water and Sewer Service for the purpose of financing wastewater improvements and additions.

The bond and note ordinances require that certain reserves be maintained as follows:

**Bond and Interest Reserve-** This reserve includes the sinking fund payments as required by the Revenue Bond ordinance, plus a Sinking Fund Reserve equal to the maximum annual debt service required on all revenue bonds outstanding of Water and Wastewater Treatment Plant No.1 which approximated \$778,352 at June 30, 2013. This reserve was fully funded at June 30, 2013.

**Depreciation Reserve-** All excess cash flow generated each month over and above that required for three month's operating expenses and sinking fund requirements, or \$5,000 per month, whichever is greater, are to be deposited into this reserve for use in financing contingencies or for the retirement of revenue bonds. The reserve has been funded as required. The balance in the reserve was \$1,804,692 at June 30, 2013.

**CITY OF GEORGETOWN**  
**GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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**5. LONG-TERM DEBT (CONTINUED)**

**Note and Interest Reserve-** This reserve receives sinking fund payments to meet semiannual debt service requirements on the subordinated note issued to finance the renovation and expansion of Water and Wastewater Treatment Plant No.1. At June 30, 2013 the reserve was fully funded with a balance of \$300,680.

**KIA Loan Reserve-** This reserve receives the sinking fund payments to meet the semiannual debt service requirements on the subordinated note issued to finance the renovation and expansion of Water and Wastewater Treatment Plant No.1. The reserve has been funded as required.

**6. CONTRIBUTED ASSETS**

Contributed assets totaling \$1,975,033 have been reported in the accompanying statement of revenues, expenses, and changes in fund assets. These contributions include \$1,465,288 [Fund 01] of water and sewer lines, which were constructed by developers and were contributed to the Water & Sewer Service and \$289,866 of cash contributions made by various state and local governments and developers. In addition, \$219,879 [Fund 02] of capital contributions were received from a commercial customer. These funds were used to construct various water and sewer projects.

**7. ECONOMIC DEPENDENCE**

One manufacturing plant accounted for 77% of the revenues of Wastewater Treatment Plant No.2. Ten customers accounted for 7% of the operating revenues of the Water and Wastewater Treatment Plant No.1.

**8. COMMITMENTS AND CONTINGENCIES**

The City entered into a \$3 million line of credit agreement with Kentucky Bank August 31, 2009, on behalf of the Water and Sewer Service for the purpose of financing wastewater improvements and additions. The line of credit was renewed during July 2012 at an interest rate of 2.98% and a maturity date of August 2014. At June 30, 2013, \$1,000,000 was due on the line of credit.

The Water and Sewer Service is subject to legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements. The Water and Sewer Service has insurance coverage from various entities, thus transferring risk of loss.

The following commitments to construction projects have been made as of June 30, 2013:

<u>Projects</u>	<u>Amount</u>
Water Treatment Plant Fluoride Tank	\$ 76,354
N/W Bypass Utility Relocation	\$ 11,533

**9. SUBSEQUENT EVENTS**

Financial Reporting for Pension Plans

In June 2012 the GASB approved a pair of related Statements that reflect substantial improvements to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans.



**CITY OF GEORGETOWN  
GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

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**9. SUBSEQUENT EVENTS (CONTINUED)**

Financial Reporting for Pension Plans, continued

The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. It is designed to improve the decision - usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments. Under the pension standards now in effect, cost-sharing employers have not been required to present actuarial information about pensions. Instead, information has been required to be presented in the pension plan's own financial statements for all of the participating governments combined.

Through its research, the GASB concluded that the needs of users of information regarding cost-sharing employers do not differ significantly from those interested in single and agent employers. Therefore, the GASB believes it is important to give users of the financial statements of cost-sharing employers access to better, more transparent financial information. Consequently, under the new standards the GASB is requiring that cost-sharing governments report a net pension liability, pension expense, and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective mounts for all the governments in the plan.

Statement No. 67 will take effect for pension plans in fiscal years beginning after June 15, 2013 (that is, for years ended June 30, 2014 or later).

