

# Rubin & Hays

ATTORNEYS AT LAW

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Telephone (502) 569-7525 Telefax (502) 569-7555 www.rubinhays.com

CHARLES S. MUSSON  
W. RANDALL JONES  
CHRISTIAN L. JUCKETT

June 2, 2015

RECEIVED

JUN 5 2015

PUBLIC SERVICE  
COMMISSION

Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

Re: Cannonsburg Water District PSC Application - KRS 278.023

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the Cannonsburg Water District for a Certificate of Public Convenience and Necessity to construct, finance and increase rates pursuant to KRS 278.023.


Also enclosed are eleven (11) copies of the exhibits required pursuant to 807 KAR 5.069, with the **exception of the Preliminary and Final Engineering Reports, of which two copies are enclosed. An electronic copy of the Plans and Specifications will be filed in the near future.**

If you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By

  
W. Randall Jones

WRJ:jlm  
Enclosures  
cc: Distribution List

**DISTRIBUTION LIST**

**Re: Cannonsburg Water District Waterworks Revenue Bonds, Series 2015, in the principal amount of \$1,668,000**

Mr. Thomas G. Fern  
State Director  
USDA, Rural Development  
771 Corporate Drive, Suite 200  
Lexington, Kentucky 40503-5477

Telephone: (859) 223-7336  
Fax: (859) 224-7425

Mr. Douglas Hoff  
USDA, Rural Development  
220 West First Street  
Morehead, Kentucky 40351

Telephone: (606) 784-6447  
Fax: (606) 784-2076

Mr. Danny Clarkston, General Manager  
Cannonsburg Water District  
1606 Cannonsburg Road  
Cannonsburg, Kentucky 41102

Telephone: (606) 928-9808  
Fax: (606) 928-4788

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3145 Greenup Avenue  
Ashland, Kentucky 41101

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Rubin & Hays  
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450 South Third Street  
Louisville, Kentucky 40202

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RECEIVED

JUN 5 2015

PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE CANNONSBURG )  
WATER DISTRICT FOR A CERTIFICATE )  
OF PUBLIC CONVENIENCE AND ) Case No. 2015-\_\_\_\_\_  
NECESSITY TO CONSTRUCT, FINANCE AND )  
INCREASE RATES PURSUANT TO KRS 278.023 )

APPLICATION

This Application of the Cannonsburg Water District ("Applicant"), respectfully shows:

1. That Applicant is a water district created and existing under and by virtue of Chapter 74 of the Kentucky Revised Statutes.

2. That the post office address of Applicant is:

Cannonsburg Water District  
Mr. Danny Clarkston, General Manager  
1606 Cannonsburg Road  
Ashland, Kentucky 41102  
Telephone: (606) 928-9808  
Fax: (606) 928-4788  
[danny@cannonsburgwater.com](mailto:danny@cannonsburgwater.com)

3. That Applicant, pursuant to the provisions of KRS 278.023, seeks (i) a Certificate of Public Convenience and Necessity, permitting Applicant to construct a waterworks improvement project (the "Project"); (ii) an Order approving increased water rates; and (iii) approval of the proposed plan of financing said Project.

4. That the Project consists of (i) the replacement of 2,200 linear feet of existing 6 inch waterline; (ii) replacing two existing major stream crossings (225 linear feet of existing 8 inch waterline and 200 linear feet of 3 inch waterline); (iii) improvements to two existing pump stations; (iv) installation of two new booster pump stations; (v) cleaning and repainting two existing water storage tanks; and (vi) replacement of 2,800 linear feet of existing 5/8 inch x 3/4 inch and 1 inch water meters with new meters and an associated tower meter read system.

5. That Applicant proposes to finance the construction of the Project through (i) the issuance of \$1,688,000 of its Waterworks Revenue Bonds; and (ii) a USDA, Rural Development ("RD") grant in the amount of \$418,000. Applicant has a commitment from RD to purchase said \$1,688,000 of bonds maturing over a 40-year period, at an interest rate not to exceed 3.25% per annum, as set out in the RD Letter of Conditions filed herewith as an Exhibit.

6. That Applicant does not contemplate having the Project constructed with any deviation from minimum construction standards of this Commission.

7. That Applicant files herewith the following Exhibits pursuant to 807 KAR 5:069, Section 2 in support of this Application:

- A. Copy of RD Letter of Conditions (**Exhibit "A"**).
- B. Copy of RD Letter of Concurrence in Contract Award (**Exhibit "B"**).
- C. Copy of Preliminary Engineering Report, Final Engineering Report and certified bid tabulations.
- D. Certified statement from the Chairman of Applicant (**Exhibit "C"**), based upon statements of the Engineers for Applicant, concerning the following:
  - (1) The proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.
  - (2) All other state approvals or permits have been obtained;
  - (3) The proposed rates of Applicant shall produce the total revenue requirements recommended in the engineering reports; and
  - (4) Setting out the dates when it is anticipated that construction will begin and end.

8. That Applicant has complied with the "public postings" requirement of 807 KAR 5:069, Section 3(1)(a) and (b) by posting a copy of the Notice of Proposed Rate Change (the "Notice") (i) at its place of business; and (ii) within five (5) business days of the date this Application is submitted to the Commission, on its website ([www.cannonsburgwater.com](http://www.cannonsburgwater.com)) along with a hyperlink to the location on the Commission's website where the case documents are available. Applicant has also arranged for the publication, prior to or at the same time this Application is filed, of the Notice pursuant to 807 KAR 5:069, Section 3(2) in the newspaper of general circulation in Applicant's service area. Said Notice sets out the content requirements of 807 KAR 5:069, Section 3(4). A copy of said Notice is filed herewith as **Exhibit "D"**. Applicant shall

file with this Commission no later than fifteen (15) days from the date this Application was initially filed, an affidavit and tearsheet from the publisher as required by 807 KAR 5:069 Section 3(3)(b).

9. That the foregoing constitutes the documents necessary to obtain the approval of this Commission in accordance with Section 278.023 of the Kentucky Revised Statutes and in accordance with the "Filing Requirements" specified in 807 KAR 5:069, Section 2.

WHEREFORE, Applicant, the Cannonsburg Water District, asks that the Public Service Commission of the Commonwealth of Kentucky grant to Applicant the following:

- a. A Certificate of Public Convenience and Necessity permitting Applicant to construct a water system improvement project.
- b. An Order approving the financing arrangements made by Applicant, viz., (i) the issuance of \$1,688,000 of Cannonsburg Water District Waterworks Revenue Bonds at an interest rate not to exceed 3.25% per annum; and (ii) an RD grant in the amount of \$418,000.
- c. An Order approving the proposed water rates as set out in Section 27 of the RD Letter of Conditions filed herewith as an Exhibit.

Cannonsburg Water District

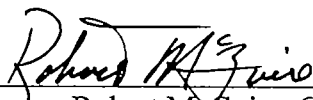
By: Richard McQuinn  
Chairman  
Board of Water Commissioners

W. Randall Jones, Esq.  
Rubin & Hays  
Counsel for Applicant  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
Phone: (502) 569-7525  
Fax: (502) 569-7555  
[wrjones@rubinhays.com](mailto:wrjones@rubinhays.com)

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF BOYD )

The undersigned, Robert McGuire, being duly sworn, deposes and states that he is the Chairman of the Board of Commissioners of the Cannonsburg Water District, Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this May 27, 2015.



Robert McGuire, Chairman  
Cannonsburg Water District

Subscribed and sworn to before me by Robert McGuire, Chairman of the Board of Commissioners of the Cannonsburg Water District, on this May 27, 2015.

My Commission expires: January 23, 2016.



Notary Public

50



United States Department of Agriculture

3/39

Rural Development

April 1, 2014

Kentucky State Office

771 Corporate Drive,  
Suite 200  
Lexington, KY  
40503

Mr. Robert McGuire, Chairman  
Cannonsburg Water District  
1606 Cannonsburg Road  
Ashland, Kentucky 41102

Voice 859.224.7300  
Fax 859.224.7425  
TTY 859.224.7422

Dear Mr. McGuire:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area office staff of USDA Rural Development. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by USDA Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application. It should also be understood that Rural Development is under no obligation to provide additional funds to meet an overrun in construction costs.

This letter is not to be considered as loan or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,668,000 and a RUS grant not to exceed \$418,000. No applicant cash contribution will be required.

If Rural Development makes the loan, the interest rate will be the lower of the rate in effect at the time of loan approval or the rate in effect at the time of loan closing, unless the applicant otherwise chooses. The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire that further consideration be given to your application.

The "Letter of Intent to Meet Conditions" must be executed within three weeks from the date of this letter or it becomes invalid unless a time extension is granted by Rural Development.

If the conditions set forth in this letter are not met within 210 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application.

In signing Form RD 1942-46, "Letter of Intent to Meet Conditions," you are agreeing to complete the following as expeditiously as possible:

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html), or at any USDA office, or call (888) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov).

1. Number of Users and Their Contribution:

There shall be 3,504 water users, all of which are existing users. The Area Director will review and authenticate the number of users and amount of connection fees prior to advertising for construction bids.

2. Grant Agreement:

Attached is a copy of RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

3. Drug-Free Work Place:

Prior to grant closing, the District will be required to execute Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative I - For Grantees Other Than Individuals."

4. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed two years from the date of the Bond. Principal payment will not be deferred for a period in excess of two years from the date of the Bond. Payments will be in accordance with applicable KRS, which requires interest to be paid semi-annually (January and July) and principal will be due on or before the first of January. Rural Development may require the District to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the bond is held or insured by RUS. Monthly payments will be approximate amortized installments.

