

IRVINE MUNICIPAL UTILITIES OF IRVINE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

NOTE K – ANALYSIS OF RESTRICTED FUND EQUITY

Reserves are maintained by the Fund in accordance with note requirements and statutory provisions relating to customer deposits. Following is a summary of restricted cash accounts:

Reserve Account	Balance in Account	Required Balance	Excess Balance
Customer deposits	\$ 70,096	\$ 70,096	\$ -
Bond and Interest Sinking	193	-	193
KIA Reserve	190,000	190,000	-
KRWFC Agent	-	-	-
Construction accounts	258,884	258,884	-
Total Payments	<u>\$ 519,173</u>	<u>\$ 518,980</u>	<u>\$ 193</u>

NOTE L – BOARD-DESIGNATED RESERVED FUNDS

The Board of Commissioners of the Fund has instituted a program for partially funding depreciation and improvements. The purpose of the reserved account is to provide funding for major improvements or repairs which may arise in future years. The Board designated \$144,000 to initially fund for this purpose during its year ended June 30, 2009 and added to that amount since. Board-designated reserved funds totaled \$394,000 at June 30, 2013.

NOTE M – CONSTRUCTION IN PROCESS

The Fund has undertaken a Regional Waste Water Facilities Project and to date has expended \$11.95 million on the project. Estimated costs for the project are currently expected to total \$14.42 million and will be funded approximately 65% through Governmental Grants and 35% by a loan from Rural Development.

NOTE N – DATE OF MANAGEMENT'S REVIEW

The Fund's subsequent events have been evaluated through April 30, 2013 which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

IRVINE MUNICIPAL UTILITIES
CITY OF IRVINE, KENTUCKY
STATEMENT OF NET POSITION BY FUNDS
JUNE 30, 2013
(with comparative totals for the year ended June 30, 2012)

	Revenue Fund	Operations and Maintenance Fund	Bond and Interest Sinking Fund	Depreciation and Reserve Funds	Improvement Fund	Totals 2013	Totals 2012
ASSETS							
Current Assets:							
Cash	\$ 225,832	\$ 146,716	\$ 28,768	\$ 2,500	\$ 258,884	\$ 662,700	\$ 445,606
Certificates of deposit and savings	-	-	-	394,000	-	394,000	620,545
Prepaid expenses	-	-	-	-	-	-	-
Accounts receivable	210,530	-	-	-	-	210,530	243,516
Total Current Assets	436,362	146,716	28,768	396,500	258,884	1,267,230	1,309,667
Capital Assets:							
Water plant and distribution system	-	-	-	-	3,205,833	3,205,833	3,205,833
Sewer system improvements	-	-	-	-	18,222,930	18,222,930	3,781,245
Other buildings	-	-	-	-	196,873	196,873	196,873
Automotive, trucking and equipment	-	-	-	-	767,988	767,988	767,988
Office furniture and equipment	-	-	-	-	47,048	47,048	47,048
Bond and engineering costs	-	-	-	-	868,067	868,067	868,067
Construction in process	-	-	-	-	-	-	14,073,342
Less, accumulated depreciation	-	-	-	-	(4,993,440)	(4,993,440)	(4,627,590)
Net Capital Assets	-	-	-	-	18,315,299	18,315,299	18,312,806
Total Assets	\$ 436,362	\$ 146,716	\$ 28,768	\$ 396,500	\$ 18,574,183	\$ 19,582,529	\$ 19,622,473
LIABILITIES AND EQUITIES:							
Current Liabilities:							
Accounts payable	\$ -	\$ 39,561	\$ -	\$ -	\$ -	\$ 39,561	\$ 59,861
Sales, utilities and payroll taxes payable	67,364	22,363	-	-	-	89,727	104,087
Accrued interest	-	-	12,948	-	-	12,948	16,792
Current portion of long-term debt	-	-	-	-	326,615	326,615	253,535
Total Current Liabilities	67,364	61,924	12,948	-	326,615	468,851	434,275
Long-Term Liabilities:							
KIA Note (excludes current \$86,115)	-	-	-	-	350,540	350,540	436,655
KRWFC Note (excludes current \$102,000)	-	-	-	-	706,598	706,598	806,112
KRWFC Note (excludes current \$60,000)	-	-	-	-	60,000	60,000	120,000
KRWFC Series 2009 B-2 Note	-	-	-	-	-	-	-
RD Bonds - Series 2010 (excludes current \$78,500)	-	-	-	-	4,920,500	4,920,500	4,999,000
Customer deposits	32,780	-	-	-	-	32,780	35,205
Total Long-Term Liabilities	32,780	-	-	-	6,037,638	6,070,418	6,396,972
Net Assets:							
Fund balances	336,218	84,792	15,820	\$ 396,500	1,248,736	2,082,066	2,283,417
Contributions in aid of construction	-	-	-	-	10,961,194	10,961,194	10,507,809
Total Net Assets	336,218	84,792	15,820	396,500	12,209,930	13,043,260	12,791,226
Total Liabilities and Net Assets	\$ 436,362	\$ 146,716	\$ 28,768	\$ 396,500	\$ 18,574,183	\$ 19,582,529	\$ 19,622,473

See Independent auditors' report and notes to financial statements.

