

# SWORD FLOYD & MOODY PLLC

## ATTORNEYS AT LAW

218 WEST MAIN STREET

P.O. BOX 300

RICHMOND, KENTUCKY 40476-0300

PHONE: 859-623-3728 • FAX: 859-623-4224

MORRIS B. FLOYD  
DAVID L. BOHANNON  
MICHAEL R. EAVES  
STUART K. OLDS

ALICIA A. STILL  
ROBERT V. JENNINGS  
MORGAN H. EAVES

JOHN D. SWORD  
Retired

SALEM W. MOODY  
1905-1992

December 3, 2014

Kentucky Public Service Commission  
211 Sower Blvd  
PO Box 615  
Frankfort KY 40602-0615

**Re: Application of the City of Irvine Utility Commission to acquire the facilities of the Estill County Water District No. 1**

Dear Sir or Madam:

Please be advised that I represent the City of Irvine and the Irvine Utility Commission which seeks PSC consent to acquire the transmission facilities (piping and pump stations) of the Estill County Water District No. 1 in Estill County, Kentucky so as to enable wastewater being treated by the District to be delivered to and treated by the Irvine Municipal Utility Commission at its new treatment facility in Irvine, Kentucky.

By way of background, the City of Irvine and Estill County agreed to the terms of a Regional Facilities Plan in 2005 pursuant to which the City of Irvine was to expand and enlarge its existing sewer treatment facility and, once complete, sewage being treated by the Estill County Water District was to be diverted to the City's new facility for treatment and thereafter the District's treatment facility was to be abandoned. Excerpts from the Regional Facilities Plan are included in the Appendix to the application.

Basically, at the time both the City's treatment facility and the District's treatment facility were operating beyond capacity and the District's facility was out of compliance with its discharge permit. This regionalization approach was to substantially expand the available capacity for both the City and the County, and enable the District to eliminate its sub-standard treatment facility.

After millions of dollars in grants and loans, Irvine's treatment facility is now on-line and has more than enough capacity to treat the sewage from the City, the District's current customers, and the County's future customers. The terms of the agreement between the District and Irvine Municipal Utilities are contained in the Appendix to the application.

Because the District's treatment facility has failed and is operating outside its permitted boundaries, it is imperative that the transaction contemplated by this application be finalized and approved as quickly as possible. Anything that can be done to expedite the request would be both appreciated and in the public interest.

I am taking the liberty of including at the bottom of this letter the names, addresses and email addresses for Hon. Larry Anderson, attorney representing Estill County Water District and Billy F. Williams, Operations Manager for Irvine Municipal Utilities.

Please do not hesitate to contact me if you require additional information.

Sincerely,

SWORD, FLOYD & MOODY, PLLC



Michael R. Eaves  
[eaves@sfmky.com](mailto:eaves@sfmky.com)

MRE/ks  
Enclosures

Hon. Larry Anderson  
4115 Woodmont Park Lane  
Louisville KY 40245  
[dessiea1@att.net](mailto:dessiea1@att.net)

Billy F. Williams  
Operations Manager  
Irvine Municipal Utilities  
238 Broadway  
Irvine KY 40336  
[irvinewater@irvineonline.net](mailto:irvinewater@irvineonline.net)

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

JOINT APPLICATION OF THE CITY OF IRVINE UTILITY COMMISSION AND ESTILL  
COUNTY WATER DISTRICT NO. 1 FOR AN ORDER APPROVING TRANSFER OF  
WASTERWATER TREATMENT FACILITIES AND SERVICES

\*\*\*\*\*

JURISDICTION

The Kentucky Public Service Commission (“PSC”) has jurisdiction over this matter pursuant to KRS 278.020(5) and KRS 278.020(6).

PETITIONERS

1. City of Irvine Utility Commission (“IMU”) is a department of the City of Irvine, doing business at 238 Broadway Street, Irvine, Kentucky. IMU provides drinking water and wastewater treatment to the residents of the City.

2. Estill County Water District No. 1 (“The District”) is a water district formed by Orders of Estill County Fiscal Court, doing business at 76 Cedar Grove Road, Irvine, Kentucky. The District provides residents of Estill County with clean water and to limited areas, wastewater treatment.

PROPOSED TRANSFER AGREEMENT

3. Subject to the approval of PSC and other relevant regulatory agencies, IMU and The District entered into a Settlement Agreement on September 15, 2014, a copy of which is attached hereto and marked as “Exhibit A.”

4. The City of Irvine has built a new wastewater treatment facility, which is now on-line. The Settlement Agreement provides that, subject to the approval of PSC and other regulatory agencies, IMU will take over ownership and operation of so much of The District’s facilities as allows the diversion of the existing wastewater being generated by The District’s customers to the IMU’s new wastewater treatment facility for treatment, thus allowing The District to close its existing, outdated, treatment plant.

5. Other material terms of the agreement, which can be found in full in “Exhibit A” attached hereto, provide the following:

- a. The District shall transfer to IMU all of The District’s sewer customers, and relevant records for such customers.

- b. The District shall transfer such personal property, equipment, and vehicles as stated in the asset list of “Exhibit A”, attached hereto.
- c. The District shall transfer to IMU all in-ground and above-ground sewer lines, collection systems, and pump stations owned by The District and used for the transmission of wastewater from the customer to the IMU’s new treatment facility.
- d. The District shall transfer to IMU all easements, licenses and rights to use the land over or under which exist the sewer facilities outlined in the above section (c), and all easements over, across, under and through the real property upon which The District’s existing wastewater treatment plant is located.
- e. After implementation of the Settlement Agreement all The District’s current sewer treatment customers shall be the customers of IMU; be billed by IMU at the rates set forth in the Agreement; and shall be provided service by IMU.
- f. The District shall decommission and abandon use of its existing wastewater treatment and sewer facility.

6. By unanimous vote, The Estill County Fiscal Court voted in favor of the Settlement Agreement, subject to the approval of the PSC and relevant regulatory agencies. See meeting minutes attached hereto as “Exhibit B.”

7. By unanimous vote, The City of Irvine, and, thus, IMU voted in favor of the Settlement Agreement, subject to the approval of the PSC and other relevant regulatory agencies. See meeting minutes, attached hereto as “Exhibit C.”