5. Recommended Repayment Method:

Payments on this loan shall be made using the Preauthorized Debit (PAD) payment method. This procedure eliminates the need for paper checks and ensures timely receipt of RD loan payments. To initiate PAD payments, Form RD 3550-28, "Authorization Agreement for Preauthorized Payments," should be signed by the District to authorize the electronic withdrawal of funds from your designated bank account on the exact installment payment due date. The Area Director will furnish the necessary forms and further guidance on the PAD procedure.

6. Reserve Accounts:

Reserves must be properly budgeted to maintain the financial viability of any operation. Reserves are important to fund unanticipated emergency maintenance, pay for repairs, and assist with debt service should the need arise.

The District will be required to deposit \$670 per month into a "Funded Debt Reserve Account" until the account reaches \$80,400. The deposits are to be resumed any time the account falls below the \$80,400.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the District's prior bond resolutions.



The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational.

The District also needs to fund an account for short-lived assets by depositing a sum of \$1,500 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District's water system. This short-lived asset reserve amount replaces any previous short-lived assets requirements previously set with any prior RUS loan.

7. Security Requirements:

A pledge of gross water revenue(s) will be provided in the Bond Resolution. Bonds shall rank on a parity with existing bonds, if possible.

If this is not possible, the bond will be subordinate and junior to the existing bonds, in which case the District will be required to abrogate its right to issue additional bonds ranking on a parity with the existing bonds, so long as any unpaid indebtedness remains on this bond issue.

8. Land Rights and Real Property:

The District will be required to furnish satisfactory title, easements, etc., necessary to install, maintain and operate the facility to serve the intended users. The pipelines will be on private rights-of-way where feasible. Easements and options are to be secured prior to advertising for construction bids.

9. Organization:

The District will be legally organized under applicable KRS which will permit them to perform this service, borrow and repay money.

10. Business Operations:

The District will be required to operate the system under a well-established set of resolutions, rules and regulations. A budget must be established annually and adopted by the District after review by Rural Development. At no later than loan pre-closing, the District will be required to furnish a prior approved management plan to include, as a minimum, provisions for management, maintenance, meter reading, miscellaneous services, billing, collecting, delayed payment penalties, disconnect/reconnect fees, bookkeeping, making and delivering required reports and audits.

11. Accounts, Records and Audits:

The District will be required to maintain adequate records and accounts and submit annual budgets and year-end reports (annual audits)/statistical and financial reports, quarterly and annually, in accordance with subsection 1780.47 of RUS Instruction 1780.

The District shall be required to submit a copy of its audit agreement for review and concurrence by Rural Development prior to pre-closing the loan.

The District shall obtain the assistance of its accountant to establish the District's accounting system. Rural Development review of the accounting system is required.

12. Accomplish Audits for Years in Which Federal Financial Assistance is Received:

The District will accomplish audits in accordance with OMB Circular A-133, during the years in which federal funds are received. The District will provide copies of the audits to the Area Office and the appropriate Federal cognizant agency as designated by OMB Circular A-133.

13. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the District. The District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$90,000.
- D. Real Property Insurance - The District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures. The amounts of coverage should be based on recommendations obtained by the District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

14. Planning and Performing Development:

- A. The engineer should not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost shown in paragraph "24" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 180 days from this date, and prepare bid documents. The Area Director is prepared to furnish the necessary guide to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and enforceable options

have been obtained, and total funds are committed or available for the project.

B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:

1. Final plans, specifications and bid documents.
2. Applicant's letter on efforts to encourage small business and minority-owned business participation.
3. Legal Service Agreements.
4. Engineering Agreements.

Revision in these documents will be subject to Rural Development concurrence. Any agreements, contracts, etc. not reviewed and approved by Rural Development will not be eligible for payment from project funds or revenues from facilities financed by this Agency.

Prior to receipt of an authorization to advertise for construction bids, the District will obtain advance clearance from Bond Counsel regarding compliance with KRS 424 pertaining to publishing of the advertisement for construction bids in local newspapers and the period of time the notice is required to be published.

15. Civil Rights & Equal Opportunity:

You should be aware of and will be required to comply with other federal statute requirements including but not limited to:

A. Section 504 of the Rehabilitation Act of 1973:

Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Rural Development financial assistance.

B. Civil Rights Act of 1964:

All borrowers are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and Subpart E of Part 1901 of this Title, particularly as it relates to conducting and reporting of compliance reviews. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by paragraph 1901.202(e) of this Title.

C. The Americans with Disabilities Act (ADA) of 1990:

This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, state and local government services, public transportation, public accommodations, facilities, and telecommunications.

Title II of the Act applies to facilities operated by state and local public entities that provide services, programs, and activities. Title III of the Act applies to facilities owned, leased, or operated by private entities that accommodate the public.

D. Age Discrimination Act of 1975:

This Act (42 U.S.C. 6101 et seq.) provides that no person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

Rural Development financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap.

16. Closing Instructions:

The Office of General Counsel, our Regional Attorney, will be required to write closing instructions in connection with this loan. Conditions listed therein must be met by the District.

17. Compliance with Special Laws and Regulations:

The District will be required to conform to any and all state and local laws and regulations affecting this type project.

18. System Operator:

The District is reminded that the system operator must have an Operator's Certificate issued by the State.

19. Prior to Pre-Closing the Loan, the District Will Be Required to Adopt:

- A. Form RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."
- B. Form RD 400-1, "Equal Opportunity Agreement."
- C. Form RD 400-4, "Assurance Agreement."
- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."
- G. RUS Bulletin 1780-22, "Eligibility Certification."

20. Refinancing and Graduation Requirements:

The District is reminded that if at any time it shall appear to the Government that the District is able to refinance the amount of the RUS indebtedness then outstanding, in whole or in part, by obtaining a loan from commercial sources at reasonable rates and terms, upon the request of the Government, the District will apply for and accept such loan in sufficient amount to repay the Government.

21. Commercial Interim Financing:

The District will be required to use commercial interim financing for the project during construction for the RUS loan portion of the financing, if available at reasonable rates and terms.

Before the loan is closed, the District will be required to provide Rural Development with statements from the contractor, engineer and attorneys that they have been paid to date in accordance with their contract or other agreements and, in the case of the contractor, that he has paid his suppliers and sub-contractors.

22. Disbursement of Project Funds:

A construction account for the purpose of disbursement of project funds (RUS) will be established by the District prior to start of construction. The position of officials entrusted with the receipt and disbursement of RUS project funds will be covered by a "Fidelity Bond," with USDA Rural Development as Co-Obligee, in the amount of construction funds on hand at any one time during the construction phase.

For each "construction account" as established, if the amount of RUS loan and grant funds plus any applicant contributions or funds from other sources to be deposited into the account are expected to exceed \$250,000 at any time, the financial institution will secure the amount in excess of \$250,000 by pledging collateral with the Federal Reserve Bank in an amount not less than the excess in accordance with 7 CFR, 1902.7(a).

During construction, the District shall disburse project funds in a manner consistent with subsection 1780.76 (e) of RUS Instruction 1780. Form RD 1924-18, "Partial Payment Estimate," or similar form approved by Rural Development, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to Rural Development for review and acceptance. Prior to disbursement of funds by the District, the Board of Directors shall review and approve each payment estimate. All bills and vouchers must be approved by Rural Development prior to payment by the District.

Form RD 440-11, "Estimate of Funds Needed for 30-Day Period Commencing \_\_\_\_\_," will be prepared by the District and submitted to Rural Development in order that a periodic advance of federal cash may be requested.

Borrowers receiving federal loan and/or grant funds by EFT will have funds directly deposited to a specified account at a financial institution with funds being available to the recipient on the date of payment. The borrower should complete Form SF-3881, "Electronic Funds Transfer Payment Enrollment Form," for each account where funds

will be electronically received. The completed form(s) must be received by Rural Development at least thirty (30) days prior to the first advance of funds.

Monthly audits of the District's construction account records shall be made by Rural Development.

23. Disbursement of Grant Funds:

The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of obligations due and payable by the District. Grant funds, upon receipt, must be deposited in an interest bearing account in accordance with 7 CFR part 3016 (as applicable). Interest earned on grant funds in excess of \$100 (as applicable) per year will be submitted to RUS at least quarterly.

24. Cost of Facility:

Breakdown of Costs:

Development	\$ 1,645,000
Land and Rights	5,000
Legal	20,000
Engineering	201,745
Interest	40,000
Administrative	9,755
Contingencies	<u>164,500</u>
TOTAL	\$ 2,086,000

Financing:

RUS Loan	\$ 1,668,000
RUS Grant	<u>418,000</u>
TOTAL	\$ 2,086,000

25. Use of Remaining Project Funds:

After providing for all authorized costs, any remaining project funds will be considered to be RUS grant funds and refunded in proportion to participation in the project. If the amount of unused project funds exceeds the grant(s), that part would be RUS loan funds.

26. Proposed Operating Budget:

You will be required to submit to Rural Development a copy of your proposed annual operating budget that supports the proposed loan repayment prior to this agency giving you written authorization to proceed with the bidding phase. The operating budget should be based on a typical year cash flow, subject to completion of this project in the first full year of operation. Form RD 442-7, "Operating Budget," or similar form may be utilized for this purpose.

27. Rates and Charges:

Rates and charges for facilities and services rendered by the District must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

5/8" x 3/4" Meters:

First	2,000	gallons @ \$	24.00. - Minimum Bill.
Next	3,000	gallons @ \$	9.00. - per 1,000 gallons.
Next	15,000	gallons @ \$	8.25. - per 1,000 gallons.
Next	30,000	gallons @ \$	7.60. - per 1,000 gallons.
Next	50,000	gallons @ \$	7.25. - per 1,000 gallons.
All Over	100,000	gallons @ \$	6.25. - per 1,000 gallons.