IRVINE MUNICIPAL UTILITIES
CITY OF IRVINE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(with comparative totals for the year ended June 30, 2012)

	Revenue Fund	Operations & Maintenance Fund	Bond and Interest Sinking Fund	Reserve Fund	Improvement Fund	Eliminations	Totals 2013	Totals 2012
Revenues:								
Water sales	\$ 1,177,343	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,177,343	\$ 1,114,893
Sewer fees	674,154	-	-	-	-	-	674,154	652,572
Service charges & miscellaneous	32,280	990	-	-	-	-	33,270	69,244
Total Revenues	1,883,777	990	-	-	-	-	1,884,767	1,836,709
Operating Expenses:								
Plant Operations -								
Water	-	489,270	-	-	-	-	489,270	562,480
Sewer	-	182,023	-	-	-	-	182,023	158,885
Employee benefits and payroll taxes	-	198,713	-	-	-	-	198,713	182,751
Sewer distribution	-	120,651	-	-	-	-	120,651	127,806
Water distribution	-	119,634	-	-	-	-	119,634	131,974
Other general and administrative	(3,234)	249,764	8	-	27,841	-	274,379	270,151
Customer accounting	-	59,870	-	-	-	-	59,870	58,956
Professional fees	-	73,490	-	-	-	-	73,490	11,069
Vehicle operations	-	43,393	-	-	-	-	43,393	63,026
Bad debts, net of applied deposits	23,285	-	-	-	-	-	23,285	50,691
Depreciation	-	-	-	-	365,850	-	365,850	160,187
Total Operating Expenses	20,051	1,536,808	8	-	393,691	-	1,950,558	1,777,976
Operating Income (Loss)	1,863,726	(1,535,818)	(8)	-	(393,691)	-	(65,791)	58,733
Non-Operating Revenues and (Expenses):								
Interest income	1,486	117	1,336	9,785	32	-	12,756	18,245
Interest and loan service fee	-	-	-	-	(155,266)	-	(155,266)	(122,244)
Tap fees	6,950	-	-	-	-	-	6,950	4,800
Contributions in aid of construction	-	-	-	-	453,385	-	453,385	5,615,913
Net transfers	(1,872,328)	1,717,118	(16,198)	(233,830)	405,238	-	-	-
Net Non-Operating Revenues and Expenses	(1,863,892)	1,717,235	(14,862)	(224,045)	703,389	-	317,825	5,516,714
Net Income or (Loss)	(166)	181,417	(14,870)	(224,045)	309,698	-	252,034	5,575,447
Net Assets, Beginning of Year	336,384	(96,625)	30,690	620,545	11,900,232	-	12,791,226	7,215,779
Net Assets, End of Year	\$ 336,218	\$ 84,792	\$ 15,820	\$ 396,500	\$ 12,209,930	\$ -	\$ 13,043,260	\$ 12,791,226

See independent auditors' report and notes to financial statements.

ENDERLE & COMPANY^{PLLC}

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council Members
City of Irvine, 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Irvine Municipal Utilities of Irvine, Kentucky (the Fund), as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund'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 the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 the Fund'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*.

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.

Enderle & Company

April 30, 2013



STEVEN L. BESHEAR
GOVERNOR

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

LEONARD K. PETERS
SECRETARY

January 29, 2014

Mr. Dwight Richardson
76 Cedar Grove Road
Irvine, Kentucky 40336

Re: Final Decision to Deny KPDES Permit
KPDES No: KY0095940
Estill County Water District #1
Estill County, Kentucky

Dear Mr. Richardson:

The Division of Water has made a final decision to deny the Kentucky Pollutant Elimination System (KPDES) permit for the above referenced project. This action constitutes a final permit decision under 401 KAR 5:075, Section 11(1), pursuant to KRS 224.16-050 and KRS 224.10-100. The reasons for this denial are noted on the attached Fact Sheet.

The denial of the KPDES permit shall be effective thirty (30) days from the date of this letter.

Any demand for a hearing concerning this determination shall be filed in accordance with the procedures specified in KRS 224.10-420, 224.10-440, 224.10-470 and any regulations promulgated thereto. Any person aggrieved by this final decision may demand a hearing, pursuant to KRS 224.10-420(2) within thirty (30) days of the date of this letter. Two (2) copies of the request for hearing should be submitted in writing to the Energy and Environment Cabinet, Office of Administrative Hearings, 35-36 Fountain Place, Frankfort, Kentucky 40601 and the Commonwealth of Kentucky, Energy and Environment Cabinet, Division of Water, 200 Fair Oaks Lane, Frankfort, Kentucky 40601. For your record keeping purposes, it is recommended that these requests be sent by certified mail. The written request must conform to the appropriate statutes referenced above.