2013A Revenue Bonds and 2013B Refunding Revenue Bonds

On September 9, 2013 the City of Georgetown authorized the sale of \$4,775,000 (subject to adjustment) of Water and Sewer Revenue Bonds, Series 2013A and \$2,675,000 (subject to adjustment) of Water and Sewer Refunding Revenue Bonds, Series 2013B.

The Series 2013A Bonds are being issued for the purposes of: (a) acquiring, constructing and installing major new water and sanitary sewer (wastewater) service facilities constituting part of the System, including (i) the acquisition, expansion and improvement of the Mallard Point Wastewater Collection System; and (ii) the acquisition, construction and installation of new wastewater pumping facilities and wastewater lines; (b) paying and discharging the 2009 Note; (c) funding a debt service reserve; and (d) paying costs of issuance of the Series 2013A Bonds.

The Series 2013B Bonds are being issued for the purposes of: (a) refunding, redeeming and discharging the City's Water and Sewer Revenue Bonds, Series 2003A; (b) funding a debt service reserve; and (c) paying costs of issuance of the Series 2013B Bonds.

The bond sale is scheduled for September 18, 2013. The date of bond closing and issuance is unknown at this time.

**10. MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS**

The Water and Sewer Service has evaluated and considered the need to recognize or disclose subsequent events through September 9, 2013; which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2013, have not been evaluated by the Water and Sewer Service.

## **SUPPLEMENTARY INFORMATION**

## COMBINING STATEMENTS

**CITY OF GEORGETOWN**  
**GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE**  
**COMBINING STATEMENT OF FUND NET POSITION**  
**June 30, 2013**

	<b>Water &amp; Wastewater Treatment Plant No. 1</b>	<b>Wastewater Treatment Plant No. 2</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 504,536	\$ -	\$ 504,536
Accounts receivable	888,991	178,296	1,067,287
Interfund receivable (payable)	1,631,267	(1,631,267)	-
Prepaid expenses	<u>65,575</u>	<u>12,785</u>	<u>78,360</u>
Total current assets	<u>3,090,369</u>	<u>(1,440,186)</u>	<u>1,650,183</u>
Noncurrent assets			
Restricted cash	1,975,136	-	1,975,136
Restricted investments	1,530,233	-	1,530,233
Accrued interest receivable	394	-	394
Other assets	190,298	-	190,298
Capital assets			
Construction in progress	368,883	-	368,883
Land and easements	604,055	130,019	734,074
Buildings, property and equipment	3,063,270	4,708,826	7,772,096
Utility plants in service	118,776,088	18,292,935	137,069,023
Transportation and work equipment	1,425,988	163,757	1,589,745
Less accumulated depreciation	<u>(47,176,863)</u>	<u>(13,895,046)</u>	<u>(61,071,909)</u>
Total noncurrent assets	<u>80,757,482</u>	<u>9,400,491</u>	<u>90,157,973</u>
Total assets	<u>\$ 83,847,851</u>	<u>\$ 7,960,305</u>	<u>\$ 91,808,156</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 62,700	\$ -	\$ 62,700
Accrued liabilities	696,107	40,102	736,209
Contracts payable	100,858	-	100,858
Current portion of long-term debt	1,157,839	-	1,157,839
Customer deposits	215,480	-	215,480
Accrued interest payable	<u>58,027</u>	<u>-</u>	<u>58,027</u>
Total current liabilities	<u>2,291,011</u>	<u>40,102</u>	<u>2,331,113</u>
Noncurrent liabilities			
Accrued expenses	247,284	96,774	344,058
Bonds, notes, and loans payable	<u>8,722,749</u>	<u>-</u>	<u>8,722,749</u>
Total noncurrent liabilities	<u>8,970,033</u>	<u>96,774</u>	<u>9,066,807</u>
Total liabilities	<u>11,261,044</u>	<u>136,876</u>	<u>11,397,920</u>
<b>NET POSITION</b>			
Net invested in capital assets	67,180,833	9,400,491	76,581,324
Restricted for debt service	3,232,256	-	3,232,256
Unrestricted	<u>2,173,718</u>	<u>(1,577,062)</u>	<u>596,656</u>
Total net position	<u>72,586,807</u>	<u>7,823,429</u>	<u>80,410,236</u>
Total liabilities and net position	<u>\$ 83,847,851</u>	<u>\$ 7,960,305</u>	<u>\$ 91,808,156</u>