#### KRS 278.020(5) Requirements

8. PSC should approve the transaction outlined in the Settlement Agreement entered into by the Applicants pursuant to KRS 278.020(5). IMU has the financial, technical and managerial abilities to provide reasonable wastewater treatment and sewer services to residents of those areas now served by the District within Estill County. The Settlement Agreement is consistent with the parties Regional Facilities Plan and will eliminate a treatment plant now operated by The District which is both antiquated and the license of which has not been renewed.

9. Attached hereto and marked as “Exhibit D” is an audited financial statement from The City of Irvine and IMU, indicating their finances are in stable condition, an indication that IMU has the financial ability to provide reasonable wastewater treatment and sewer services to the citizens of Estill County, pursuant to KRS 278.020(5).

10. IMU been providing wastewater treatment and sewer services to residents of the City of Irvine for 50 years—and continues to do so. Such experience demonstrates IMU’s

technical and managerial abilities to provide reasonable wastewater treatment and sewer services to residents of Estill County, pursuant to KRS 278.020(5).

KRS 278.020(6) Requirements

11. PSC should approve the Settlement Agreement entered into by the Applicants pursuant to KRS 278.020(6). IMU's acquisition of The District's sewer customers and its transmission facilities is consistent with the law, for a proper purpose, and is consistent with the public interest. An outdated, unlicensed treatment facility will be closed and existing District customers sewage treated in a new facility to current standards.

12. The Kentucky Energy and Environment Cabinet currently has an enforcement action pending against The District, stemming from The District operating its wastewater treatment and sewer facilities at above capacity and other environmental concerns, and is currently operating without a permit, as shown in "Exhibit E," attached hereto. For this reason it is respectfully requested that consideration and approval of this Application be expedited and approved without delay.

WHEREFORE, the Applicants pray that the PSC:

1. Expedite its decision;
2. Approve the terms of the Settlement Agreement, which are fully outlined in "Exhibit A", attached hereto; and
3. Provide the Applicants such other relief as they may be entitled.

SWORD FLOYD & MOODY, PLLC

By: 

Michael R. Eaves  
Morgan H. Eaves  
*Counsel for IMU*

ADDRESS: 218 West Main Street  
P. O. Box 300  
Richmond, KY 40476-0300  
(859) 623-3728  
[eaves@sfmky.com](mailto:eaves@sfmky.com)

Copy to:  
Larry R. Anderson  
4115 Woodmont Park Lane  
Louisville Kentucky 40245  
*Attorney for Estill County Water District*  
[dessieal@att.net](mailto:dessieal@att.net)

**ESTILL COUNTY WATER DISTRICT NO. 1 ESTILL COUNTY, KENTUCKY  
BY ITS FISCAL COURT**

By: Greg Wright

Its: Chairman

Date: Nov 25, 2014

By: Walt C. T. Jr

Its: County Judge

Date: 11/24/14

**CITY OF IRVINE, KENTUCKY**

By: Earl L. Lee

Its: Mayor

Date: 11-26-14

**CITY OF IRVINE UTILITY COMMISSION**

By: Johnny Spinks

Its: Chairman

Date: 12-1-14

STATE OF KENTUCKY  
SCT  
COUNTY OF MADISON

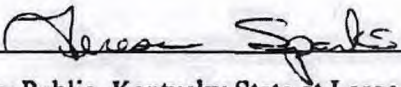
Subscribed, acknowledged and sworn to before me by Greg Wright,  
Chairman of the Estill County Water District No. 1, on this the 25<sup>th</sup> day of  
November, 2014.

Jessie Spinks  
Notary Public, Kentucky State at Large

My Commission Expires: 06/07/16.

STATE OF KENTUCKY  
SCT  
COUNTY OF MADISON

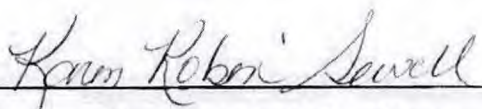
Subscribed, acknowledged and sworn to before me by Wallace C. Taylor  
County Judge Executive of Estill County Fiscal Court, on this the 26<sup>th</sup> day of  
November, 2014.

  
\_\_\_\_\_  
Notary Public, Kentucky State at Large

My Commission Expires: 11/29/14.

STATE OF KENTUCKY  
SCT  
COUNTY OF MADISON

Subscribed, acknowledged and sworn to before me by  
Ernest Farmer, Jr., Mayor of the City of Irvine, on this the 16 day of  
November, 2014.

  
\_\_\_\_\_  
Notary Public, Kentucky State at Large

My Commission Expires: 11/29/14.

STATE OF KENTUCKY

SCT

COUNTY OF MADISON

Subscribed, acknowledged and sworn to before me by Johnny Shepleed, Chairman of  
the City of Irvine Utility Commission, on this the 1<sup>st</sup> day of  
December, 2014.

Bin K. Crowe

Notary Public, Kentucky State at Large

My Commission Expires: 9/22/17.



## **APPENDIX**

- A. Memorandum Settlement Agreement
- B. Minutes of Estill County Fiscal Court approving Memorandum Settlement Agreement
- C. Minutes of City of Irvine, City Counsel, approving Memorandum Settlement Agreement
- D. Audited financial statement – Irvine Municipal Utilities
- E. Division of Water Denial of Estill County Water District's KPDES permit
- F. Staff Opinion that transfer requires PSC approval
- G. Excerpts from Regional Facilities Plan prepared by Irvine Municipal Utilities in approximately 2005 and Resolution approving it
- H. Ordinance creating Irvine Municipal Utilities
- I. Order of Estill Fiscal Court creating Estill County Water District No. 1
- J. Affidavit of Billy F. Williams, II

## MEMORANDUM SETTLEMENT AGREEMENT

This Agreement is made and entered into as of the 15<sup>th</sup> day of SEPTEMBER, 2014, by and between Estill County Water District No. 1, a district established by the Estill County Fiscal Court pursuant to the provision of KRS Chapter 74 ("District"); Estill County, Kentucky, by and through the Estill County Fiscal Court ("County"); the City of Irvine, Kentucky, a municipal corporation ("City"); and the City of Irvine Utility Commission, a Department of the City ("IMU")

WITNESSETH THAT WHEREAS, the District is a water district formed by the previous orders of the County and provides residents of Estill County with clean water and wastewater treatment; and

WHEREAS, IMU is a department of the City which provides drinking water and wastewater treatment services to the residents of the City; and