1-1/2" Meters:

First	5,000	gallons @ \$	51.00. - Minimum Bill.
Next	15,000	gallons @ \$	8.25. - per 1,000 gallons.
Next	30,000	gallons @ \$	7.60. - per 1,000 gallons.
Next	50,000	gallons @ \$	7.25. - per 1,000 gallons.
All Over	100,000	gallons @ \$	6.25. - per 1,000 gallons.

2" and 3" Meters:

First	20,000	gallons @ \$	174.75. - Minimum Bill.
Next	30,000	gallons @ \$	7.60. - per 1,000 gallons.
Next	50,000	gallons @ \$	7.25. - per 1,000 gallons.
All Over	100,000	gallons @ \$	6.25. - per 1,000 gallons.

6" Meters:

First	50,000	gallons @ \$	402.75. - Minimum Bill.
Next	50,000	gallons @ \$	7.25. - per 1,000 gallons.
All Over	100,000	gallons @ \$	6.25. - per 1,000 gallons.

12" Meters:

First	100,000	gallons @ \$	765.25. - Minimum Bill.
All Over	100,000	gallons @ \$	6.25. - per 1,000 gallons.

Wholesale:

All Usage @ \$ 4.25. - per 1,000 gallons.

28. Water Purchase Contract:

The District will submit a Water Purchase Contract for approval by Rural Development before advertising for construction bids. If the contract is not on Form RD 442-30, "Water Purchase Contract," the contract will require approval by our Regional Attorney. The contract must meet the requirements of subsection 1780.62 of RUS Instruction 1780.

29. Compliance with the Bioterrorism Act:

Prior to pre-closing the loan, the District will provide a certification they have completed a Vulnerability Assessment (VA) and prepared an emergency response plan (ERP) as required by the Safe Drinking Water Act (SDWA).

30. Floodplain Construction:

The District will be required to pass and adopt a Resolution or amend its By-Laws whereby the District will deny any water service to any future customer wishing to build on or develop property located within a designated floodplain. If a customer or developer requests service for construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the District and Rural Development officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP) and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

31. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated May 30, 2013, from Ms. Lee Nalley.
- B. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without effect after construction is complete. The Army Corps of Engineers Nationwide Permit No. 12 applies to all floodplain and wetland utility line construction.
- C. Any excavation by Contractor that uncovers a historical or archaeological artifact shall be immediately reported to Owner and a representative of Agency. Construction shall be temporarily halted pending the notification process and further directions issued by Agency after consultation with the State Historic Preservation Officer (SHPO).
- D. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.
- E. Best Management Practices shall be incorporated into the project design, construction, and maintenance.

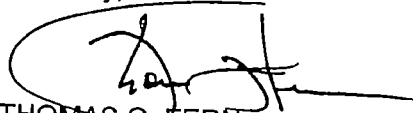


32. Final Approval Conditions:

Final approval of this assistance will depend on your willingness, with the assistance of all your co-workers, to meet the conditions of this letter in an orderly and systematic manner. Then too, final approval will depend on funds being available.

If you desire to proceed with your application, the Area Director will allot a reasonable portion of time to provide guidance in application processing.

Sincerely,



THOMAS G. FERN  
State Director

Enclosures

- cc: Area Director - Morehead, Kentucky  
FIVCO ADD - Grayson, Kentucky  
Kevin Stinnette - Catlettsburg, Kentucky  
Rubin & Hays - Louisville, Kentucky  
E.L. Robinson Engineering - Ashland, Kentucky  
PSC - ATTN: Jeff Derouen - Frankfort, Kentucky



United States Department of Agriculture

Rural Development May 20, 2015

Kentucky State Office

771 Corporate Drive,  
Suite 200  
Lexington, KY  
40503

SUBJECT: Cannonsburg Water District  
Water System Improvements  
Contract Award Concurrence

Voice 859.224.7300  
Fax 859.224.7425  
TTY 859.224.7422

TO: Area Office  
Morehead, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of subject contract to the low bidder on Contract 1, Southern OH Trench and Excavating, in the amount of \$281,475, the low bidder on Contract 2, Advance Building Restoration, in the amount of \$268,080, and the low bidder on Contract 3, CI Thornburg Co., in the amount of \$1,009,292.

If you have any questions, please contact Julie Anderson, State Engineer, at (859) 224-7348.

  
THOMAS G. FERN  
State Director  
Rural Development

cc: Paul Amburgey  
Ashland, Kentucky

Randy Jones  
Louisville, Kentucky

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If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html), or at any USDA office, or call (866) 632-9892 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov).

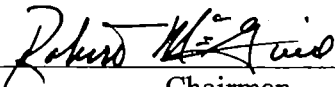
**CERTIFICATE OF CHAIRMAN OF THE CANNONSBURG  
WATER DISTRICT AS TO STATEMENT REQUIRED BY  
SECTION 2(6) OF 807 KAR 5:069**

I, the undersigned, hereby certify that I am the duly qualified and acting Chairman of the Cannonsburg Water District, and that said District is in the process of arranging to finance the construction of improvements to the water system (the "Project"), in cooperation with E.L. Robinson Engineering, Ashland, Kentucky, the Engineers for the District (the "Engineers").

Based on information furnished to me by said Engineers, I hereby certify as follows:

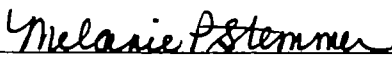
1. That the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.
2. That all other state approvals and/or permits have been obtained.
3. That the rates proposed by the District in its current Application filed with the Kentucky Public Service Commission are contemplated to produce total revenue requirements recommended in the Engineering Reports prepared by such Engineers and filed with the Public Service Commission.
4. That it is now contemplated that construction of the Project will begin on or about July 15, 2015, and will end on or about January 15, 2016.

IN TESTIMONY WHEREOF, witness my signature this May 27, 2015.

  
\_\_\_\_\_  
Chairman  
Cannonsburg Water District

STATE OF KENTUCKY            )  
  ) SS  
COUNTY OF BOYD            )

Subscribed and sworn to before me by Robert McGuire, Chairman of the Board of Commissioners of the Cannonsburg Water District, on this May 27, 2015.

  
\_\_\_\_\_  
Notary Public  
In and For Said State and County

## NOTICE OF PROPOSED RATE CHANGE

In accordance with the requirements of the Kentucky Public Service Commission ("PSC") as set out in 807 KAR 5:069, Section 3, notice is hereby given to the customers of the Cannonsburg Water District (the "District") of a change in water rates for users of the District's water system. The changes in water rates are required by the U.S. Department of Agriculture, acting through Rural Development ("RD") in connection with a loan by RD to the District in the principal amount of \$1,668,000 to be evidenced by the issuance by the District of its waterworks revenue bonds in such amount, which RD has agreed to purchase provided the District meets certain conditions of RD, including revising the water rates as set forth below:

### Current Monthly Rates

<u>5/8 x 3/4 inch Meters</u>		<u>Monthly Rate</u>
First	2,000 gallons	\$20.58 minimum bill
Next	3,000 gallons	8.00 per 1,000 gallons
Next	15,000 gallons	7.59 per 1,000 gallons
Next	30,000 gallons	7.17 per 1,000 gallons
Next	50,000 gallons	6.77 per 1,000 gallons
Over	100,000 gallons	6.33 per 1,000 gallons

<u>1 inch Meters</u>		<u>Monthly Rate</u>
First	5,000 gallons	\$44.58 minimum bill
Next	15,000 gallons	7.59 per 1,000 gallons
Next	30,000 gallons	7.17 per 1,000 gallons
Next	50,000 gallons	6.77 per 1,000 gallons
Over	100,000 gallons	6.33 per 1,000 gallons

<u>2 and 3 inch Meters</u>		<u>Monthly Rate</u>
First	20,000 gallons	\$158.43 minimum bill
Next	30,000 gallons	7.17 per 1,000 gallons
Next	50,000 gallons	6.77 per 1,000 gallons
Over	100,000 gallons	6.33 per 1,000 gallons

<u>6 inch Meters</u>		<u>Monthly Rate</u>
First	50,000 gallons	\$373.53 minimum bill
Next	50,000 gallons	6.77 per 1,000 gallons
Over	100,000 gallons	6.33 per 1,000 gallons

12 inch Meters

Monthly Rate

First 100,000 gallons  
Over 100,000 gallons

\$712.03 minimum bill  
6.33 per 1,000 gallons

Wholesale Rate:

Big Sandy Water District and City of Greenup - \$4.21 per 1,000 gallons

Proposed Monthly Water Rates

<u>5/8 x 3/4 inch Meters</u>		<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First	2,000 gallons	\$24.00 minimum bill	\$3.42	16.62%
Next	3,000 gallons	9.00 per 1,000 gallons	1.00	12.50
Next	15,000 gallons	8.25 per 1,000 gallons	0.66	8.70
Next	30,000 gallons	7.60 per 1,000 gallons	0.43	6.00
Next	50,000 gallons	7.25 per 1,000 gallons	0.48	7.09
Over	100,000 gallons	6.33 per 1,000 gallons	0.00	0.00

<u>1 inch Meters</u>		<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First	5,000 gallons	\$51.00 minimum bill	\$6.42	14.40%
Next	15,000 gallons	8.25 per 1,000 gallons	0.66	8.70
Next	30,000 gallons	7.60 per 1,000 gallons	0.43	6.00
Next	50,000 gallons	7.25 per 1,000 gallons	0.48	7.09
Over	100,000 gallons	6.33 per 1,000 gallons	0.00	0.00

<u>2 and 3 inch Meters</u>		<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First	20,000 gallons	\$174.75 minimum bill	\$16.32	9.99%
Next	30,000 gallons	7.60 per 1,000 gallons	0.43	6.00
Next	50,000 gallons	7.25 per 1,000 gallons	0.48	7.09
Over	100,000 gallons	6.33 per 1,000 gallons	0.00	0.00

<u>6 inch Meters</u>		<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First	50,000 gallons	\$402.75 minimum bill	\$29.22	7.82%
Next	50,000 gallons	7.25 per 1,000 gallons	0.48	7.09
Over	100,000 gallons	6.33 per 1,000 gallons	0.00	0.00

<u>12 inch Meters</u>		<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First	100,000 gallons	\$765.25 minimum bill	\$50.22	7.47%
Over	100,000 gallons	6.33 per 1,000 gallons	\$0.00	0.00%

Proposed Wholesale Rate:

Big Sandy Water District and City of Greenup - \$4.25 per 1,000 gallons

Dollar Change: \$0.04

Percentage Change: 0.95%

The proposed monthly water rates shall be effective for water sold after the date of the final approving Order of the PSC, which Order is expected to be issued no later than 30 days of the filing of the Application.