**CITY OF GEORGETOWN**  
**GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET POSITION**  
**for the year ended**  
**June 30, 2013**

	<b>Water &amp; Wastewater Treatment Plant No. 1</b>	<b>Wastewater Treatment Plant No. 2</b>	<b>Totals</b>
<b>Operating revenues</b>			
Water revenue	\$ 4,166,502	\$ -	\$ 4,166,502
Sewer revenue	3,500,851	246,534	3,747,385
Connection fees	710,369	-	710,369
Commercial user fees	-	1,041,116	1,041,116
Miscellaneous	272,332	57,706	330,038
Penalties	<u>86,620</u>	<u>-</u>	<u>86,620</u>
Total operating revenues	<u>8,736,674</u>	<u>1,345,356</u>	<u>10,082,030</u>
<b>Operating expenses</b>			
Depreciation	3,006,319	492,991	3,499,310
Salaries and wages	2,217,571	496,008	2,713,579
Employee benefits	1,078,461	217,665	1,296,126
Purchased water	593,703	-	593,703
Utilities	535,025	130,596	665,621
Supplies	361,626	356,073	717,699
Maintenance and repairs	377,024	63,588	440,612
Insurance	151,477	26,113	177,590
Professional services	185,081	46,709	231,790
Conferences, training, and meetings	71,053	4,518	75,571
Miscellaneous	<u>56,725</u>	<u>-</u>	<u>56,725</u>
Total operating expenses	<u>8,634,065</u>	<u>1,834,261</u>	<u>10,468,326</u>
Operating gain (loss)	<u>102,609</u>	<u>(488,905)</u>	<u>(386,296)</u>
<b>Nonoperating revenues (expenses)</b>			
Interest income	16,349	-	16,349
Interest expense	(431,478)	-	(431,478)
Amortization expense	<u>(36,949)</u>	<u>-</u>	<u>(36,949)</u>
Total nonoperating revenue (expenses)	<u>(452,078)</u>	<u>-</u>	<u>(452,078)</u>
Loss before capital contributions	(349,469)	(488,905)	(838,374)
Developer contributions	1,755,155	-	1,755,155
Commercial user contributions	<u>-</u>	<u>219,878</u>	<u>219,878</u>
<b>Change in net position</b>	<b>1,405,686</b>	<b>(269,027)</b>	<b>1,136,659</b>
Net position at beginning of year	<u>71,181,121</u>	<u>8,092,456</u>	<u>79,273,577</u>
<b>NET POSITION AT END OF YEAR</b>	<b><u>\$ 72,586,807</u></b>	<b><u>\$ 7,823,429</u></b>	<b><u>\$ 80,410,236</u></b>

**CITY OF GEORGETOWN**  
**GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**for the year ended**  
**June 30, 2013**

	<b>Water &amp; Wastewater Treatment Plant No. 1</b>	<b>Wastewater Treatment Plant No. 2</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 8,449,221	\$ 1,209,550	\$ 9,658,771
Payments to suppliers	(2,359,941)	(640,543)	(3,000,484)
Payments for employee services and benefits	(3,239,550)	(703,102)	(3,942,652)
Internal activity - payments to other funds	(76,389)	76,389	-
Other receipts	<u>272,332</u>	<u>57,706</u>	<u>330,038</u>
Net cash provided by operating activities	<u>3,045,673</u>	<u>-</u>	<u>3,045,673</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(1,564,653)	(219,879)	(1,784,532)
Capital contributions	289,866	219,879	509,745
Principal paid on capital debt	(1,342,831)	-	(1,342,831)
Interest paid on capital debt	<u>(473,405)</u>	<u>-</u>	<u>(473,405)</u>
Net cash used by capital and related financing activities	<u>(3,091,023)</u>	<u>-</u>	<u>(3,091,023)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(2,896)	-	(2,896)
Interest income	<u>17,906</u>	<u>-</u>	<u>17,906</u>
Net cash provided by investing activities	<u>15,010</u>	<u>-</u>	<u>15,010</u>
Net decrease in cash and cash equivalents	(30,340)	-	(30,340)
Cash and cash equivalents at beginning of year	<u>2,510,012</u>	<u>-</u>	<u>2,510,012</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 2,479,672</u>	<u>\$ -</u>	<u>\$ 2,479,672</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating gain (loss)	\$ 102,609	\$ (488,905)	\$ (386,296)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	3,006,319	492,991	3,499,310
Change in assets and liabilities:			
Receivables, net	(21,236)	(78,100)	(99,336)
Interfund activity	(76,389)	76,389	-
Prepaid expense	(44,013)	(8,675)	(52,688)
Other assets	24,302	-	24,302
Accounts payable and other accrued liabilities	47,966	6,300	54,266
Customer deposits	<u>6,115</u>	<u>-</u>	<u>6,115</u>
Net cash provided by operating activities	<u>\$ 3,045,673</u>	<u>\$ -</u>	<u>\$ 3,045,673</u>
Supplemental disclosures of cash flow information:			
Non-cash capital and related financing activities:			
Capital contributions (non-cash)	\$ 1,465,288	\$ -	\$ 1,465,288
Increase (decrease) in contracts payable for capital items	\$ 48,849	\$ -	\$ 48,849
Deferred bond cost included with bonds payable	\$ 9,485	\$ -	\$ 9,485