WHEREAS, the City and the County have adopted a 2005 Regional Facilities Plan, approved by the Commonwealth of Kentucky, Division of Water, in which the City and the County agree to the joint resolution of their respective inadequate wastewater treatment facilities operating, at that time, beyond capacity and in violation of various State and Federal parameters; and

WHEREAS, subsequent to the date of adoption of the 2005 Regional Facilities Plan (the "Plan"), the District, the County, the City and IMU, on June 6, 2007, executed a certain Memorandum of Agreement whereby the parties agreed to pursue construction of a new City wastewater treatment facility to be owned and operated by the City and IMU and to which the District's wastewater flow would be diverted through the District's collections system and new pump stations; and



WHEREAS, subsequently, on or about August 27, 2009, the District and the City entered into a certain Sewer Contract which further refined the parties' agreement for the construction by the City and the utilization by the District of a new wastewater treatment plant; and

WHEREAS, the City's new wastewater treatment plant is now on-line and in operation but disputes have arisen between the City and IMU, on one hand and the District, on the other concerning the fees to be paid by the District to IMU for use of the new wastewater treatment plant and the District's ultimate responsibility to divert its wastewater to the new facility; and

WHEREAS, in order to resolve the dispute, the City of Irvine has instituted litigation in the Estill Circuit Court, being Civil Action Number 14-CI-21, styled The City of Irvine Utility Commission v. Estill County Water District No. 1 (the "Litigation"); and

WHEREAS, the Parties have agreed to the resolution and settlement of the dispute and of the litigation and wish to reduce their agreement to writing so there can be no misunderstanding concerning the terms thereof.

Now therefore, in consideration of the mutual promises and obligations imposed herein, the Parties hereto do covenant and agree as follows:

1. That on or before the 20<sup>th</sup> day of OCTOBER, 2014 (the "Effective Date"), the District shall transfer to IMU:

- a) The personal property, equipment and vehicles described in Exhibit A hereto;
- b) All of its sewer customers, a list of which shall be delivered to IMU within 15 days following execution of this Agreement;

- c) Its sewer customers' records, or so much thereof or copies thereof as are requested by IMU, from time to time;
- d) Its sewer customers' accounts receivable;
- e) All of the District's in-ground and above-ground sewer lines, collection systems, pump stations, and similar District owned facilities by which wastewater is transmitted from individual users or systems to a point at which it can be delivered to the newly installed pump station where it can be conveyed to IMU's new treatment facility, of every kind, nature and description;
- f) All easements, licenses and rights to use the land over or under which exists the sewer facilities described in the preceding paragraph;
- g) Easements over, across, under and through the real property upon which is constructed the District's existing wastewater treatment plant, to the extent existing lines and collection facilities are located there and are required for the conveyance of the District's waste water to the newly constructed pump station, for conveyance to IMU's newly constructed wastewater treatment plant.

The conveyance or transfers outlined in this numerical paragraph 1 excludes however the real estate upon which it is currently constructed the District's wastewater treatment plant, title to which and the use of, shall be retained by the District and/or the County, as applicable.

2. No part of this agreement shall affect or alter the District's continued ownership or operation of its water distribution system, facilities, and equipment.

3. That from and after the Effective Date, IMU shall assume, agree to pay, pay, and indemnify and hold the District harmless from the outstanding balance remaining due from the District to the USDA, after the payments referred to in the preceding paragraph. The current principal balance of this loan is approximately \$307,000.00. The District affirms that there is no other indebtedness which is to be assumed or paid by the City or IMU.

From and after the Effective Date IMU shall have sole responsibility and liability for any fines, penalties, assessments, and liabilities arising out of its use and operation of the in-ground and above-ground wastewater facilities acquired by it pursuant to this Agreement to the extent that the underlying basis for such liability arises on or after the Effective Date, and for all the foregoing IMU shall indemnify and hold the District harmless.

4. That all the parties hereto ratify and affirm the current 2005 Regional Facilities Plan adopted by the City and County and approved by the Kentucky Division of Water as that Plan might be amended from time to time and agree to abide by the terms thereof, as amended.

5. That the District shall, within a reasonable time after the Effective Date, decommission its current wastewater treatment plant and neither the City nor IMU shall have any liability or responsibility for the costs thereof.

6. That the District shall not build or seek to build or to operate another waste water treatment facility not in conformity with the existing 2005 Regional Facilities Plan.

7. That from and after the Effective Date, IMU shall provide wastewater treatment services to all the current sewer customers of the District, including service,

repair service, and maintenance. The parties agree that rates for wastewater service will be a two rate system, with one rate applicable to residents outside the City limits, and another rate applicable to residents inside the City limits. IMU's current rate schedule for City customers and County customers is attached hereto and marked as Exhibit B. The District's existing customers will be charged the County rate shown on that Exhibit B, as those rates may be adjusted in the future. As and when the Dark Hollow and Wisemantown areas of Estill County are provided wastewater treatment service by IMU those residents too will be charged the same rate as existing District Customers. It is understood however that no assurances can or are given on rates which might apply to more remote areas of Estill County, should wastewater treatment service be later made available to those areas.

To insure that rates are fair and reasonable, IMU will conduct a cost of service study as soon as is feasible. Thereafter IMU will have conducted a cost of service study every five (5) years thereafter. The cost of service study will include, but be not limited to, all the elements of cost allocations, and will be conducted in accordance with general rate setting principals of the Water Environment Federation and American Water Works Association. Future rates for City residents and for residents outside the City, will be determined based upon the cost of providing such service, as determined by these periodic cost of service studies.

The Parties further agree that rates shall be adjusted annually to reflect IMU's increase in costs of operation. The annual adjustment shall be equal to the lesser of three percent (3%) or the average percentage change in the Consumer Price Index for all Urban Consumers (U.S. City Average) published by the U. S. Department of Labor,

Bureau of Labor Statistics, however the annual adjustment shall never be less than zero. Such annual rate adjustments shall be uniformly applied to all IMU customers.

The cost of having performed this periodic cost of service study shall be that of IMU. IMU shall retain such engineering firm as it deems competent to perform such study and submit that name and other relevant information concerning the firm to the County. The County shall have 14 days after receipt of written notice within which to object to the firm IMU has proposed. In the event of such an objection IMU and the County shall confer and agree on the firm to be retained to perform such cost of service study.