The amount of average usage for all customers in the calendar year 2014 was 4,500 gallons per month thus generating an average monthly billing based on current rates of \$40.58. The proposed monthly rates will increase the average monthly billing to \$46.50 for an impact of \$5.92 or 14.59%.

The Application for approval of the rate change has been filed with the PSC and may be examined during normal business hours at the following locations: (i) Cannonsburg Water District office, 1606 Cannonsburg Road, Ashland, Kentucky 41102; (ii) PSC, 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., E.T.; and (iii) via the PSC website at <http://psc.ky.gov>. Comments regarding the Application may be submitted to the PSC via its website or by mail to PSC, P.O. Box 615, Frankfort, Kentucky 40602.

The proposed rates are required under the terms of an agreement between the District and RD and KRS 278.023 does not grant the PSC any discretionary authority to modify or reject any portion of the agreement between the District and RD, or to defer the issuance of all necessary orders to implement the terms of the agreement.

The RD loan proceeds will be used in conjunction with a \$418,000 RD grant to finance the cost of improvements to the existing system. The proposed improvements include (i) replacement of 2,200 linear feet of existing 6 inch waterline; (ii) replacing two existing major stream crossings (225 linear feet of existing 8 inch waterline and 200 linear feet of 3 inch waterline); (iii) improvements to two existing pump stations; installation of two new booster pump stations; (iv) cleaning and repainting two existing water storage tanks; and (v) replacement of 2,800 linear feet of existing 5/8 inch x 3/4 inch and 1 inch water meters with new meters and an associated tower meter read system. Signed, Robert McGuire, Chairman, Cannonsburg Water District.

**FINAL ENGINEERING REPORT**  
(Based on Construction Bids Received April 14, 2015)

**RECEIVED**  
JUN 5 2015  
PUBLIC SERVICE  
COMMISSION

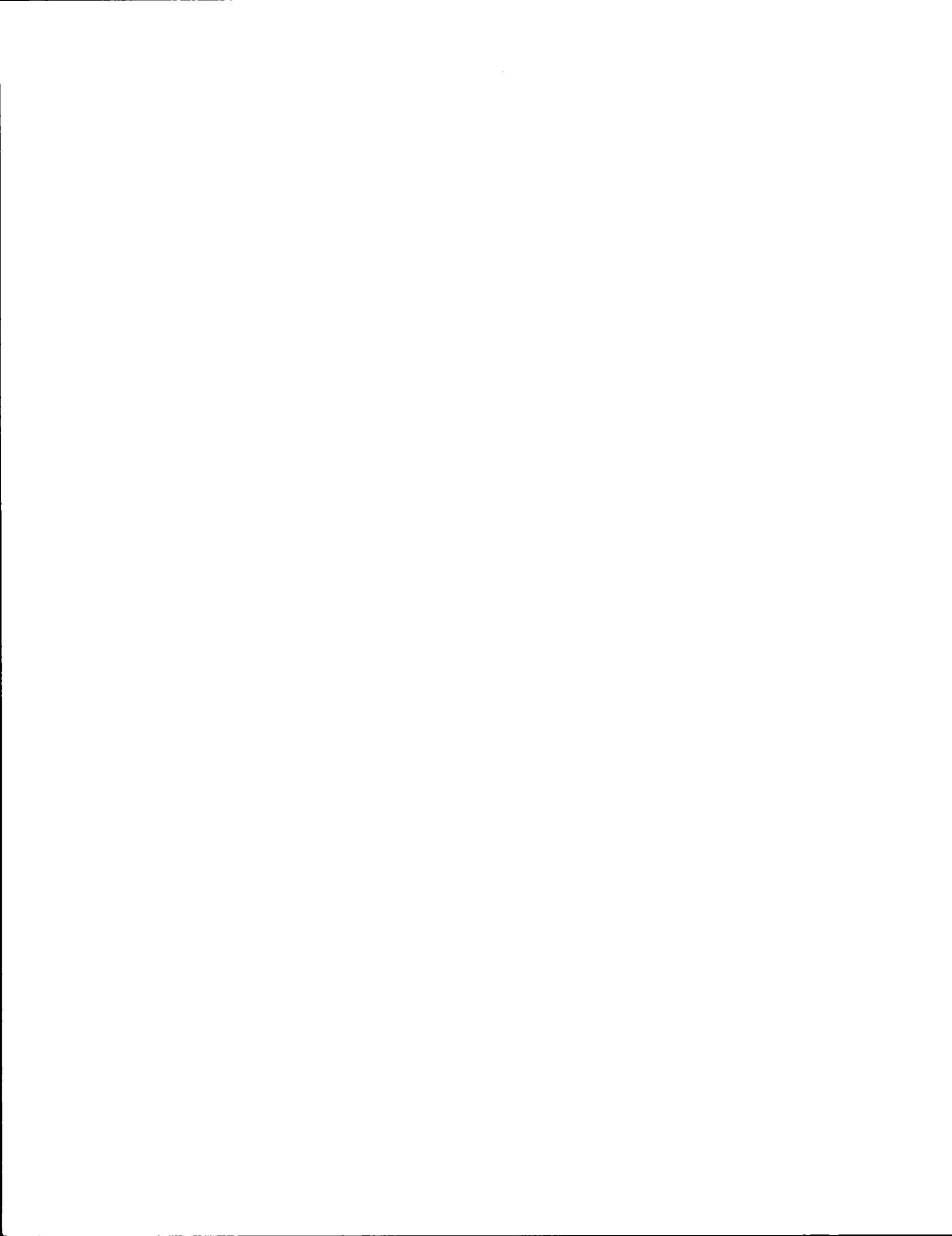
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**EXISTING WATER  
SYSTEM IMPROVEMENTS**

**CANNONSBURG WATER DISTRICT  
ASHLAND (BOYD/GREENUP COUNTY), KY**

MAY 2015





**CANNONSBURG WATER DISTRICT  
ASHLAND (BOYD/GREENUP COUNTY), KY**

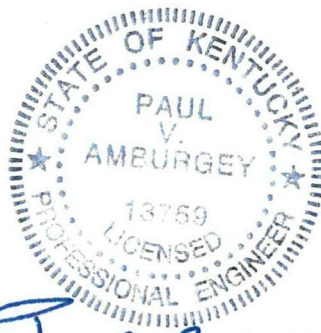
Final Engineering Report

May 2015

**EXISTING WATER SYSTEM IMPROVEMENTS**

Prepared by:

E.L. Robinson Engineering  
3145 Greenup Avenue  
Ashland, KY 41101



*Paul Amburgey*

Paul V. Amburgey, P.E.

5-8-2015

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## **APPENDICES**

- A. RD Kentucky PER Summary/Addendum Guide 7**
- B. Existing Water Rates, Charges (Effective January-2013)**
- C. Excerpts from 12-31-2013 PSC Audit Report**
- D. Water Purchase Contract- City of Ashland**
- E. June 10, 1966 Order Establishing Cannonsburg Water District**

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# I. GENERAL

## EXECUTIVE SUMMARY

On April 14, 2015, the Cannonsburg Water District received construction bids for this project. The project was divided into three (3) construction contracts. Bids were reviewed, Certified Bid Tabulations prepared by the Engineer and presented to the Cannonsburg Water District Commission at their regular meeting on April 29, 2015. The Water District approved a motion accepting each Contract bid recommendation.

The Engineer's recommended bid amount for each contract is as follows:

1. **Contract 1- \$281,475.00-** Existing W/L, Stream Crossings Replacement, Improvements to Existing Midland Trail, Tarpin Ridge BPS, New BPS at Dog Fork and Midland Heights Rd.
2. **Contract 2- \$268,080.00-** Improvements to Existing Tarpin Ridge and Princess Tanks
3. **Contract 3- 1,009,292.00-** Existing Residential Water Meter Replacement

## A. Purpose/History

The Cannonsburg Water District serves 3,675 total, 3,500 active residential, commercial, and industrial customers in Boyd and Greenup Counties. Cannonsburg has 3,390 active customers in Boyd County, the remaining 110 customers in Greenup County. The purpose of this project is to complete improvements to the existing Cannonsburg Water District system.

The Cannonsburg Water District has been in operation since the early 1970's. Since their inception, Cannonsburg purchases a majority of their water from the City of Ashland water system. Cannonsburg purchases a minor amount of water from the Big Sandy Water District to provide service to the higher elevation areas along Dog Fork/Laurel Road.

Cannonsburg's largest master metering point with Ashland is located on old US 60/Midland Trail in the Summit area at their existing Pump Station also located there. Cannonsburg also has additional master meters located at England Hill near US 23 between Catlettsburg and I-64, at Ashland's High Knob Tank on Buena Vista Road and on Technology Drive in EastPark (2) master meters; and at Kirby Flats Road.

Cannonsburg also has a master meter, sells water to the Big Sandy Water District on US 60 at Coalton near the Boyd/Carter County line.