**COMPARATIVE STATEMENTS  
WATER AND WASTEWATER TREATMENT PLANT NO. 1**

**CITY OF GEORGETOWN**  
**GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE**  
**WATER AND WASTEWATER TREATMENT PLANT NO. 1**  
**STATEMENT OF FUND NET POSITION**  
**June 30, 2013**

<b>ASSETS</b>	<b>2013</b>	<b>2012 Totals</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 504,536	\$ 485,556
Accounts receivable	888,991	867,755
Interfund receivable	1,631,267	1,554,878
Prepaid expenses	65,575	21,562
<b>Total current assets</b>	<u>3,090,369</u>	<u>2,929,751</u>
<b>Noncurrent assets</b>		
Restricted cash	1,975,136	2,024,456
Restricted investments	1,530,233	1,527,337
Accrued interest receivable	394	1,951
Other assets	190,298	214,600
<b>Capital assets</b>		
Construction in progress	368,883	360,265
Land and easements	604,055	575,289
Buildings, property and equipment	3,063,270	3,035,432
Utility plants in service	118,776,088	115,841,576
Transportation and work equipment	1,425,988	1,426,307
Less accumulated depreciation	<u>(47,176,863)</u>	<u>(44,262,567)</u>
<b>Total noncurrent assets</b>	<u>80,757,482</u>	<u>80,744,646</u>
<b>Total assets</b>	<u>\$ 83,847,851</u>	<u>\$ 83,674,397</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 62,700	\$ 71,216
Accrued liabilities	696,107	622,268
Interfund payable	-	-
Contracts payable	100,858	52,009
Current portion of long-term debt	1,157,839	1,329,183
Customer deposits	215,480	209,365
Accrued interest payable	58,027	63,005
<b>Total current liabilities</b>	<u>2,291,011</u>	<u>2,347,046</u>
<b>Noncurrent liabilities</b>		
Accrued expenses	247,284	264,641
Bonds, notes, and loans payable	8,722,749	9,881,589
<b>Total noncurrent liabilities</b>	<u>8,970,033</u>	<u>10,146,230</u>
<b>Total liabilities</b>	<u>11,261,044</u>	<u>12,493,276</u>
<b>NET POSITION</b>		
Net invested in capital assets	67,180,833	65,765,530
Restricted for debt service	3,232,256	3,281,374
Unrestricted	2,173,718	2,134,217
<b>Total net position</b>	<u>72,586,807</u>	<u>71,181,121</u>
<b>Total liabilities and net position</b>	<u>\$ 83,847,851</u>	<u>\$ 83,674,397</u>



**CITY OF GEORGETOWN  
 GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE  
 WATER AND WASTEWATER TREATMENT PLANT NO. 1  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 for the year ended  
 June 30, 2013**