8. Current County sewer customers will be billed by IMU based upon water usage, as reflected by each customer's individual water meter. The District agrees to furnish to the IMU on or before the 20th day of each month, the volumes of water used in the prior month by each of the District's customers who are users of the City of Irvine's sewer facilities. The volumes shall be furnished on a per customer basis, to enable billing by the municipal sewer for use of the sewer facilities. If IMU obtains meter reading equipment capable of remotely reading the District's meters, then the District agrees to allow IMU access to such meters, and agrees to cooperate with IMU in assisting in IMU to independently read those meters.

9. IMU shall make the areas of Wisemantown and Dark Hollow the first priority for new wastewater treatment service and will, with the County's assistance, use its best efforts to obtain the necessary combination of grants and loans to facilitate the construction of new sewer lines and facilities so as to provide sewer service to those

sections of Estill County as soon as funds are available, making it economically feasible do so.

10. The District agrees that it will disconnect or discontinue water service to any IMU sewer customer that fails to pay his or her sewer bill in accordance with IMU's existing policies, uniformly applied to all of its customers, including the District's current sewer customers. IMU agrees to provide the District with such assistance and to pay the District such disconnect or reconnect fees as the District charges its other customers.

11. That the terms of this Agreement, once adopted by the parties hereto and executed, shall replace in their entirety the terms and provisions of the Memorandum of Agreement dated June 6, 2007, referred to in the preamble hereof and the Sewer Contract dated August 27, 2009, between the District and the City, also referred to in the preamble hereof.

12. On or before the Effective Date, the District shall deliver to IMU such bills of sale, documents of transfer, accountings of funds and such similar documents as are necessary in opinion of counsel for IMU, to carry out the terms hereof, all of which shall be executed by the Chairman of the District. On or before the Effective Date and simultaneous with the exchange of documents referred to in the preceding sentence, IMU shall execute such documents as are necessary, in the opinion of counsel, to assume the indebtedness referred to in numerical paragraph 3 above and hold the District harmless therefrom.

13. That this Agreement represents the complete settlement and compromise of the claims raised by IMU against the District in the Litigation now pending in the Estill



Circuit Court, referred to in the preamble hereof, and counsel for both IMU and the District shall, on or before the Effective Date and simultaneously with the exchange of the documents referred to in the preceding paragraph, execute an Agreed Order of Dismissal, dismissing the Litigation as settled.

14. This Agreement and the obligation of the parties is contingent upon the truth or the happening of each of the following events:

a. that this Agreement and the transaction outlined herein is approved by the Commonwealth of Kentucky, Division of Water, the Kentucky Public Service Commission, and by any other federal or state agencies having jurisdiction over the parties, to the extent such approval is required;

b. that the District receive written assurances from such agencies of state government as are applicable that its prior activities, and those necessary for the decommissioning and closure of its existing wastewater treatment plant, shall not result in any fines, assessments, or penalties against the District; and

c. that the District and/or County receive such assurances as they deem necessary that no grant funds previously made available to them will be required to be repaid if this Agreement is carried out as described herein.

15. That each of the parties hereto agrees to use good faith in the interpretation, implementation and enforcement of the terms of this Agreement to achieve the objectives contained herein, on or before the Effective Date. If further act or agreement of any party hereto is required in order to more fully carry out the terms and intent of this Agreement, each of the parties hereto agrees to perform such act and to take such

action as is necessary to carry into effect the intent of the parties, as evidenced by the terms recited above.

16. The County will pass and keep in force an ordinance requiring County residents identified in the Regional Facilities Plan to have a mandatory sewer tap and pass mandatory sewer regulations that are in compliance with the requirements of the City's sewer use regulations as set forth in Chapter 50 City of Irvine Code of Ordinance. The County agrees to take the necessary legal steps to implement the provisions of this paragraph and to keep same in effect.

**ESTILL COUNTY WATER DISTRICT NO. 1**

By: Doug Wright  
Its: Chairman  
Date: 9/18/14

**CITY OF IRVINE, KENTUCKY**

By: Earl L. Lane  
Its: Mayor  
Date: 9-22-2014

**ESTILL COUNTY, KENTUCKY  
BY ITS FISCAL COURT**

By: Wall C. K.  
Its: County Judge Eke  
Date: 9/15/14

**CITY OF IRVINE UTILITY COMMISSION**

By: Johnny Shepherd  
Its: Chairman  
Date: 9.18.2014

## Exhibit A

Jet Washer

Vacuum Truck

All Equipment and parts used in operation of current wastewater treatment plant

All Equipment used in the wastewater pump station, excluding vehicles and equipment used in operation and maintenance of water distribution system and facilities

Exhibit B

2014 IMU Sewer Rates

Inside Cities of Irvine and Ravenna

		Rate
First 2000 Gallons	Minimum Bill	\$ 14.80
	Cost Per	
All Over 2,000 Gallons	1000	\$ 8.41

Outside Cities of Irvine and Ravenna

		Rate
First 2000 Gallons	Minimum Bill	\$ 20.48
	Cost Per	
All Over 2,000 Gallons	1000	\$ 8.57

ORDERS }  
\_\_\_\_\_

COURT

Term, \_\_\_\_\_

Day, \_\_\_\_\_

Day of \_\_\_\_\_

19

RON COOPER CO.

THE ESTILL COUNTY FISCAL COURT MET IN REGULAR SESSION, MONDAY, SEPTEMBER 15, 2014, AT 6:00 P.M. IN THE ESTILL COUNTY DISTRICT COURTROOM, AT THE COURTHOUSE, ON MAIN STREET, IRVINE, KENTUCKY, WITH THE FOLLOWING OFFICERS AND MEMBERS PRESENT: HONORABLE WALLACE C. TAYLOR, COUNTY JUDGE/EXECUTIVE, MAGISTRATES: GERALD RADER, MAGISTRATE DISTRICT #1, AND EARL YOUNG JR, MAGISTRATE DISTRICT #2 AND DARRELL JOHNSON, MAGISTRATE DISTRICT #3. COUNTY ATTORNEY, RODNEY DAVIS, AND SHERRY L. FOX, COUNTY CLERK. SHERIFF, GARY L. FREEMAN WAS ABSENT.

From the roll call, it was determined that a quorum of the Fiscal Court of Estill County, Kentucky was present. The Court was then opened for the transaction of business, at which time the following proceedings were had and entered for record:

Welcomed the guest.