If you have any questions concerning this permit decision, please contact the Surface Water Permits Branch, at (502) 564-3410 or by email at SWPBSupport@ky.gov. Further information on procedures and legal matters pertaining to the hearing request may be obtained by contacting the Office of Administrative Hearings at (502) 564-7312.

Sincerely,

Peter T. Goodmann, Acting Director
Division of Water

PTG:JMB



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet



Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda Breathitt
Commissioner

October 23, 2014

Mr. Michael Eaves
218 West Main Street
P.O. Box 300
Richmond, KY 40476

Re: Irvine Municipal Utilities
Request for an Advisory Opinion

PSC STAFF OPINION 2014-013

Dear Mr. Eaves:

Commission Staff acknowledges receipt of your September 26, 2014 letter in which you request an opinion concerning the Commission's jurisdiction over a proposed asset transfer between Estill County Water District No. 1 ("Estill District") and Irvine Municipal Utilities ("Irvine Utilities"). This opinion represents Commission Staff's interpretation of the law as applied to the facts presented, is advisory in nature, and is not binding on the Commission should the issues herein be formally presented for Commission resolution.

Based upon your letter and the included Memorandum Settlement Agreement ("Settlement Agreement"), Commission Staff understands the facts as follows:

In 2005 Estill County and the City of Irvine adopted a plan to address deficiencies with their respective wastewater systems. In 2009 Estill District and Irvine Utilities entered into a joint agreement for the treatment of both entities' wastewater. The parties agreed that Irvine Utilities would construct and operate a treatment plant, to which Estill District would send its wastewater.

Subsequent to the construction of the new treatment facility, a dispute arose regarding Estill District's obligation to divert all wastewater to the new treatment facility as well as the fee Estill District would pay to Irvine Utilities for use of the treatment facility.



Mr. Michael Eaves
October 23, 2014
Page 2

Estill District and Irvine Utilities have resolved the dispute as memorialized in the Settlement Agreement. The Settlement Agreement provides that Estill District will transfer all equipment, customers, customer records, accounts receivable, lines, collection systems, pump stations and easements associated with its wastewater division to Irvine Utilities.

You have requested a legal opinion regarding whether the Commission has jurisdiction over the transfer, whether Commission approval is required and whether any other state or federal agency approval is required.

Estill District is a joint water district and sewer utility. Estill District's sewer division provides wastewater service to approximately 472 customers.¹ KRS 278.015 provides in part that, "any water district, combined water, gas, or sewer district ... shall be a public utility and shall be subject to the jurisdiction of the Public Service Commission in the same manner and to the same extent as any other utility as defined in KRS 278.010...." Thus, as a combined water and sewer district, Estill District is a utility subject to the Commission's jurisdiction.

The transfer of a regulated utility is governed by KRS 278.020, which states in part:

(5) No person shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission by sale of assets, transfer of stock, or otherwise, or abandon the same, without prior approval by the commission. The commission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service.

(6) No individual, group, syndicate, general or limited partnership, association, corporation, joint stock company, trust, or other entity (an "acquirer"), whether or not organized under the laws of this state, shall acquire control, either directly or indirectly, of any utility furnishing utility service in this state, without having first obtained the approval of the commission. Any acquisition of control without prior authorization shall be void and of no effect.

¹ Annual Report of Estill County Water District #1- Sewer Division to the Kentucky Public Service Commission for the Year Ended December 31, 2012 at 12.

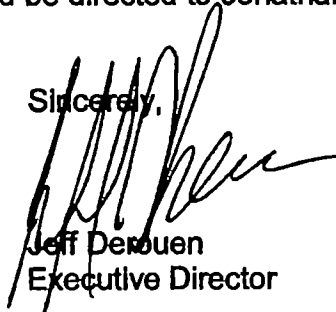
Mr. Michael Eaves
October 23, 2014
Page 3

The Settlement Agreement seeks to effectuate a transfer of Estill District's sewer division to Irvine Utilities. As Estill District is a regulated utility subject to the Commission's jurisdiction, transfers are subject to the requirements set forth within KRS 278.020. Accordingly, ~~prior~~ Commission approval of any transfer or acquisition is required. Estill District must submit an application to the Commission for authority to effectuate the terms of the Settlement Agreement prior to the transfer of its sewer division to Irvine Utilities. A filing requirement checklist specifying the documents and information required to submit a transfer application is enclosed.

Finally, as it is outside the scope of the Commission's jurisdiction, Commission Staff is unable to render a legal opinion as to whether any other state or federal agency may possess jurisdiction over this matter.

This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This opinion is advisory in nature and is not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this opinion should be directed to Jonathan Beyer, Staff Attorney, at (502) 782-2581.