	<b>2013</b>	<b>2012 Totals</b>
<b>Operating revenues</b>		
Water revenue	\$ 4,166,502	\$ 4,067,307
Sewer revenue	3,500,851	3,370,648
Connection fees	710,369	814,425
Miscellaneous	272,332	287,851
Penalties	86,620	80,386
Total operating revenues	8,736,674	8,620,617
 <b>Operating expenses</b>		
<b>Administration</b>		
Depreciation	34,806	36,240
Salaries and wages	286,971	273,712
Employee benefits	134,714	124,918
Utilities	13,342	12,779
Supplies	14,317	15,695
Maintenance and repairs	31,137	34,019
Insurance	7,775	6,152
Professional services	5,855	6,762
Conferences, training, and meetings	23,093	20,407
Miscellaneous	505	4,242
Total administration expenses	552,515	534,926
 <b>Customer accounts</b>		
Depreciation	22,708	23,576
Salaries and wages	255,306	262,561
Employee benefits	142,012	134,723
Utilities	9,643	9,189
Supplies	117,770	120,380
Maintenance and repairs	28,418	32,880
Insurance	5,974	4,826
Professional services	4,575	4,192
Conferences, training, and meetings	6,649	3,971
Miscellaneous	55,141	37,456
Total customer accounts expenses	648,196	633,754

**CITY OF GEORGETOWN**  
**GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE**  
**WATER AND WASTEWATER TREATMENT PLANT NO. 1**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
for the year ended  
June 30, 2013

	<b>2013</b>	<b>2012 Totals</b>
Water treatment plant		
Depreciation	174,658	197,533
Salaries and wages	357,371	324,258
Employee benefits	149,426	145,538
Purchased water	593,703	394,053
Utilities	133,580	124,063
Supplies	131,368	158,473
Maintenance and repairs	44,595	39,061
Insurance	14,120	12,992
Professional services	11,030	9,610
Conferences, training, and meetings	7,360	9,617
Miscellaneous	-	816
Total water treatment plant expenses	<u>1,617,211</u>	<u>1,416,014</u>
Water distribution		
Depreciation	1,041,424	1,055,077
Salaries and wages	483,461	451,107
Employee benefits	231,029	224,330
Utilities	43,700	50,039
Supplies	21,636	15,173
Maintenance and repairs	72,211	66,969
Insurance	45,800	44,377
Professional services	8,164	6,306
Conferences, training, and meetings	12,714	12,395
Miscellaneous	-	270
Total water distribution expenses	<u>1,960,139</u>	<u>1,926,043</u>
Wastewater treatment plant #1		
Depreciation	1,552,005	1,571,968
Salaries and wages	302,996	261,136
Employee benefits	149,442	125,785
Utilities	197,777	180,416
Supplies	44,139	40,780
Maintenance and repairs	110,613	116,756
Insurance	34,773	33,091
Professional services	137,537	134,892
Conferences, training, and meetings	8,637	9,110
Miscellaneous	1,079	3,953
Total wastewater treatment plant #1 expenses	<u>2,538,998</u>	<u>2,477,887</u>

**CITY OF GEORGETOWN**  
**GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE**  
**WATER AND WASTEWATER TREATMENT PLANT NO. 1**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**for the year ended**  
**June 30, 2013**

	<b>2013</b>	<b>2012 Totals</b>
Engineering		
Depreciation	8,308	7,149
Salaries and wages	202,354	218,861
Employee benefits	113,846	124,485
Utilities	5,603	6,124
Supplies	8,487	5,639
Maintenance and repairs	10,502	17,019
Insurance	7,665	5,959
Professional services	5,020	4,621
Conferences, training, and meetings	959	5,665
Miscellaneous	-	884
	<u>362,744</u>	<u>396,406</u>
 Total engineering expenses		
	<u>362,744</u>	<u>396,406</u>
Wastewater collections		
Depreciation	172,410	71,323
Salaries and wages	329,112	306,357
Employee benefits	157,992	148,830
Utilities	131,380	103,062
Supplies	23,909	24,231
Maintenance and repairs	79,548	69,420
Insurance	35,370	35,967
Professional services	12,900	10,300
Conferences, training, and meetings	11,641	13,588
Miscellaneous	-	572
	<u>954,262</u>	<u>783,650</u>
 Total wastewater collections expenses		
	<u>954,262</u>	<u>783,650</u>
 Total operating expenses	<u>8,634,065</u>	<u>8,168,680</u>
 Operating income (loss)	<u>102,609</u>	<u>451,937</u>
 <b>Nonoperating revenues (expenses)</b>		
Interest income	16,349	28,905
Interest expense	(431,478)	(451,107)
Amortization expense	(36,949)	(36,949)
	<u>(452,078)</u>	<u>(459,151)</u>
 Total nonoperating revenue (expenses)		
	<u>(452,078)</u>	<u>(459,151)</u>
 Income (loss) before capital contributions and other expense	<u>(349,469)</u>	<u>(7,214)</u>
 Developer contributions	1,755,155	702,444
Grant revenues	-	10,000
	<u>1,755,155</u>	<u>712,444</u>
 <b>Change in net position</b>	<u>1,405,686</u>	<u>705,230</u>
 Net position at beginning of year	<u>71,181,121</u>	<u>70,475,891</u>
 <b>NET POSITION AT END OF YEAR</b>	<u>\$ 72,586,807</u>	<u>\$ 71,181,121</u>