Finally, Cannonsburg has master meters with the City of Greenup Water system located at Logtown Rd/KY 207, at KY 503 at Danleyton, and at the junction of the Industrial Parkway/KY 207. Cannonsburg currently does not sell water to the Greenup system.

The Cannonsburg Water District system is zoned with three (3) separate pump station/tanks as follows:

1. Midland Trail Pump Station- Princess Hill 300,000 gallon and Coffey Park 1 Million gallon tanks
2. Tarpin Ridge (McGuire Rd) Pump Station- Tarpin Ridge 50,000 and 90,000 gallon tanks

- 
3. Rebel Road Hydro-pneumatic Pump Station (no remote tank)
  4. Brookfield Farm Road Hydro-pneumatic Pump Station (no remote tank)

## **B. Scope of Proposed Project**

Cannonsburg is one of the older Water District's in eastern Kentucky. Their existing lines, tanks as originally constructed are now over 40 years old. The scope of this project is to complete needed improvements within the existing Cannonsburg Water District system.

These improvements to the existing system include the following work items:

1. Sand-blast cleaning, repainting the existing Tarpin Ridge and Princess water storage tanks. Submersible mixers are included with each tank upgrade to improve water mixing and turnover.
2. Upgrades to existing Tarpin Ridge booster pump station and replacement of existing 6-inch transmission line to tank with 8-inch line.
3. Electrical upgrades to Midland Trail main booster pump station (main feed from Ashland). Replace existing motor control center and pump alternator panel
4. Replace major stream crossings on KY RT 5 (8") and Ellington Run Road (3").
5. Provide in-line hydro-pneumatic booster pump stations on Dog Fork Road and Meadewood Heights to alleviate low pressure problems there.
6. Residential meter change-out program. Includes conversion of 2,800 meters to AMR fixed based tower read system. Tower read Base Stations to be installed at existing Coffey Park and Tarpin Ridge water storage tank sites.

Cannonsburg's existing service area is generally describes as follows:

### **Boyd County**

Most of Cannonsburg's customers are located in Boyd County. Their existing Boyd County service area includes southern Boyd County from the Ashland Water System limits at Summit/Meade Station to including the unincorporated Mavity area south off-64.

### **Greenup County**

Cannonsburg also serves the unincorporated Naples area of Greenup County, the FIVCO Court area within EastPark, and the Industrial Parkway from Technology Drive, 8 miles north to the junction of KY 207.

## **II. AREAS TO BE SERVED**

### **A. Boundaries**

Boyd and Greenup Counties are located in northeastern Kentucky and are bordered by the Ohio River to the North, Carter County to the west, Lawrence County to the South. Ashland is the largest City in Boyd County but Catlettsburg is the county seat for Boyd County. Greenup is the county seat for Greenup County.

---

The major roads in Boyd County are US 60 and I-64 which runs east-west, and US 23 which runs north-south. KY 180 connects US 60 with I-64. The Industrial Parkway runs thru the extreme northwesterly end of Boyd County. The major roads in County County are US 23 which runs north-south, and the AA Highway which runs east-west. The Industrial Parkway also runs thru Greenup County.

## B. Existing & Future Land Use, Median Household Income

The service area of the Cannonsburg Water District is mixed with residential single family subdivisions, multi-family apartments, commercial development along KY 180 and US 60, Elementary/High Schools, and light industrial (Paul Coffey Park, EastPark). There are but a few rural farms remaining in their service area. The 2010 Census indicates 2.40 persons occupy each household unit.

The Non-Metropolitan Median Household Income (NMHI-2010 Census) for the entire State of Kentucky is \$40,418. The NMHI of Boyd County as a whole is \$38,802. The Cannonsburg WD service area in Boyd County extends into 3 of the 4 total Boyd County Census Tracts- Catlettsburg, Ashland South, and the Cannonsburg Census tracts. Therefore, it is reasonable to use the NMHI for Boyd County as a whole. By contrast, Cannonsburg WD's service area in Greenup County only extends into the Naples area, Wurtland Census Tract (NMHI \$45,967). As previously noted, Cannonsburg has 3,390 customers in Boyd, and 110 customers in Greenup County.

The weighted/NMHI determination for the overall Cannonsburg WD service area would be as follows:

$$\text{Cannonsburg WD NMHI} = \$39,027 [(3,390 \times \$38,802) + (110 \times \$45,967)] / (3,390+110)$$

Cannonsburg has their service area well covered with their existing distribution system. No major future extensions of waterlines in the District is expected.

## C. Description of Service Area Boundary

The existing Cannonsburg Water District territorial service boundaries can be generally described as follows:

The Cannonsburg Water District boundary was established in June 1966 by appropriate KRS Chapter 74 statute. The boundary covers the broad area from the end of the existing City of Ashland system at Summit south crossing I-64 and US 60 to the Mavity. Their system includes the un-incorporated communities of Rockdale, Meads, Cannonsburg, Mavity, Coalton, and Princess. In Greenup County, the District serves the unincorporated community of Naples.

The Big Sandy water District serves the area of Boyd County from the southern end of Cannonsburg's system at Mavity to the Lawrence County line. The Big Sandy WD also serves Carter County beginning at the Boyd/Carter County line, end of Cannonsburg Water service area on US 60.



---

The Cannonsburg District boundary descriptions and maps are filed with the Public Service Commission. A copy of the District's original 1966 boundary description is included in the Appendix.

#### **D. Required Annexation of Additional District Territory**

The District's service area boundary was amended approximately 15 years ago to include the Naples, Brushy Creek area of Greenup. The boundary was amended again by the Greenup County Fiscal Court to allow the District to serve the Industrial Parkway corridor from EastPark/Technology Drive north to the intersection of KY 207. All area's proposed for service under this project are within existing defined District boundaries.

#### **E. Major Obstacles/Problems**

No major obstacles/problems are anticipated. Two small hydro-pneumatic pump stations are proposed to serve existing low pressure areas on Meadewood Heights and Dog Fork.

#### **F. Need for Facility/System Improvements**

The Cannonsburg Water District has been in operation since the early 1970's. The purpose of this project is to complete much needed improvements to the existing Cannonsburg Water District system. No line extensions are proposed. Cannonsburg has an extensive distribution network that covers their service area.

### **III. EXISTING FACILITIES**

#### **A. Existing Distribution System**

The present Cannonsburg WD distribution system consists of the following pipe sizes and lengths. The existing system has a total of 160.8 miles of 2-inch through 16-inch water mains.

**TABLE 1- EXISTING WATER MAINS**

---

<b>2 inch pipe</b>	.....	<b>2.5 miles</b>
<b>3 inch pipe</b>	.....	<b>69 miles</b>
<b>4 inch pipe</b>	.....	<b>6.5 miles</b>
<b>6 inch pipe</b>	.....	<b>48.9 miles</b>
<b>8 inch pipe</b>	.....	<b>20.8 miles</b>
<b>10 inch pipe</b>	.....	<b>2.4 miles</b>
<b>12 inch pipe</b>	.....	<b>10.6 miles</b>
<b>16 inch pipe</b>	.....	<b>0.1 miles</b>

The Cannonsburg Water District system is zoned with five (5) separate pump station/tanks pressure zones as follows:

- 
1. Midland Trail Pump Station- Fills Princess Hill 300,000 gallon and Coffey Park 1.0 Million gallon tanks
  2. Tarpin Ridge (McGuire Rd) Pump Station- Fills Tarpin Ridge 50,000 and 90,000 gallon tanks
  3. Briarwood Pump Station- Fills Briarwood 32,000 gallon tank
  4. Rebel Road Hydro-pneumatic Pump Station (no remote tank)
  5. Brookfield Farm Road Hydro-pneumatic Pump Station (no remote tank)

## **B. Existing Water Supply**

As noted previously, Cannonsburg's customers are supplied by a Water Purchase Contract from the City of Ashland Water System, which allows purchase of between 600,000 and 2,700,000 gallons per day. Cannonsburg also has a Water Purchase Contract from the Big Sandy Water District which allows purchase of 100,000 gallons per day.

According to their PSC reports, Cannonsburg purchased a total of 449.503 million gallons of water for the entire 2012 year. This equates to 37.458 million gallons per month, or 1,248,620 gallons per day. Thus, the actual water purchased from Ashland is well under and within the allowable contract amount. Cannonsburg's water supply is thus considered more than adequate.

## **IV. PROPOSED FACILITIES**

### **A. Design Criteria and Approvals**

All waterlines will be designed in accordance with Kentucky Natural Resources and Environmental Protection Cabinet, Division of Water and U.S. Department of Agriculture (RUS) guidelines.

Construction drawings, specifications, and bid documents will be submitted for approval by the Division of Water, and the RUS. The minimum pressure at all customer meter connections will be 30 psi.

### **B. Lands and Rights of Way**

For all lines constructed on private right of way, a construction and permanent easement will be obtained from the property owner prior to constructing the lines. For lines to be constructed on Kentucky state or county highways, all necessary encroachment permits will be obtained before proceeding with waterline construction. There are no new tanks required for this project, therefore no fee simple property acquisitions are required. Two (2) new hydro-pneumatic pump stations are required. The land for the new pump stations will be secured by fee simple deed.

### **C. Waterline Extensions**

No new extensions are proposed.

### **D. Water System Improvements**

The various water system improvements are proposed as follows:

- 
1. Sand-blast cleaning, repainting the existing Tarpin Ridge and Princess water storage tanks. Submersible mixers are included with each tank upgrade to improve water mixing and turnover.
  2. Upgrades to existing Tarpin Ridge booster pump station and replacement of existing 6-inch transmission line to tank with 8-inch line.
  3. Electrical upgrades to Midland Trail main booster pump station (main feed from Ashland). Replace existing motor control center and pump alternator panel
  4. Replace major stream crossings on KY RT 5 (8") and Ellington Run Road (3").
  5. Provide in-line hydro-pneumatic booster pump stations on Dog Fork Road and Meadowood Heights to alleviate low pressure problems there.
  6. Residential meter change-out program. Includes conversion of 2,800 meters to AMR fixed based tower read system. Tower read Base Stations to be installed at existing Coffey Park and Tarpin Ridge water storage tank sites.