Sincerely,



Jeff Derouen
Executive Director

Enclosure



ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Ernie Fletcher
Governor

Frankfort Office Park
14 Reilly Road
Frankfort, Kentucky 40601
www.kentucky.gov

Lajuana S. Wilcher
Secretary

December 16, 2005

Mr. Bee Williams, Manager
Irvine Municipal Utilities
238 Broadway
Irvine, Kentucky 40336

Re: Irvine Municipal Utilities
Regional Facilities Plan
AI#1005: PLN20050001

Dear Mr. Williams:

The facilities plan entitled "*Irvine Municipal Utilities, Irvine, Kentucky, Regional Facilities Plan*", Draft: December 2004; Final: September 2005, and environmental documents for the Irvine Municipal Utilities, Estill County, Kentucky were reviewed by the Division of Water (DOW) 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 October 17, 2005 by this Department and subject to the following attached comments from the Kentucky State Clearinghouse. (Labor Cabinet and Kentucky Heritage Council SAI# KY 20051028-1105)

If you have any questions, please contact Don Wills, P.E. of this office at (502) 564-2225, extension 518.

Sincerely,

Shafiq S. Amawi, P.E., Manager
Facilities Construction Branch
Division of Water

SA/DW/

Attachments

CC: Don Wills, P.E., Division of Water
Connie L. Allen, P.E., CDP Engineers, Inc.
Honorable Wallace Taylor, Estill County Judge Executive
Honorable Tom Williams, Mayor, City of Irvine



I. Introduction

A. *Summary*

Irvine Municipal Utilities (IMU) owns and operates a conventional wastewater collection system and extended aeration treatment plant rated at 600,000 gallons per day. The Estill County Water District (ECWD) owns and operates a non-conventional wastewater collection system using individual septic tanks and small diameter lines to convey wastewater to a sand filter treatment plant rated at 157,500 gallons per day. While the IMU wastewater treatment plant is currently operating well over its rated capacity, it is still discharging treated wastewater in compliance with its KPDES permit limitations. The ECWD wastewater treatment plant is also operating over its rated capacity, but is currently under an Agreed Order with the Kentucky Division of Water for failing to meet KPDES pollutant limits. Rather than replacing or expanding both plants, the city and county leaders have agreed that a better use of public funds is to expand the IMU plant with enough capacity to treat ECWD's wastewater.

Estill County is situated in the Bluegrass Area Development District, but in many ways is more similar to counties located deeper in Eastern Kentucky. "Where the Bluegrass kisses the mountains," is a phrase proudly used by residents to orient those unfamiliar with the location of Estill County. The physical location provides several opportunities to the county and the cities of Irvine and Ravenna. Coal producing counties such as Estill County are eligible for Appalachian Regional Commission grant funds. Additionally, the Economic Development Administration recognizes the economic impacts of the decrease in coal mining and production and gives preferred consideration to grant applications from coal counties.

Economic disadvantages can also serve as justification for federal assistance. With a median household income less than \$26,978, Rural Development and Community Development Block Grant also consider Estill County grant eligible. Finally, being located less than an hour from Lexington and within minutes of Richmond, the business district of Irvine is one of the more accessible county seats in eastern Kentucky. An on-

going Kentucky Department of Highways project along KY 52 will make travel from the Bluegrass to Estill County even more convenient. Estill County is in need of the proposed infrastructure project. Word of the cooperative attitude towards the regional project reached the Kentucky Cabinet for Economic Development and resulted in Estill County being returned to the list of potential sites for new business and industry looking to locate in the Commonwealth. Construction of the proposed project is vital to the successful citing of a new industry in Estill County.

In addition to the physical and economic conditions, the political atmosphere is favorable for improvements to the infrastructure of Estill County. City and county leaders are aware of the current limitations of the IMU and ECWD wastewater treatment plants. They also realize that with recent reductions in grant money from the various federal funding sources, regional infrastructure projects compete much stronger for the limited dollars. The County Judge-Executive and the mayors of Irvine and Ravenna, together with IMU and ECWD, have committed to a regional solution to the wastewater treatment limitations, and have commissioned this Regional Facilities Plan as the first step in developing the capital improvements project.

B. Conclusions and Recommendations

This Regional Facilities Plan follows SRF Guidance No. 3, "Regional Facilities Plan Preparation Checklist." The planning area is identified in planning periods of 0 to 2, 3 to 10, and 11 to 20 years. Though soon to be one consolidated planning area, the former ECWD service is still distinguished from the existing IMU service area on the enclosed maps. IMU and ECWD's existing facilities are also discussed separately. After the existing facilities are identified and discussed (Section II), the subsequent sections reflect the ECWD's assets, liabilities, and interests assumed by the IMU sewer utility. IMU's wastewater planning area will extend to the county line; those areas not identified in the 0 to 2, 3 to 10, or 11 to 20 year planning areas will continue to rely on private on-site wastewater systems until IMU offers publicly-owned wastewater collection facilities in their area.