The Minutes of the Fiscal Court Meeting, August 18, 2014, was presented to the Court and the no corrections being found necessary. ON MOTION OF JOHNSON, AND SECONDED BY RADER, and all members of the Court voting in the affirmative, that the Minutes be approved as presented.

Judge's Address:

- Welcome guest.
- Fantastic day with the Drug March, good weather and turnout. Lots of good volunteers. Thanks to the band for leading them out, they were off competition from Saturday, were they also did a fantastic job.
- Wednesday they will be having their CSEPP Exercise, there will be a lot of moving going on but this is just a test.
- Met last week on the Sewer Project, have great news, they have a signed sewer deal. They will be waiting on the transition date and billing cycle.
- They have talked about a Vocational School for several years; he has met with an individual who has interested to sale land with 2,300 square feet building. Currently seeking money to purchase. He has spoke with Representative Barr about this matter.
- Election is coming up, so it will be getting busy.

Fire Report, Derrick Muncie:

- ❖ The 3<sup>rd</sup> quarter they have had a total of 47 runs so far, well on track of the average.
- ❖ Presented the response times.
- ❖ Rail Car class went well, great attendance and food. They had individual from several counties to attend.
- ❖ Drawing up the SCBA Spec.
- ❖ Have all the sizing done on the Turnouts, should have them in 3-5 weeks. He would like to bring a set over once they receive them to show the Court.
- ❖ They assisted in the Drug March yesterday.
- ❖ Tomorrow night they will have their Decon training at the Fairgrounds.
- ❖ October 1 is the start of Fire Season.
- ❖ The middle to the end of October there will be a class of Farm Equipment and Buses. This class will be for 3-4 days.
- ❖ Judge Taylor thanked Derrick and all the volunteers for the great job and all the hard work that they do.
- ❖ Magistrate Johnson asked if they are seeing any new rates with Insurance with all the new water lines and hydrants. Yes, he knows one individual who has saved \$322 a year on his insurance.

Judge Taylor declared a Proclamation of September 22-28, 2014 as Adult Education and Family

# ORDERS } \_\_\_\_\_

COURT

Term,

Day,

Day of

19

RON COOPER CO

ON MOTION OF TAYLOR AND SECONDED BY JOHNSON, and all members of the Court voting in the affirmative, that the Court grant permission to advertise for SCBA grant bid. This is the 2<sup>nd</sup> part of a FEMA Grant of \$68,250.00 for 13 SCBA.

ON MOTION OF TAYLOR AND SECONDED BY JOHNSON, and all members of the Court voting in the affirmative, that the Court grant permission to advertise bids for an Environmental Impact Study pertaining to the tower site on Stacy Lane.

ON MOTION OF TAYLOR AND SECONDED BY RADER, and all members of the Court voting in the affirmative, that the Court appoint Myra Finney to the Library Board, term to expire June 30, 2018.

ON MOTION OF RADER AND SECONDED BY TAYLOR, and all members of the Court voting in the affirmative, that the Court accept the Conservation District Annual Report. See record of the Report in the Fiscal Court Supplemental Book 61, pages 353-365.

ON MOTION OF RADER AND SECONDED BY YOUNG, and all members of the Court voting in the affirmative, that the Court accept the Conservation District Minutes showing their 2014 Tax Rate. See record of the Minutes in the Fiscal Court Supplemental Book 61, pages 366-368.

ON MOTION OF RADER AND SECONDED BY YOUNG, and all members of the Court voting in the affirmative, that the Court accept the Red Lick Conservancy Minutes showing their 2014 Tax Rate. See record of the Minutes in the Fiscal Court Supplemental Book 61, page 369.

ON MOTION OF JOHNSON AND SECONDED BY RADER, and all members of the Court voting in the affirmative, that the Court accept the School Board Minutes showing their 2014 Tax Rate. See record of the Minutes in the Fiscal Court Supplemental Book 61, pages 370-373.

ON MOTION OF RADER AND SECONDED BY JOHNSON, and all members of the Court voting in the affirmative, that the Court accept the 2014 TAX RATES CERTIFICATION. See record of the Certification in the Fiscal Court Supplemental Book 61, page 374.

ON MOTION OF TAYLOR AND SECONDED BY JOHNSON, and all members of the Court voting in the affirmative, that the Court approve the County Clerk's invoice for preparing the 2014 Tax Bills. See record of the Invoice in the Fiscal Court Supplemental Book 61, pages 375-377.

ON MOTION OF RADER AND SECONDED BY YOUNG, and all members of the Court voting in the affirmative, that the Court approve the Intrafund Transfers. See record of Transfers in the Fiscal Court Supplemental Book 61, page 378-379.

ON MOTION OF TAYLOR AND SECONDED BY RADER, and all members of the Court voting in the affirmative that the Court approve the Appropriation Transfers. See record of the Transfers in the Fiscal Court Supplemental Book 61, pages 380-381.

ON MOTION OF RADER AND SECONDED BY JOHNSON, and all members of the Court voting in the affirmative, that the Court approve the County Treasurer's August 2014 Bank Reconciliation. See record of the Reconciliation in the Fiscal Court Supplemental Book 61, pages 382-447.

ON MOTION OF TAYLOR AND SECONDED BY RADER, and all members of the Court voting in the affirmative, that the Court approves the Claims for all Funds, adding the Claim for the State Grant Fund of \$1,611.07 to Kentucky State Treasure. See record of the Claims in the Fiscal Court Supplemental Book 61, pages 448-473.

Rodney Davis, County Attorney report:

- Several incidents where people are not observing the Traffic Guard and Buses. Encourage people to be aware of them.
- Sewer Agreement, he has looked over it and finds it reasonable, therefore, he recommends that

**ORDERS** } \_\_\_\_\_ **COURT**

Term, \_\_\_\_\_ Day, \_\_\_\_\_ Day of \_\_\_\_\_ 19

NEW COOPER CO.

ON MOTION OF TAYLOR AND SECONDED BY YOUNG, and all members of the Court voting in the affirmative, that the Court enter into the Agreement on the Sewer Project. See record of Agreement in the Fiscal Court Supplemental Book 61, pages 474-484

ON MOTION OF TAYLOR AND SECONDED BY JOHNSON, and all members of the Court voting in the affirmative, that the Court advertise for core drilling at the tower site.

ON MOTION OF TAYLOR AND SECONDED BY RADER, and all the members of the Court voting in the affirmative, that the Court meeting be adjourned.