**COMPARATIVE STATEMENTS  
WASTEWATER TREATMENT PLANT NO. 2**

CITY OF GEORGETOWN  
 GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE  
 WASTEWATER TREATMENT PLANT NO. 2  
 STATEMENT OF FUND NET POSITION  
 June 30, 2013

	2013	2012 Totals
<b>ASSETS</b>		
Current assets		
Accounts receivable	\$ 178,296	\$ 100,196
Interfund receivable	-	-
Prepaid expenses	12,785	4,110
Total current assets	191,081	104,306
Noncurrent assets		
Capital assets		
Land and easements	130,019	130,019
Buildings, property and equipment	4,708,826	4,707,846
Utility plants in service	18,292,935	18,074,036
Transportation and work equipment	163,757	163,757
Less accumulated depreciation	(13,895,046)	(13,402,054)
Total noncurrent assets	9,400,491	9,673,604
Total assets	\$ 9,591,572	\$ 9,777,910
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ -	\$ 4,271
Accrued liabilities	40,102	36,159
Interfund payable	1,631,267	1,554,878
Total current liabilities	1,671,369	1,595,308
Noncurrent liabilities		
Accrued expenses	96,774	90,146
Total liabilities	1,768,143	1,685,454
<b>NET POSITION</b>		
Net invested in capital assets	9,400,491	9,673,604
Unrestricted	(1,577,062)	(1,581,148)
Total net position	7,823,429	8,092,456
Total liabilities and net position	\$ 9,591,572	\$ 9,777,910

**CITY OF GEORGETOWN  
 GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE  
 WASTEWATER TREATMENT PLANT NO. 2  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 for the year ended  
 June 30, 2013**

	<b>2013</b>	<b>2012 Totals</b>
<b>Operating revenues</b>		
Sewer revenue	\$ 246,534	\$ 222,975
Commercial user fees	1,041,116	1,057,639
Miscellaneous	57,706	34,812
Total operating revenues	1,345,356	1,315,426
<b>Operating expenses</b>		
Depreciation	492,991	493,319
Salaries and wages	496,008	451,510
Employee benefits	217,665	206,561
Utilities	130,596	117,109
Supplies	356,073	373,165
Maintenance and repairs	63,588	102,022
Insurance	26,113	24,639
Professional services	46,709	44,135
Conferences, training, and meetings	4,518	3,942
Miscellaneous	-	415
Total operating expenses	1,834,261	1,816,817
Operating income (loss)	(488,905)	(501,391)
Capital contributed		
Commercial user contributions	219,878	81,700
<b>Change in net position</b>	(269,027)	(419,691)
Net position at beginning of year	8,092,456	8,512,147
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 7,823,429</b>	<b>\$ 8,092,456</b>

# Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

**INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Water and Sanitary  
Sewer Commissioners  
City of Georgetown  
Georgetown, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Georgetown Municipal Water and Sewer Service ("Water and Sewer Service"), a component unit of the City of Georgetown, Kentucky, (as listed in the table of contents), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Georgetown Municipal Water and Sewer Service's basic financial statements, and have issued our report thereon dated September 9, 2013.

#### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Georgetown Municipal Water and Sewer Service's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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**INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**

**Purpose of this Report**

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

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
Lexington, Kentucky  
September 9, 2013



21. State whether the description of GMWSS's wastewater collection and treatment assets as found in *Kentucky Wastewater Management Plan* is accurate.