## **V. COST ESTIMATES**

The Construction Cost estimate for new waterline extensions/replacement, pump stations/storage tank improvements, new water office, and meter change out program are shown on Table IV-1.

The Total Project Cost estimate including costs for engineering, legal, land and rights of way, project administration, contingencies, and capitalized interest is included on Table IV-2.

The proposed sources of funding for the project are illustrated on Table IV-3

## **VI. ANNUAL OPERATING BUDGETS**

### **A. Income**

The analysis of water usage and income based upon the 3,500 existing customers served is shown on Table IV-5.

The current water rate schedule currently in effect for the Cannonsburg Water District is shown on Table IV-4. The current water rates were last adjusted by the District in January 2015 when the KY PSC requested rate adjustment was approved. The latest rate increase was due to the annual "Consumer Price Index" calculated increase from the City of Ashland for water purchase. Also shown on this page are the existing residential water connection fees.

The proposed rate schedule is shown on Table IV-4A.

### **B. Operation and Maintenance Costs**

The projects first year of operation (2015), revenues, operation and maintenance costs, and costs for debt service on the proposed \$1,668,000 RUS loan are included as Table IV-7. The revenue, expenses were in part based on Cannonsburg's Year ending December 31, 2011 and 2012 Audit Reports as included in the Appendix of this report.

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### **C. Capital Improvements**

As noted previously, the construction cost and total project costs associated with the proposed water system improvements are shown on Tables IV-1 and IV-2.

### **D. Debt Repayment/Reserve**

The debt service requirements for the new RUS loan are shown on Table IV-7. The debt service coverage (reserve) available has also been shown on Table IV-7.

## **VII. MAPS**

A map showing the existing water service area has been included as Figure 1.

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**TABLE IV-1**  
**EXISTING WATER SYSTEM IMPROVEMENTS**  
**BOYD COUNTY**  
**CANNONSBURG WATER DISTRICT**

Construction Cost Estimate (Revised Based on Construction Bids Received April 14, 2015)

**1. Contract 1- \$281,475.00\*** - Existing W/L, Stream Crossings Replacement, Improvements to Existing Midland Trail, Tarpin Ridge BPS, New BPS at Dog Fork and Midland Heights Rd.

\* Does not include unit price Bid Item Number 12 for the construction of new Dog Fork BPS. Bids received for that item exceeded estimates. Cannonsburg WD will perform some force account work at this BPS and renegotiate a lower unit price with Contractor. A change Order will be prepared based on revised Contractor's unit price.

**2. Contract 2- \$268,080.00-** Improvements to Existing Tarpin Ridge and Princess Tanks

**3. Contract 3- 1,009,292.00-** Existing Residential Water Meter Replacement

---

## TABLE IV-2

### TOTAL PROJECT COST ESTIMATE EXISTING WATER SYSTEM IMPROVEMENTS CANNONSBURG WATER DISTRICT

Construction (Based on recommended bids)	\$ 1,558,847.00
Cannonsburg WD Project Administration	\$ 9,755.00
Planning (Preliminary Engineering)	\$ 9,250.00
Engineering Design Services	\$ 115,150.00
Engineering Inspection Services	\$ 57,575.00
Additional Engineering Services	\$ 19,500.00
Legal Services	\$ 20,000.00
Land and Rights-of-Way Acquisition	\$ 5,000.00
Capitalized Interest	\$ 40,000.00
Contingency	\$ 250,923.00
<b>TOTAL PROJECT COST</b>	<b>\$ 2,086,000.00</b>

## TABLE IV-3

### TOTAL PROJECT FINANCING CANNONSBURG EXISTING WATER SYSTEM IMPROVEMENTS

RUS Grant (20% of RUS funds)	\$ 418,000
RUS Loan (80% of RUS – 40 Years @ 3.75%)	\$ 1,668,000
<b>TOTAL PROJECT FINANCING</b>	<b>\$ 2,086,000</b>

## TABLE IV-4

### CANNONSBURG WATER DISTRICT BOYD COUNTY EXISTING WATER SYSTEM IMPROVEMENTS

#### EXISTING WATER RATE SCHEDULE

Cannonsburg's current rate schedule and connection/tap fees are as follows. These rates became effective on January 1, 2014:

First 2,000 Gallons	\$20.28 (Minimum Bill)
Next 3,000 Gallons	\$ 8.00 per 1,000 Gallons
Next 15,000 Gallons	\$ 7.59 per 1,000 Gallons
Next 30,000 Gallons	\$ 7.17 per 1,000 Gallons
Next 50,000 Gallons	\$ 6.77 per 1,000 Gallons
All Over 100,000 Gallons	\$ 6.33 per 1,000 Gallons
Wholesale Rate (to Big Sandy WD, Greenup)	\$ 4.21 per 1,000 Gallons

#### EXISTING CONNECTION CHARGES

1" Meter	\$1,275
5/8" X 3/4" Meter	\$1,100
Larger than 1" Meter	Actual Cost

The entire rate schedule and schedule of charges listing as submitted to/approved by the KY Public Service Commission is attached on the following pages.

---

## TABLE IV-4A

The Proposed Rate schedule and connection/tap fees associated with this proposed project are as follows:

### PROPOSED WATER RATE SCHEDULE

First 2,000 Gallons	\$ 24.00 (Minimum Bill)
Next 3,000 Gallons	\$ 9.00 per 1,000 Gallons
Next 15,000 Gallons	\$ 8.25 per 1,000 Gallons
Next 30,000 Gallons	\$ 7.60 per 1,000 Gallons
Next 50,000 Gallons	\$ 7.25 per 1,000 Gallons
All Over 100,000 Gallons	\$ 6.33 per 1,000 Gallons
Wholesale Rate (to Big Sandy WD, Greenup)	\$ 4.25 per 1,000 Gallons

### PROPOSED CONNECTION CHARGES

1" Meter	\$1,275
5/8" X 3/4" Meter	\$1,100
Larger than 1" Meter	Actual Cost



# TABLE IV-5

## CANNONSBURG WATER DISTRICT ANALYSIS OF WATER INCOME (Existing Water Rates)

Revenue		Cannonsburg Water District - Existing Rates					
Date							
Total Users	3505						
Total Annual Revenues	\$2,095,631						

Rates as of 06-4-2012							
\$19.84		2,000	Gallons	Minimum Bill			
\$7.63	per	1,000	Gallons	2,000	to	5,000	Gallons
\$7.22	per	1,000	Gallons	5,000	to	20,000	Gallons
\$6.80	per	1,000	Gallons	20,000	to	50,000	Gallons
\$6.40	per	1,000	Gallons	50,000	to	100,000	Gallons
\$5.96	per	1,000	Gallons	100,000	to	5,000,000	Gallons
	per	1,000	Gallons	95,000	to	195,000	Gallons
	per	1,000	Gallons	195,000	to	10,000,000	Gallons

Usage Gallons	Gallons	rate	monthly # of users Residential	monthly # of users Non-Residential	usage x 1000 Gal	income
0-1K	500	19.84	459	84	272	\$10,773
1-2K	2,000	19.84	459	37	992	\$9,841
2-3K	3,000	27.47	637	16	1959	\$17,938
3-4K	4,000	35.10	637	16	2612	\$22,920
4-5K	5,000	42.73	334	10	1720	\$14,699
5-6k	6,000	49.95	334	9	2058	\$17,133
6-7K	7,000	57.17	114	3	819	\$6,689
7-8K	8,000	64.39	114	3	936	\$7,534
8-9K	9,000	71.61	41	7	432	\$3,437
9-10K	10,000	78.83	40	6	460	\$3,626
10-12k	11,000	86.05	23	8	341	\$2,668
12-14k	13,000	100.49	23	8	403	\$3,115
14-16k	15,000	114.93	12	3	225	\$1,724
16-18k	17,000	129.37	10	2	204	\$1,552
18-20k	20,000	151.03	2	2	80	\$604
20-22k	21,000	157.83	2	2	84	\$631
22-24k	23,000	171.43	1	3	92	\$686
24-35k	29,500	215.63	8	6	413	\$3,019
36-70k	60,000	419.03	3	11	840	\$5,866
70-100k	85,000	589.03	0	5	425	\$2,945
100-150k	150,000	973.03	0	5	750	\$4,865
150-300k	225,000	1,420.03	0	3	675	\$4,260
300-500k	450,000	2,671.03	0	1	450	\$2,671
1000000-3000000k	2,000,000	11,999.03	0	1	2000	\$11,999
3000000-4000000k	3,500,000	13,440.00	0	1	3500	\$13,440
300-400k	350,000	2,165.03	0	0	0	\$0
sub total			3253	252	22742	\$174,635.90
average rate per month					3505	\$53.68
average usage per month in Gallons						6,991
annual revenue						\$2,095,631
annual flow quantity in gallons sold						272,898,000