The primary capital improvements project involves a proposed upgrade to the IMU wastewater treatment plant, extension of wastewater service to Wisemantown, Wall Street and Covey Road, and the construction of a new pump station to convey wastewater from the former ECWD service area to the headworks of the IMU treatment plant. Three treatment alternatives are reviewed including an expansion to the existing extended aeration, new oxidation ditches, and a new aerated lagoon system. Collection system alternatives are discussed as well.

The recommended treatment process is to construct new oxidation ditches at the IMU plant site. Gravity sewers will be constructed along Wisemantown Road with an intermediate pump station if needed for grade considerations. Additionally, a new pump station will be constructed to convey wastewater from the ECWD service area to the headworks of IMU's treatment plant. The capital improvements will result in minimal rate increases to the existing customers of IMU (including the former customers of ECWD) if the anticipated grant funds are obtained.

Design should begin immediately on the proposed project with funding applications submitted as soon as possible. Economic growth in Estill County will remain stagnant until the basic wastewater infrastructure is in place for businesses and industries.

C. Scope of Proposed Project

The proposed infrastructure project will consist of two construction contracts: Contract No. 1 will increase treatment capacity at the IMU plant to 2.0 million gallons per day (MGD) average and a peak capacity yet to be determined. An oxidation ditch process will replace the existing extended aeration process. A new sludge handling facility will be constructed to allow for more efficient wasting and dewatering. Remote telemetry units will be installed at the pumping stations and will be compatible with telemetry previously installed at the IMU water distribution and storage facilities.

Contract No. 2 will extend gravity sewer lines along Wisemantown Road offering service to over 200 households. Additionally, a new pump station will be installed to collect wastewater from the existing ECWD service area and convey it to the headworks of the IMU plant. The accompanying force main will be installed by directional bore under the Kentucky River. The new pump station site will be selected to optimize the opportunity to eliminate existing ECWD pump stations. Contract No. 2 will also include collection line extensions along Covey Road and Wall Street, offering service to approximately 30 new customers.

Resolution No. 05-04

Whereas, the City of Irvine, Kentucky, (City), in order to continue wastewater service to the current customers of the Irvine Municipal Utilities sewer system, wishes to facilitate improvements to existing collection lines and construct new facilities; and,

Whereas, said facilities proposed for construction will be located along and on city property, specifically, Crestview Court and Edgewater Drive, and Goodwin St.


Whereas, the eventual Contractor selected to install and construct said facilities would require permission from the City to use city properties for purposes of completing the proposed project.

Be It Therefore Resolved, the City authorizes the eventual Contractor to use city roads, Crestview Court and Edgewater Drive, and Goodwin St. for the purposes of constructing improvements and new facilities for the sewer system.

Be It Therefore Further Resolved, the City authorizes the use of city streets and roads provided the Contractor restores the pavements, shoulders, and roadways to a condition as good as or better than the condition prior to disturbance.


The Above Resolved on the 11 day of April, 2005, at the scheduled meeting of the Irvine City Commission.

For the City: ^{Done}



Tom Williams, Mayor
City of Irvine

Attest:



Rhonda Gould, City Clerk
City of Irvine

RESOLUTION
of the
Irvine Municipal Utilities

WHEREAS, the City of Irvine (through Irvine Municipal Utilities) and Estill County (through the Estill County Water District) own and operate separate wastewater collection system and treatment facilities providing wastewater service to residents of Estill County; and,

WHEREAS, recently the Estill County Water District entered into an Agreed Order with the Kentucky Division of Water requiring corrective action for ineffective removal of pollutants and for a plan to construct or acquire adequate capacity for treatment of the collected wastewater; and,

WHEREAS, Irvine Municipal Utilities' treatment plant providing wastewater service to residents of Irvine and Ravenna is in need of additional wastewater treatment capacity; and,

WHEREAS, the Irvine City Council and the Estill County Fiscal Court have adopted resolutions supporting a regional solution to Estill County wastewater issues; and,

WHEREAS, the process of planning the regional solution, the application for grant funds to finance the construction of the solution, and inability of Estill County to attract and support economic growth requires local support for the regional solution to be made known; and,

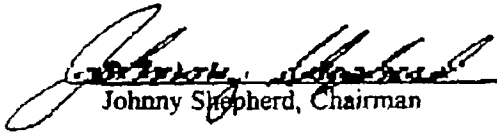
WHEREAS, Irvine Municipal Utilities recently commissioned an update to their Regional Facilities Plan that provides detailed recommendations to correct the city and county sewer system deficiencies through regionalizing said facilities under the ownership and operation of Irvine Municipal utilities; and,

WHEREAS, the City of Irvine recently expressed its support of the regional solution to the County's wastewater treatment needs through a resolution; and,

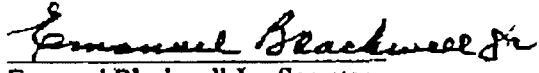
WHEREAS, the Irvine Municipal Utilities approved the provisions of the Regional Facilities Plan and the acquisition of Estill County Water District sewer facilities at its regularly scheduled meeting held on May 19, 2005.