*Walter C. Taylor*  
\_\_\_\_\_  
*James W. Johnson*  
\_\_\_\_\_  
*Carl W. Rader*  
\_\_\_\_\_  
*Stephen W. Johnson*  
\_\_\_\_\_

Irvine City Council met in regular session on September 22, 2014 at 7:00. Mayor Farmer called the meeting to order with Councilwoman Bush leading the prayer and the City Clerk leading the pledge.

*Present:*

Councilwoman Bush

Councilman Arthur

Councilman Bryant

Councilman Burkhardt

Councilman Tipton

Councilwoman Williams

*Old Business:*

Minutes from September 8, 2014 were read and approved with a motion made by Councilwoman Bush, seconded by Councilwoman Williams all members in favor.

*New Business:*

Memorandum Settlement Agreement with IMU and EWD was read and approved with a motion made by Councilman Bryant, seconded by Councilwoman Bush with all members in favor.





*First Reading of the Pay Scale Ordinance was read and approved with a motion made by Councilman Burkhart, seconded by Councilman Tipton with all members in favor.*

*Mayor's Report:*

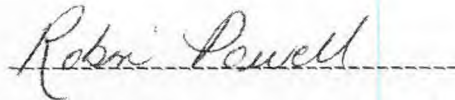
*Hospice 5-K Run/Walk will be October 11, 2014 starting at 9:00 a.m.*

*Trick or Treat has been set for October 30, 2014 from 6; 00 until 9:00.*

*Meeting adjourned at 8:00 with a motion made by Councilman Bryant, seconded by Council man Burkhart.*



*Mayor, Ernest Farmer, Jr.*



*City Clerk/Treasurer Robin Powell*

IRVINE MUNICIPAL UTILITIES  
CITY OF IRVINE, KENTUCKY  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2013



*ENDERLE & COMPANY, PLLC*  
*CERTIFIED PUBLIC ACCOUNTANTS*

CONTENTS

INDEPENDENT AUDITORS' REPORT .....PAGE 3

FINANCIAL STATEMENTS:

    Statement of Net Position .....5

    Statement of Revenues, Expenses and Changes in Fund Net Position .....6

    Statement of Cash Flows .....7

    Notes to Financial Statements .....8

SUPPLEMENTAL INFORMATION:

    Statement of Net Position by Funds ..... 15

    Statement of Revenues, Expenses and Changes in Fund Net Position by Funds ..... 16

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* ..... 17

INDEPENDENT AUDITORS' REPORT

To the City Council Members  
City of Irvine, Kentucky

We have audited the accompanying financial statements of Irvine Municipal Utilities of Irvine, Kentucky (an Enterprise Fund) as of and for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 opinions.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2013, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Emphasis of Matter*

As discussed in Note A, the financial statements present only the Irvine Municipal Utilities of Irvine, Kentucky and do not purport to, and do not, present fairly the financial position of the City of Irvine, Kentucky, as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Other Matters*

*Required Supplementary Information*

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

*Other information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of net assets by funds and revenues, expenses, and changes in net assets by funds are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Enderle & Company*

April 30, 2013

IRVINE MUNICIPAL UTILITIES  
CITY OF IRVINE, KENTUCKY  
STATEMENT OF NET POSITION  
JUNE 30, 2013

**ASSETS:**

**Current Assets:**

Cash	\$	333,527
Accounts receivable		210,530
		210,530
<b>Total Current Assets</b>		<b>544,057</b>

**Restricted Cash Accounts:**

Customer deposits		70,096
Debt funding and reserve accounts		190,193
Construction accounts		258,884
Board restricted reserves		204,000
		723,173
<b>Total Restricted Cash Accounts</b>		<b>723,173</b>

**Capital Assets:**

Water plant and distribution system		3,205,833
Sewer system improvements		18,222,930
Other buildings and system costs		1,064,940
Automotive, trucking and equipment		767,988
Office furniture and equipment		47,048
Less, accumulated depreciation		(4,993,440)
		18,315,299
<b>Net Capital Assets</b>		<b>18,315,299</b>
<b>Total Assets</b>	<b>\$</b>	<b>19,582,529</b>

**LIABILITIES AND NET ASSETS:**

**Current Liabilities:**

Accounts payable	\$	39,561
Sales, utilities and payroll taxes payable		89,727
Accrued interest		12,948
Current portion of long-term debt		326,615
		468,851
<b>Total Current Liabilities</b>		<b>468,851</b>

**Long-Term Liabilities:**

KJA Note (excludes current \$86,115)		350,540
KRWFC Note (excludes current \$102,000)		706,598
KRWFC Note (excludes current \$60,000)		60,000
RD Bonds - Series 2010 (excludes current \$78,500)		4,920,500
Customer deposits		32,780
		6,070,418
<b>Total Long-Term Liabilities</b>		<b>6,070,418</b>

**Net Assets:**

Invested in capital assets, net of related debt		11,951,046
Restricted		519,173
Unrestricted - Reserved		204,000
Unrestricted - Unreserved		369,041
		13,043,260
<b>Total Net Assets</b>		<b>13,043,260</b>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>19,582,529</b>

See independent auditors' report and notes to financial statements.

IRVINE MUNICIPAL UTILITIES  
CITY OF IRVINE, KENTUCKY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013

	Water	Sewer	Total
<b>Revenues:</b>			
Customer revenues	\$ 1,177,343	\$ 674,154	\$ 1,851,497
Service charges & miscellaneous	33,270	-	33,270
<b>Total Revenues</b>	<b>1,210,613</b>	<b>674,154</b>	<b>1,884,767</b>
<b>Direct Operating Expenses:</b>			
Plant Operations -			
Wages	172,966	71,752	244,718
Supplies and operations	316,304	110,271	426,575
Distribution Costs -			
Wages	86,171	79,652	165,823
Supplies and operations	33,463	40,999	74,462
<b>Total Direct Operating Expenses</b>	<b>608,904</b>	<b>302,674</b>	<b>911,578</b>
<b>Gross Profit from Operations</b>	<b>\$ 601,709</b>	<b>\$ 371,480</b>	<b>973,189</b>
<b>Indirect Operating Expenses:</b>			
Wages including sick pay, vacations and holidays			174,555
Employee insurance and retirement			151,369
Depreciation			365,850
General office and miscellaneous			166,118
Customer accounting			59,870
Professional fees			73,490
Vehicle operations			24,443
Bad debts, net of applied deposits and credits			23,285
<b>Total Indirect Operating Expenses</b>			<b>1,038,980</b>
<b>Net Income from Operations</b>			<b>(65,791)</b>
<b>Non-Operating Revenues and (Expenses):</b>			
Interest income			12,756
Interest and loan service fee			(155,266)
<b>Net Non-Operating Revenues and (Expenses)</b>			<b>(142,510)</b>
<b>Net Income before Capital Contributions</b>			<b>(208,301)</b>
<b>Capital Contributions:</b>			
Grants (Contribution in aid of construction)			453,385
Tap fees			6,950
<b>Increase in Net Assets</b>			<b>252,034</b>
<b>Net Assets, Beginning of Year</b>			<b>12,791,226</b>
<b>Net Assets, End of Year</b>			<b>\$ 13,043,260</b>

See independent auditors' report and notes to financial statements.