**TABLE IV-5A**  
**CANNONSBURG WATER DISTRICT**  
**ANALYSIS OF WATER INCOME**  
**(PROPOSED WATER RATES)**

Revenue		Cannonburg Water District Proposed Rates					
Date							
Total Users	3505						
Total Annual Revenues	\$2,402,876						
Rates as of 06-4-2012							
\$23.75		2,000	Gallons	Minimum Bill			
\$8.55	per	1,000	Gallons	2,000	to	5,000	Gallons
\$8.25	per	1,000	Gallons	5,000	to	20,000	Gallons
\$7.60	per	1,000	Gallons	20,000	to	50,000	Gallons
\$7.25	per	1,000	Gallons	50,000	to	100,000	Gallons
\$6.25	per	1,000	Gallons	100,000	to	5,000,000	Gallons
	per	1,000	Gallons	95,000	to	195,000	Gallons
	per	1,000	Gallons	195,000	to	10,000,000	Gallons
usage Gallons		Gallons	rate	monthly # of users	monthly # of users	usage x 1000 Gal	income
				Residential	Non-Residential		
0-1K		500	23.75	459	84	272	\$12,896
1-2K		2,000	23.75	459	37	992	\$11,780
2-3K		3,000	32.30	637	16	1959	\$21,092
3-4K		4,000	40.85	637	16	2612	\$26,675
4-5K		5,000	49.40	334	10	1720	\$16,994
5-6k		6,000	57.65	334	9	2058	\$19,774
6-7K		7,000	65.90	114	3	819	\$7,710
7-8K		8,000	74.15	114	3	936	\$8,676
8-9K		9,000	82.40	41	7	432	\$3,955
9-10K		10,000	90.65	40	6	460	\$4,170
10-12k		11,000	98.90	23	8	341	\$3,066
12-14k		13,000	115.40	23	8	403	\$3,577
14-16k		15,000	131.90	12	3	225	\$1,979
16-18k		17,000	148.40	10	2	204	\$1,781
18-20k		20,000	173.15	2	2	80	\$693
20-22k		21,000	180.75	2	2	84	\$723
22-24k		23,000	195.95	1	3	92	\$784
24-35k		29,500	245.35	8	6	413	\$3,435
36-70k		60,000	473.65	3	11	840	\$6,631
70-100k		85,000	661.25	0	5	425	\$3,306
100-150k		150,000	1,082.50	0	5	750	\$5,413
150-300k		225,000	1,551.25	0	3	675	\$4,654
300-500k		450,000	2,957.50	0	1	450	\$2,958
1000000-3000000k		2,000,000	12,645.00	0	1	2000	\$12,645
3000000-4000000k		3,500,000	14,875.00	0	1	3500	\$14,875
300-400k		350,000	2,326.15	0	0	0	\$0
sub total				3253	252	22742	\$200,239.70
average rate per month						3505	\$61.56
average usage per month in Gallons							6,991
annual revenue							\$2,402,876
annual flow quantity in gallons sold							272,898,000

## TABLE IV-6

### CANNONSBURG WATER DISTRICT CURRENT REVENUES, OPERATION AND MAINTENANCE EXPENSES

The following table provides the current Revenues, Operation/Maintenance expenses, based on the 2012, 2011 most current year ending audits.

#### Operating Revenues

	<u>Year Ending 2012</u>	<u>Year Ending 2011</u>
Water Sales	\$2,302,800 *	\$1,963,708
Penalties & Charges	37,604 *	33,345
Other Income	9,898 *	<u>37,413</u>
Less Income from PSC Surcharge	<u>97,000</u>	
<b>Total Operating Revenues (*)</b>	<b><u>2,350,302</u></b>	<b><u>2,034,066</u></b>
<b>Total Operating Revenues</b>	<b><u>2,253,302</u></b>	
(Less PSC Surcharge)		

#### Operating Expenses

Purchased Water	\$1,087,362	\$1,232,134
Salaries & Wages	428,270	437,776
Payroll Taxes	28,989	29,367
Contractual Services	25,087	23,816
Employee Insurance	205,438	224,643
Retirement	76,096	66,230
Other Insurance Expenses	27,016	25,877
Oper. Maint., Repairs, Supplies	20,218	20,905
Utilities	43,113	58,841
Telephone	6,537	6,547
Materials & Supplies	121,092	75,087
Fuel	32,659	31,751
Water Testing	8,280	7,819
Depreciation	165,322	165,568
Other Billing Expenses	11,892	11,382
Bad Debts	36,434	19,484
Misc. Expenses	<u>46,963</u>	<u>52,462</u>
<b>Total Operating Expenses</b>	<b><u>2,370,758</u></b>	<b><u>2,489,689</u></b>
<b>Operating Income (Loss)</b>	<b><u>(20,456)</u></b>	<b><u>(455,223)</u></b>

#### Non-operating Revenues (Expenses)

Non-operating revenue-other		271,452
Tap Fees	16,630	20,125
Interest Income	4,133	13,455
Interest, Expense	<u>(20,813)</u>	<u>(20,908)</u>

#### Net Non-operating

<b>Revenues (Expenses)</b>	<b><u>(50)</u></b>	<b><u>284,124</u></b>
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<b>Change in Net Assets</b>	<b><u>\$ (20,506)</u></b>	<b><u>\$ (171,099)</u></b>
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## TABLE IV-6A

### CANNONSBURG WATER DISTRICT PROPOSED REVENUES, OPERATION AND MAINTENANCE EXPENSES

The following table provides the projected Revenues, Operation/Maintenance expense. Based on the 2015 first full year of operation after completion of the RUS funded project.

#### Operating Revenues

	Year Ending 2015
Water Sales	\$2,403,000
Penalties & Charges	35,000
Other Income	10,000
Income from PSC Surcharge(Surcharge Revenue ends in 2014)	0
<b>Total Operating Revenues</b>	<b><u>2,448,000</u></b>

#### Operating Expenses

Purchased Water	\$1,150,000
Salaries & Wages	440,500
Payroll Taxes	29,000
Contractual Services	25,000
Employee Insurance	225,000
Retirement	76,000
Other Insurance Expenses	27,000
Operating Maintenance, Repairs, Supplies	28,000
Utilities	50,000
Telephone	7,000
Materials & Supplies	125,000
Fuel	33,000
Water Testing	8,500
Depreciation	165,000
Other Billing Expenses	13,000
Bad Debts	35,000
Misc. Expenses	53,000
<b>Total Operating Expenses</b>	<b><u>\$ 2,490,000</u></b>

<b>Total Operating Expenses (less Depreciation)</b>	<b><u>\$ 2,325,000</u></b>
<b>Operating Income</b>	<b><u>\$ 123,000</u></b>

#### Non-operating Revenues (Expenses)

Non-operating revenue-other	\$ 0
Tap Fees	15,000
Interest Income	4,000
Interest and Principal New RUS Loan	(83,100)
Interest and Principal Ex. KRWFC Loan	<u>(22,400)</u>
<b>Net Non-operating Revenues (Expenses)</b>	<b><u>\$ (86,500)</u></b>

<b>NET REVENUES AVAILABLE FOR DEBT SERVICE COVERAGE</b>	<b><u>\$ 36,500</u></b>
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## TABLE IV-7

### CANNONSBURG WATER DISTRICT REVENUE/EXPENSE PROJECTIONS USDA WATER IMPROVEMENTS PROJECT

#### Annual Operating Revenue (New Rates)

Water Sales	\$ 200,240 /month revenue x 12 months/year	=	\$ 2,403,000
Penalties and Charges			\$ 35,000
Other Income			\$ 10,000
			<u>TOTAL \$ 2,448,000 (A)</u>

#### Debt Service on \$1,668,400 Loan

The RUS latest Intermediate level interest rate of 3.75% requires an annual payment of \$49.79/1,000 loan over 38 years (principal deferred 2 years)

New Debt Service Requirement	= \$1,668,400 x \$49.79/\$1,000	=	\$ 83,100
Existing Debt Service (Existing KRWFC Loan)		=	\$ 22,400

**TOTAL DEBT SERVICE PRINCIPAL & INTEREST** **\$ 105,500 (B)**

#### Operation & Maintenance Expenses (less Depreciation)

The operation and maintenance expenses less depreciation for the existing system are estimated as follows for the 1<sup>st</sup> year of operation (Table IV-6A).

**Non Operating Revenues** **\$ 19,000 (C)**

**TOTAL OPERATION \$ MAINTENANCE EXPENSES** **\$ 2,325,000 (D)**

**Funds available for Reserve (A) – (B) +(C) – (D)** **\$ 36,500 \*\***

**\*\* Equals 35 % of debt service**

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## **APPENDICES**

- Latest Water Rate Ordinance (effective 01/23/15)
- Excerpts from Fiscal Year Ending December 31, 2011 and 2012 Audit Reports
- Water Purchase Contract with City of Ashland
- June 10, 1966 Order Establishing Cannonsburg Water District

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2014-00448 DATED **JAN 23 2015**

The following rates and charges are prescribed for the customers in the area served by Cannonsburg Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

#### Monthly Water Rates

##### 5/8-Inch X 3/4-Inch Meter

First	2,000 Gallons	\$ 20.58	Minimum Bill
Next	3,000 Gallons	8.00	per 1,000 Gallons
Next	15,000 Gallons	7.59	per 1,000 Gallons
Next	30,000 Gallons	7.17	per 1,000 Gallons
Next	50,000 Gallons	6.77	per 1,000 Gallons
Over	100,000 Gallons	6.33	per 1,000 Gallons

##### 1-Inch Meter

First	5,000 Gallons	\$ 44.58	Minimum Bill
Next	15,000 Gallons	7.59	per 1,000 Gallons
Next	30,000 Gallons	7.17	per 1,000 Gallons
Next	50,000 Gallons	6.77	per 1,000 Gallons
Over	100,000 Gallons	6.33	per 1,000 Gallons

##### 2-Inch & 3-Inch Meter

First	20,000 Gallons	\$ 158.43	Minimum Bill
Next	30,000 Gallons	7.17	per 1,000 Gallons
Next	50,000 Gallons	6.77	per 1,000 Gallons
Over	100,000 Gallons	6.33	per 1,000 Gallons

##### 6-Inch Meter

First	50,000 Gallons	\$ 373.53	Minimum Bill
Next	50,000 Gallons	6.77	per 1,000 Gallons
Over	100,000 Gallons	6.33	per 1,000 Gallons

##### 12-Inch Meter

First	100,000 Gallons	\$ 712.03	Minimum Bill
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Over 100,000 Gallons	\$ 6.33 per 1,000 Gallons
Leak Adjustment Rate	\$ 4.21 per 1,000 Gallons

Wholesale Customer

Big Sandy Water District	\$ 4.21 per 1,000 Gallons
City of Greenup Co.	\$ 4.21 per 1,000 Gallons



CANNONSBURG  
WATER DISTRICT

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
for the year ended December 31, 2012

## CONTENTS

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Cannonsburg Water District  
Cannonsburg, Kentucky

We have audited the accompanying financial statements of the business-type activities of the Cannonsburg Water District as of and for the year ended December 31, 2012, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cannonsburg Water District's management. Our responsibility is to an express opinion on these financial statements based on our audit.