BE IT THEREFORE RESOLVED, the Irvine Municipal Utilities Board of Commission supports the regional solution to the County's wastewater treatment needs, and accepts the recommendations included in the Regional Facilities Plan. The Irvine Municipal Utilities Board of Commission further resolves that the Estill County Water District's wastewater collection and treatment assets and liabilities should be acquired by the City of Irvine, with the facilities operated by Irvine Municipal Utilities, to provide the most cost efficient solution for the taxpayers and the residents of the County.

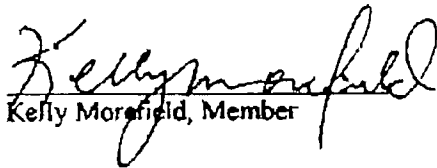
The above resolved on the 19th day of May, 2005, at the regularly scheduled meeting of the Irvine Municipal Utilities Board of Commission


Johnny Shepherd, Chairman

5-19-05
Date


Emanuel Blackwell Jr., Secretary

5/19/05
Date


Kelly Morefield, Member

5-19-05
Date

05/19/05 ↑
DATE

RESOLUTION
Estill County Fiscal Court

WHEREAS, the City of Irvine (through Irvine Municipal Utilities) and Estill County (through the Estill County Water District) own and operate separate wastewater collection system and treatment facilities providing wastewater service to residents of Estill County; and,

WHEREAS, recently the Estill County Water District entered into an Agreed Order with the Kentucky Division of Water requiring corrective action for ineffective removal of pollutants and for a plan to construct or acquire adequate capacity for treatment of the collected wastewater; and,

WHEREAS, Irvine Municipal Utilities' treatment plant providing wastewater service to residents of Irvine and Ravenna is in need of additional wastewater treatment capacity; and,

WHEREAS, the Irvine City Council and the Estill County Fiscal Court have adopted resolutions supporting a regional solution to Estill County wastewater issues; and,

WHEREAS, the process of planning the regional solution, the application for grant funds to finance the construction of the solution, and viability of Estill County to attract and support economic growth requires local support for the regional solution to be made known; and,

WHEREAS, Irvine Municipal Utilities recently commissioned an update to their Regional Facilities Plan that provides detailed recommendations to correct the city and county sewer system deficiencies through regionalizing said facilities under the ownership and operation of Irvine Municipal utilities; and,

WHEREAS, the City of Irvine recently expressed its support of the regional solution to the County's wastewater treatment needs through a resolution; and,

WHEREAS, the Irvine Municipal Utilities approved the provisions of the Regional Facilities Plan and the acquisition of Estill County Water District sewer facilities at its regularly scheduled meeting held on May 10, 2005.

BE IT THEREFORE RESOLVED, the Estill County Fiscal Court supports the regional solution to the County's wastewater treatment needs, and the regional solution included in the Regional Facilities Plan. The Estill County Fiscal Court further resolves that the Estill County Water District's wastewater collection and treatment assets and liabilities should be acquired by the City of Irvine, with the facilities operated by Irvine Municipal Utilities, to provide the most cost efficient solution for the taxpayers and the residents of the County.

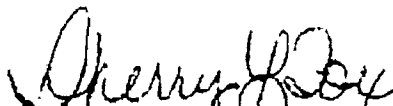
The above resolved on this the 20 day of June, 2003, at the regularly scheduled meeting of the Estill County Fiscal Court.

For the County:

Attest:



Wallace C. Taylor, Estill Co. Judge Exec.



Sherry Fox, Estill County Clerk

Resolution 2003-1
Relating to Sewer Utility
Cooperation and Coordination in Estill County
For Enhanced Efficiency and Effectiveness

WHEREAS, virtually all public water service and public sewer service that is available in Estill County (except for a portion of the northeast corner of the county) is a function of either the Estill County Water and Sewer District or the Irvine Municipal Utilities, and

WHEREAS, approximately 99 percent of Estill County households have access to a community water system, and

WHEREAS, Estill County Sewer District serves more than 400 sewer customers and Irvine Municipal Utilities serves more than 1600 sewer customers, and

WHEREAS, the Estill County Sewer District (Estill CSD) and Irvine Municipal Utilities (Irvine MU) each own and operate a wastewater treatment plant and discharges treated effluent to the Kentucky River—at nearly the same point but from opposite banks of the river, and

WHEREAS, both the Estill CSD and the Irvine MU in 2002 operated their wastewater treatment plants with an average daily flow which exceeded the rated capacity of the two respective treatment plants, and