IRVINE MUNICIPAL UTILITIES  
CITY OF IRVINE, KENTUCKY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013

**Cash Flows from Operating Activities:**

Cash received from customers	\$	1,894,468
Cash paid to employees		(535,397)
Cash paid to suppliers and service providers		(1,060,686)
		298,385
<b>Cash Flows from Operating Activities</b>		<b>298,385</b>

**Cash Flows from Capital and Related Financing Activities:**

Capital expenditures		(368,343)
Net customer deposits		(2,425)
Contributions in aid of construction - Grants		453,385
Construction loans - KRWFC and RD (Net)		(60,000)
Customer tap fees		6,950
Interest paid		(156,624)
Principal payments on KIA note		(85,515)
Principal payments on KRWFC Refinancing note		(99,000)
Principal repayments on installment note		(9,020)
		(320,592)
<b>Cash Flows from Capital and Related Financing Activities</b>		<b>(320,592)</b>

**Cash Flows from Investing Activities:**

Interest received		12,756
		12,756
<b>Cash Flows from Investing Activities</b>		<b>12,756</b>

**Net Increase in Cash and Cash Equivalents** (9,451)

Cash and Cash Equivalents - beginning of year 1,066,151

**Cash and Cash Equivalents - end of year** \$ 1,056,700

**Reconciliation of Net Loss to Cash Flows from Operating Activities:**

Net Income from Operations	\$	(65,791)
Depreciation		365,850
Adjustments to reconcile net loss to cash flows from operating activities:		
(Increase) Decrease in prepaid expenses		-
(Increase) Decrease in accounts receivable		32,986
Increase (Decrease) in accounts payable and accruals		(34,660)
		298,385
<b>Cash Flows from Operating Activities</b>	<b>\$</b>	<b>298,385</b>

See independent auditors' report and notes to financial statements.



IRVINE MUNICIPAL UTILITIES OF IRVINE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS

NOTE A – ORGANIZATION AND ACCOUNTING POLICIES

Irvine Municipal Utilities (the Fund) is an enterprise fund of the City of Irvine, Kentucky. It is financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed primarily through user charges.

Basis of Presentation

The Fund's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. The Fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued and as from time to time revised, unless those pronouncements and opinions conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

All revenues and expenses are accounted for in intra-governmental funds created as a result of previously issued and retired revenue bond financings and described as follows:

Revenue Fund – All gross revenues of the Fund are deposited into this fund and subsequently distributed to other funds according to bond provisions.

Operations and Maintenance Fund – Deposits are made into this fund to meet the expenses of operating and maintaining the Fund.

Sinking Funds – The Fund maintains sinking funds into which it deposits monies sufficient to meet long term debt obligations as described in Note B.

Reserve Fund – This fund is maintained in accordance with the note requirements of the Kentucky Infrastructure Authority refinancing as described in Note C.

Improvement Fund – This fund is to be used to construct additions, extensions, and improvements other than those of the Depreciation Fund.

Estimates

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

Capital Assets

Capital assets are stated at cost less accumulated depreciation and amortization. Depreciation is provided for on a straight-line basis over the estimated lives of the Fund's capital assets ranging from 3 to 40 years. Maintenance and repairs are expensed as incurred and expenditures for major improvements are capitalized.

Income Taxes

The Fund is exempt from federal and state income taxes under section 501(c)(12) of the Internal Revenue Code. Tax returns are subject to examination by the IRS generally for three years after they are filed. As of June 30, 2013, management of the Fund has determined there to be no uncertain tax positions that qualify for disclosure in the financial statements.

IRVINE MUNICIPAL UTILITIES OF IRVINE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS

NOTE A – ORGANIZATION AND ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Fund considers all highly liquid investments with a maturity of three months or less are considered cash equivalents.

Operating and Non-Operating Revenues and Expenses

Operating revenues result from exchange transactions of Fund's activities. Expenses associated with providing services and operating facilities are considered operating. Non-operating revenues results from nonexchange transactions such as investment earnings.

Concentration

Although the Fund is directly affected by economic conditions in the geographical area, management does not believe significant risk exists as of June 30, 2013.

Accounts Receivable

The Fund provides credit in the normal course of business. The Fund requires a customer deposit before service is rendered, but does not require collateral or other security to support customer receivables.

Provision for Doubtful Accounts

Bad debts are provided on the direct write-off method, whereby current earnings are charged for amounts determined by management to be uncollectible based on its evaluation of outstanding accounts receivable at the end of the year. As of June 30, 2013 management does not believe the direct write-off method differs materially from the allowance method whereby an allowance for doubtful accounts is recorded from amounts estimated to be uncollectible.

NOTE B – SINKING FUNDS

The retirement of principal and the payment of interest are funded by regular payments into sinking funds as provided by note agreements with the Kentucky Infrastructure Authority (KIA) and the Kentucky Rural Water Finance Corporation (KRWFC). As of June 30, 2013 the Fund is obligated on a note to the KIA in the principal amount of \$436,655, and to the KRWFC in the principal amount of \$808,598. Monthly deposits into restricted sinking funds are made in the amounts of \$8,000 and \$12,000, respectively, on these notes.

NOTE C – RESERVE FUND – KIA NOTE AGREEMENT

A provision in the KIA note agreement requires the Fund to deposit into a reserve account \$19,000 annually until such time as the reserve accumulates \$190,000. As of June 30, 2013 the Fund has fully funded this account.