**RESPONSE:**

The information is correct except as shown on the attached System Summary for GMWSS STP #2 (Wastewater Treatment Plant #2). The statistical information has been updated. In addition, the Project No. SX21209007 for the “City of Georgetown – WWTP #1 Rbc Demolition” proposed project is erroneously listed under STP #2. This proposed project is for STP #1.

**WITNESS:** Robert Wilhite, General Manager, GMWSS

Scott County (continued)

System Summary for GMWSS STP #2

Permit ID	KY0082007	Treats Wastewater	Yes, 2.2 MGD with 0.92 MGD Ave.
System Type	KIPDES Public Wastewater	Total Connections	1,526 <del>1,117</del>
Owner Type	City / Municipal Utility	KISOP Sender	No
Employees	6	Total KISOP Sent (MG)	-
Cost Per 4000 Gallons	\$18.98	Total KISOP Treated (MG)	-
Residential Customers	1,525 <del>1,112</del>	Total Treated (MG)	311,000
Commercial Customers	-	Number of Manholes	893 <del>450</del>
Institutional Customers	-	Number of Lift Stations	18 <del>11</del>
Industrial Customers (TOYOTA)	1	Percent Lines 20 yrs or Older	0%
KISOP Customers	-	Has Facility Plan	Yes, 90% Constructed
Total Collection System Line Length = 58.72 miles (Collection: 31.26 miles, Interceptors: 27.46 miles) ✓			

MG = Million Gallons  
 MGD = Million Gallons per Day.

Project Summary (Top 18 Approved, 0-5 years) for GMWSS STP #2

PNUM	Project Title	Schedule	Funding Status	Project Cost	Primary County	Regional Ranking	Local Ranking
SX21209007	City of Georgetown-WWTP #1 Rbc Demolition (For WWTP #1 only)	0-2 Years	Not Funded	\$350,000	Scott		



22. State the value at which the Scott County Property Valuation Administrator assesses the property that will be transferred to Georgetown.

**RESPONSE:**

Mallard Point Disposal receives only one (1) property tax bill from the Scott County Property Valuation Administrator (PVA). Attached is a copy of the Scott County PVA Property Tax Summary for Mallard Point Disposal. The assessed value is \$33,750. This is for the parcel of real estate where the Mallard Point Wastewater Treatment Plant is located. Neither the Mallard Point Wastewater Treatment Plant nor this parcel of real estate will be transferred to Georgetown.

**WITNESS:** Mark S. Smith, President and Sole Shareholder, Mallard Point Disposal

PDF . 2013 ——— SCOTT COUNTY PVA PROPERTY TAX SUMMARY ——— 2013

DST 00 CLS 3 PVA# 201018445 GIS# 131-00-051.000 -000 MAP# 42-10A  
 OWNER MALLARD POINT DISPOSAL SYSTEMS INC F/A 1 2014 COMMERCIAL  
 OWNER2 . P/OWN MALLARD POINT LLC  
 M/ADD1 118 SOUTH BROADWAY .DRF 271/106  
 M/ADD2 . SALE DATE 02/26/03 SALE PRICE  
 S/S/Z: GEORGETOWN KY 40324-1308 . PREV ASSMT 33,750  
 RATIO: PPSF VALID SALE: CODE: A  
 HSE NO 232 STR NAM: WRIGHTS LN REQUEST NOTICE  
 ADR2 WRIGHTS LN 232 COUNTY SUBD COMM WASTE WATER  
 LND FARM ACRES TAX 33,750  
 IMP- AGV LND CLD 33,750 FCV LND/P/AC 15,000  
 RES- AGV IMP 0 CMP LAND VAL \$PSF .34  
 MOBILE TOT AGV COM 33,750 CARD A SPECIAL  
 LOT ACR 2.2500 AG/FCV RES ELD SP COM NOTICE  
 LOT SF FCV LND 0 EMP PHASE SECT  
 HEX FCV IMP 0 EXT BLOCK UNIT  
 DIS TOT FCV CLASS LOT 1 PLAT 7/306  
 COMMENTS: . REVIEWED 12/11/12  
 U/C . RN# 18445