WHEREAS, both the Estill CSD and the Irvine MU are operating under Kentucky Division of Water sewer sanctions or may expect shortly to be operating under KDOW sewer sanctions because of exceeding wastewater discharge permit violations and /or hydraulic capacity, and

WHEREAS, the Kentucky Commerce Cabinet no longer lists Irvine, Ravenna, or Estill County as suitable sites for industrial development/expansion because of apparent and ongoing wastewater deficiencies, and

WHEREAS, the continued ownership/operation of two completely separate and independent sewer utilities in Estill County may result in diseconomies which may adversely affect user charges, and

WHEREAS, at a March 20, 2003 community meeting, representatives of all three local governments were in attendance as were representative of both existing sewer utilities, the Estill Development Alliance, The Irvine Planning Commission, and the Estill County Health Department and others to listen, to learn, and to openly discuss the sewer utility situations, circumstances, constraints, and options,

NOW THEREFORE, the Board of Commissioners of the Estill County Water/Sewer District resolves to support the conduct of a feasibility study that would involve a comprehensive analysis of the pros and the cons of multiple scenarios of cooperation/coordination of the Estill County Water and Sewer District and the Irvine Municipal Utilities. The desired end result of such a study would be a management plan for

- Increased efficiency and effectiveness of the present sewer utilities which may or may not be reconstituted,
- The careful public stewardship for future capital construction projects, and
- Careful public stewardship of future operation and maintenance activities

In order that monthly sewer user charges might be contained. All participants would expect to review and comment upon the scope of such a study prior to its initiation.

Motion by Ralph Howe, second by Roy Embs to adopt the above resolution. The vote on the motion was 3 aye and 0 nay.

Adopted this 28 day of March, 2003.

Roy Embs
Chairman

Resolution Number # 2005-3

of the
Estill County Water District

adopted on this the 30th day of September 2005
at the regularly-scheduled meeting at the office of the Estill County Water District

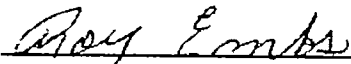
Whereas, the Irvine Municipal Utilities recently received a Notice of Violation for operating their wastewater treatment plant in excess of the KPDES-permitted average daily flow and city leaders have expressed the desire to expand wastewater treatment capacity in the Irvine Municipal Utilities service area; and,

Whereas, the Estill County Water District (hereinafter referred to as "the District") has received a Notice of Violation and executed an Agreed Order with the Division of Water for violating pollutant discharge limitations and operating at flows in excess of KPDES permit limits and the District is in immediate need of additional wastewater treatment capacity; and,

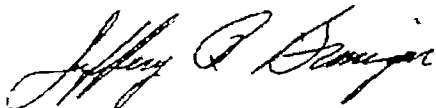
Whereas, the Irvine Municipal Utilities contracted with a consulting engineering firm to create a Regional Facilities Plan for Estill County (herein after referred to as "the Plan") to introduce the proposed regional solution for the lack of wastewater treatment capacity in the county and said plan was submitted to the Division of Water on 30 December 2004; and,

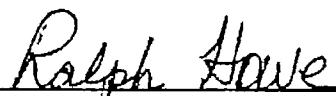
Whereas, the Plan has passed review by various offices of the Division of Water and the only outstanding item to be accomplished before securing final Division of Water approval is this resolution of support and concurrence with the currently submitted Plan by the Estill County Water District.

Be It Therefore Resolved, the Estill County Water District ("the District") supports the efforts of community leaders in pursuing a regional wastewater treatment solution and the District is in concurrence with the currently-submitted Regional Facilities Plan by the Irvine Municipal Utilities.



Chairman, signature
Estill County Water District





Attest, signature

RALPH HOWE

Printed Name

Handwritten note:
Irvine
Council

May 24, 2004

The Irvine City Council met in regular session on May 24, 2004 at 7:00 p.m. at City Hall. The meeting was called to order by Mayor Williams and opened with prayer by Co. Friend. City Clerk led the pledge.

Present: Co. Eckler Co. Farmer
 Co. Arthur Co. Burkhart
 Co. Bryant Co. Friend
 Attorney Davis

Guests present were Connie Allen, Bee Williams and Monte Farmer. Malvin Rogers arrived at 8:15 p.m.

Mayor Williams opened the meeting with Municipal Aid and L.G.E.A. hearing for proposed usage of funds. No one was present to give comment. The hearing was closed at 7:04 p.m.