IRVINE MUNICIPAL UTILITIES OF IRVINE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS

NOTE D – KENTUCKY INFRASTRUCTURE AUTHORITY NOTE PAYABLE

On November 1, 1996, an assistance agreement was signed with the Kentucky Infrastructure Authority whereby the KIA loaned \$1,658,248 (current balance of \$436,655) to the City of Irvine for the purpose of installing a wastewater sewer system. The last payment on the 20-year note, dated November 1, 1996, is due December 1, 2017.

Future maturities of the note are as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2014	\$ 86,115	\$ 2,906	\$ 89,021
June 30, 2015	86,719	2,302	89,021
June 30, 2016	87,327	1,694	89,021
June 30, 2017	87,939	1,082	89,021
June 30, 2018	88,555	466	89,021
Total Payments	<u>\$ 436,655</u>	<u>\$ 8,450</u>	<u>\$ 445,105</u>

NOTE E – NOTE PAYABLE TO KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM SERIES 2004 A

In March 2004, the Fund, through the City of Irvine, refinanced the U.S. Department of Agriculture Rural Development revenue bond issue of 1981. At the time of the refinancing there was a principal balance due on that issue in the amount of \$1,590,000 which was paid from the proceeds of new financing from the Kentucky Rural Water Finance Corporation. The cost of the refinancing was \$42,260 which is being amortized as interest expense (\$2,486 per year) over the term of the note. As of June 30, 2013 the Fund had a remaining unamortized cost balance of \$17,402. The refinancing, in the principal amount of \$1,635,000, will save the Fund \$242,032 in cash flows (interest expense net of trustee fees) over the life of the note. Future maturities of the note are as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2014	\$ 102,000	\$ 31,075	\$ 133,075
June 30, 2015	106,000	27,632	133,632
June 30, 2016	109,000	23,923	132,923
June 30, 2017	113,000	19,971	132,971
June 30, 2018	117,000	15,733	132,733
June 2019 - 2021	261,598	18,880	280,478
Total Payments	<u>\$ 808,598</u>	<u>\$ 137,214</u>	<u>\$ 945,812</u>

IRVINE MUNICIPAL UTILITIES OF IRVINE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS

NOTE F – KENTUCKY RURAL WATER FINANCE CORPORATION NOTE PAYABLE

On August 4, 2010, an assistance agreement was signed with the Kentucky Rural Water Finance Corporation (KRWFC) whereby the KRWFC loaned \$300,000 to the City of Irvine for the purpose of installing a radio-read meter system.

Future maturities of the note are as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2014	\$ 60,000	\$ 2,700	\$ 62,700
June 30, 2015	60,000	900	60,900
Total Payments	<u>\$ 120,000</u>	<u>\$ 3,600</u>	<u>\$ 123,600</u>

NOTE G – NOTE PAYABLE TO KENTUCKY RURAL WATER FINANCE CORPORATION

As part of its financing for construction of a new waste water treatment plant the Fund will be obligated on a \$4,999,000 note to KRWFC on its Public Projects Construction Notes Series 2010. In December 2011 an interim note was closed and permanent financing in the form of bonds was established. Terms of the bonds call for principal and interest payments commencing in 2012 and maturing on January 1, 2049. As of June 30, 2013 no payments were made on the Series 2010 bonds. Future maturities of the note are as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2014	\$ 78,500	\$ 110,711	\$ 189,211
June 30, 2015	80,500	108,900	189,400
June 30, 2016	83,000	107,033	190,033
June 30, 2017	85,000	105,120	190,120
June 30, 2018	87,000	103,163	190,163
Thereafter	4,585,000	1,887,615	6,472,615
Total Payments	<u>\$ 4,999,000</u>	<u>\$ 2,422,542</u>	<u>\$ 7,421,542</u>

NOTE H – SUMMARY OF NOTE OBLIGATIONS

A summary of future maturities under the preceding note obligations is as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>
June 30, 2014	\$ 326,615
June 30, 2015	333,219
June 30, 2016	279,327
June 30, 2017	285,939
June 30, 2018	292,555
Thereafter	4,846,598
Total Payments	<u>\$ 6,364,253</u>

NOTE I – EMPLOYEE RETIREMENT PLAN

On August 1, 1994, the Board of Trustees of the Kentucky Retirement System (KRS) accepted Irvine Municipal Fund's request to join the County Employee Retirement System.

IRVINE MUNICIPAL UTILITIES OF IRVINE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS

NOTE I – EMPLOYEE RETIREMENT PLAN - continued

The County Employee's Retirement System (CERS) is a component unit of the Commonwealth of Kentucky. As such, the Commonwealth of Kentucky is the primary government in whose financial reporting entity the system is included. The CERS was created by the Kentucky General Assembly pursuant to the provisions of KRS 61.515. The CERS' administrative budget and employers' contribution rates are subject to approval by the Kentucky General Assembly. Employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly.

The CERS is a defined benefit plan which covers substantially all regular full-time employees of each county and school board, and any additional eligible local agencies electing to participate in the CERS. The plan provides for retirement, disability, and death benefits.

For the year ended June 30, 2013, participating members contributed 5% of creditable compensation to the system. Employer contribution rates are intended to fund the CERS' normal cost on a current basis plus an amount equal to the amortization of unfunded past service costs over thirty years, using the level percentage of payroll method. Participating employers contributed 19.55%.

Vesting in a retirement benefit begins immediately upon entry into the CERS. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current services. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1980, 6% thereafter through June 30, 1986, and 4% thereafter. Contributions for the current fiscal year were \$126,220. This represents employee contributions of \$25,707 and employer contributions of \$100,513.

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among Public Employee Retirement Systems (PERS). The measure is independent of the actuarial funding method used to determine contributions to the System.

All required contributions were paid at year end or within thirty days thereafter. The percentage of the Fund's contribution to total employers' contributions in the CERS for the year is not known.

The pension benefit obligation as of the year ended June 30, 2013 (latest available at Report Date) for the CERS as a whole, determined through actuarial valuation performed as of that date, was \$12.5 billion. The CERS' actuarial value of assets available for benefits on that date was \$7.44 billion. Historical trend information showing assets available to pay benefits when they become due is presented in the KRS' June 30, 2013 comprehensive annual report.

NOTE J – CONCENTRATION OF CREDIT RISK

The Fund has a concentration of credit risk in that it periodically maintains cash deposits in a single financial institution in excess of amounts insured by the FDIC. The Fund has not experienced any losses on such accounts and does not believe it is subject to significant credit risk.