Bee Williams said that he met with the judge and fiscal court. Bee stated that he had a resolution and minutes from Fiscal Court in support of the merger. Bee stated that I.M.U. would accept all debts, customer base and assets relating to sewer. Bee said the ordinance needed to be amended to add 2 county members to the board. Bee said the judge would only recommend someone for the board to fiscal court before coming before the council. Bee added that no employees would lose their job because of the merger and could take 2 years before getting all grant money. Co. Bryant asked Bee if he thought this would be the best way to keep rates down? Bee said that in his opinion it was and that he would send a letter to Mr. Hughes, Executive Director of Ky. Infrastructure asking if the debt could be forgiven if the merger went through. Co. Bryant said that the initial agreement should include that everyone who lives within so many feet would have to hook on to sewer. Bee said that they might have to get the health department on board also. Attorney Davis said that fiscal court would have authority to enforce this and asked Bee to check on this matter to be sure who would be involved in enforcement.

Mayor Williams stated that he would like for the city and county to fix the sewer problem now, if possible and years down the road get grants for improvement. Mayor stated that he was in favor of a good sewage system for all citizens and a rate we can all live with

Motion was made that the City of Irvine be resolved in support of entering into a cooperative process with the Estill Co. Water District #1 and the Fiscal Court to prepare a regional facilities plan and further to authorize the preparation of amendments to the Irvine Municipal Utilities ordinance which would allow I.M.U. to assume responsibility for county sewer services and to restructure the I.M.U. utility commission to allow representation of all covered customers contingent on procurement of 85% grant monies and passage of a county ordinance requiring hook-on within all served areas and a cost-based rate structure, by Co. Farmer and second by Co. Bryant with all members voting yes with the exception of Co. Burkhart who voted no.

Handwritten note:
For
(604(b))
BFP

AN ORDINANCE OF THE CITY OF IRVINE, ESTILL COUNTY, KENTUCKY, CREATING A CITY UTILITY COMMISSION TO BE VESTED WITH ABSOLUTE CONTROL OF THE MUNICIPAL UTILITIES OF THE CITY OF IRVINE, KENTUCKY, AS THE SAME ARE ACQUIRED AND PLACED IN MUNICIPAL OPERATION.

WHEREAS, the City of Irvine, Estill County, Kentucky, a Municipal Corporation of the fourth class, has by Ordinance, pursuant to the provisions of KRS Chapter 58, concurrently instituted proceedings for the acquisition of the waterworks and water distribution system of K-T Electric and Water Company, serving the City of Irvine, Kentucky; and

WHEREAS, Utilities Revenue Bonds of the City of Irvine, Kentucky, are to be issued by the City in connection with such acquisition, and it is contemplated that said project of municipal utilities shall in the indeterminate future include the substantial renovation, modification, extension, and improvement of the sewer facilities of said City of Irvine; and

WHEREAS, said City of Irvine, pursuant to authority of a holding of the Court of Appeals of Kentucky in the case of Keathley vs. Town of Martin, (1951), 246 SW(2) 152, is empowered and authorized to appoint an independent commission for the operation of said utility to be presently acquired, to the end that the management, control and operation of said waterworks and water distribution system should be vested in an independent city commission free from political influence, so that said system may be operated in a businesslike manner for the sole purpose of serving the public in the most economic manner; and



APPROVED, this 11th day of December, 1967.

Francis G. Miller

FRANCIS G. MILLER, MAYOR
City of Irvine, Kentucky

ATTEST:

C. T. Murrell
C. T. MURRELL, City Clerk
City of Irvine, Kentucky.

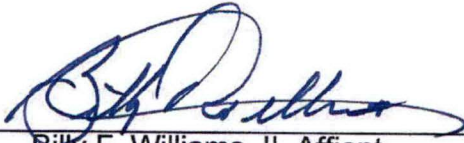
AFFIDAVIT OF BILLY F. WILLIAMS, II

Comes now Billy F. Williams, II, and having after first been duly sworn, states as follows:

1. That I am the Manager of Operations of the Irvine Municipal Utilities and have been so employed since 1997.
2. In my capacity as Manager of Operations, I am personally familiar with the information contained in this Affidavit.
3. That the newly renovated and enlarged sewage treatment plant owned by the City of Irvine and operated by me on behalf of Irvine Municipal Utilities has a treatment capacity of 2 million gallons per day.
4. That the City of Irvine, on average, treats approximately 608,000 gallons per day of sewage generated within the City limits of Irvine.
5. That Estill County Water District, on average, currently generates approximately 125,000 gallons of sewage per day; this amount being determined from the metered usage in the preceding thirty (30) day period.
6. That even after diversion of all of the existing sewage flow from Estill County Water District to the new treatment facility owned and operated by the City of Irvine/IMU, the facility will have an unused or excess capacity of approximately 1,267,000 gallons per day.

Further Affiant sayeth not.

By: _____


Billy F. Williams, II, Affiant



STATE OF KENTUCKY
SCT
COUNTY OF Estill

The undersigned, a Notary Public in and for the county and state aforesaid, hereby certifies that the foregoing Affidavit was subscribed, acknowledged, and sworn to before me by **BILLY F. WILLIAMS, II**, on this the 3rd day of December, 2014.



Notary Public, Kentucky State at Large

My Commission Expires: 6/7/16