### ***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.

Management has elected to omit the Management's Discussion & Analysis which is required by the Governmental Accounting Standards Board.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 opinion.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Cannonsburg Water District, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other-Matter***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cannonsburg Water District's financial statements as a whole. The Comparative Statement of Revenues and Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The Comparative Statement of Revenues and Expenses is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Comparative Statement of Revenues and Expenses has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*John T. Lane & Associates LLC*

May 13, 2013  
This report contains 13 pages.

Cannonsburg Water District  
Statement of Net Assets  
Proprietary Fund Type  
December 31, 2012

ASSETS

Current Assets	
Cash and cash equivalents - unrestricted	\$ 257,421
Cash and cash equivalents - restricted	338,464
Accounts receivable - net of allowance for doubtful accounts	211,308
Inventory	67,681
Prepaid expenses	<u>2,712</u>
Total Current Assets	<u>877,586</u>
Noncurrent Assets	
Capital assets: (note 1)	
Plant, equipment and lines	6,796,534
Construction in process	112,714
Less accumulated depreciation	<u>(3,475,526)</u>
Total Noncurrent Assets	<u>3,433,722</u>
Total Assets	<u>\$ 4,311,308</u>

LIABILITIES

Current Liabilities	
Accrued liabilities	\$ 196,153
Accrued interest	12,420
Deposits payable	12,851
Bonds/notes payable	<u>28,666</u>
Total Current Liabilities	<u>250,090</u>
Noncurrent Liabilities	
Bonds/notes payable	<u>336,638</u>
Total Liabilities	<u>586,728</u>

NET ASSETS

Invested in capital assets, net of related debt	3,068,418
Restricted net assets	325,613
Unrestricted net assets	<u>330,549</u>
Total Net Assets	<u>\$ 3,724,580</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

Cannonsburg Water District  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund Type  
For the fiscal year ended December 31, 2012

Operating Revenues	
Water sales	\$ 2,302,800
Penalties & charges	37,604
Other income	<u>9,898</u>
 Total Operating Revenues	 <u>2,350,302</u>
Operating Expenses	
Purchased water	1,087,362
Salaries & wages	428,270
Payroll taxes	28,979
Contractual services	25,087
Employee insurance	205,438
Retirement	76,096
Other insurance	27,016
Operations, maintenance, repairs & supplies	20,218
Utilities	43,113
Telephone	6,537
Materials & supplies	121,092
Fuel	32,659
Water testing	8,280
Depreciation	165,322
Other billing expenses	11,892
Bad debts	36,434
Miscellaneous expenses	<u>46,963</u>
 Total Operating Expenses	 <u>2,370,758</u>
 Operating Income (Loss)	 <u>(20,456)</u>
Nonoperating Revenues (Expenses)	
Tap fees	16,630
Interest income	4,133
Interest expense	<u>(20,813)</u>
 Net Nonoperating Revenues (Expenses)	 <u>(50)</u>
 Change in Net Assets	 (20,506)
 Total Net Assets - beginning	 <u>3,745,086</u>
 Total Net Assets - ending	 <u>\$ 3,724,580</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

Cannonsburg Water District  
Statement of Cash Flows  
Proprietary Fund Type  
December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating revenues	\$ 2,368,528
Cash paid to employees	(428,270)
Cash paid for general and administrative expenses	<u>(1,724,683)</u>
Net Cash provided/(used) by operating activities	<u>215,575</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	6,549
Customer deposits	<u>951</u>
Net Cash provided/(used) by investing activities	<u>7,500</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Tap fees	16,630
Bond/note payments	(17,155)
Purchase of assets	(7,032)
Interest paid	<u>(20,813)</u>
Net Cash provided/(used) in capital and financing activities	<u>(28,370)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	194,705
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>401,180</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 595,885</u>
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net Operating Income	\$ (20,456)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
decrease in prepaid expenses	5,433
decrease in inventory	51,442
depreciation	165,322
decrease in accounts receivable	18,226
(decrease) in accounts payable	<u>(4,392)</u>
Net cash provided/(used) by operating activities	<u>\$ 215,575</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

CANNONSBURG WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

The Cannonsburg Water District is a water utility which services areas of Boyd County. Its sales are primarily to residential customers. The District is a corporate body set forth in Kentucky Revised Statues (KRS) 74. 070 which was created November, 1961. The District began operations in 1956. The District is subject to the regulatory authority of the Kentucky Public Service Commission pursuant to KRS 278.040.

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

**The Reporting Entity**

The District, for financial purposes, includes all of the funds relevant to the operations of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Cannonsburg Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of governing District, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service, and financing relations.

Based on the foregoing criteria there are not other organizations included in these financial statements.

The District, presented as an enterprise fund, does not apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989.

**Bond and Interest Sinking Fund** - Monthly transfers are required to be made into this account in an amount equal to one-sixth (1/6) of the interest becoming due on the next succeeding interest due date for all outstanding bonds and one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding due date. The required balance of the fund at December 31, 2012 was \$56,000. The District had set aside \$217,380 into this fund at December 31, 2012.

**Enterprise Funds**

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are operating grants and tenant rental revenue. Operating expenses of the District include the cost of producing the revenue and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segmented into invested in capital assets, net of related debt, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Basis of Accounting**

The records of the District are maintained and the budgetary process is based on the accrual method of accounting.



#### Inventory

The cost of inventory is recorded as a disbursement at the time of payment for the purchase. Materials on hand are inventoried at year end and recorded as an asset at that time. They are valued at lower of cost or market and recorded using the FIFO method.

#### Fixed Assets

Fixed assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation.

Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Water lines, tanks	40-50 years
Equipment	5-10 years
Computers	3 years
Meters	15 years

The District's capitalization policy is as follows: expenditures costing more than \$1,000 with an estimated useful life greater than one year are capitalized: all others are expensed.

#### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets- net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by external restrictions.

#### Accounts Receivable

The receivable reflected in the statements in the amount of \$215,286 are net of allowance for uncollectible in the amount of \$3,978.

#### Use of Estimates

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

#### Note 2 - Notes Payable

The amount shown in the accompanying financial statements as notes payable represents the District's future obligation to make loan payments from future revenues. At December 31, 2012, three separate loans had outstanding balances. Details of each of these issues are summarized as follows:

##### Note A

Lender – USDA

Balance of loan - \$50,000

Rate - 5%

Principal due January 1

Interest due January and July 1

Prepayment provision - subject to payment prior to its stated maturity without penalty or premium. at any time upon ten (10) days notice.

##### Note B

Lender – KRWFC

Balance of loan – \$312,000

Rate – 4.15-5.15%

Principal due January 1

Interest due January 1 and July 1

Prepayment provision - subject to payment prior to its stated maturity without penalty or premium. at any time upon ten (10) days notice.

Note C

Lender – Chase  
 Balance of loan - \$3,304  
 Rate - varies  
 Principal due monthly  
 Interest due monthly

Five-Year Maturities

2012	\$ 28,666
2013	25,000
2014	24,000
2015	20,000
2016	20,000
2017-2021	112,000
Thereafter	<u>135,638</u>
	<u>\$365,304</u>

The following is a summary of changes in long-term obligations for the year:

	Outstanding			Outstanding	Due Within
	1/1/2012	Issued	Retired	12/31/2012	One Year
USDA	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 14,000
KRWFC	325,000	-	13,000	312,000	11,000
Chase	<u>7,459</u>	<u>-</u>	<u>4,155</u>	<u>3,304</u>	<u>3,666</u>
Total	<u>\$ 382,459</u>	<u>\$ -</u>	<u>\$ 17,155</u>	<u>\$ 365,304</u>	<u>\$ 28,666</u>

Total interest paid during the year on long-term debt totaled \$20,813.

Note 3 - Pension Plan

The District provides pension benefits for its employees through the County Employees Retirement System (CERS). In this type of plan, the monthly retirement benefit is based upon several factors, primarily of which is the length of service, the systems benefit factor (2.5%), and the average of the five highest fiscal year wages from all public employees' retirement system participation (CERS, KERS, &SPRS). All employees who work an average of 100 hours per month over a fiscal year may participate with CERS.

The plan currently requires the District to contribute an amount equal to 18.96%/ 19.55% of the employee's base salary each month, with employees required to contribute 5%. The District's contribution will vary, depending on the dictates of the management of the county plan. The required employer's contribution is usually reviewed at least annually.

The District's total payroll in fiscal year 2012 was \$421,720 and its contributions were calculated using the base salary amount of \$396,348. Contributions to the plan were \$19,817 and \$76,096 by the employees and the District, respectively.

Note 4 on next page

Note 4 - Changes in Fixed Assets

The following is a summary of changes in the fixed assets for the fiscal year:

	Balance 1/1/2012	Transfers/ Additions/ Transfers	Deletions	Balance 12/31/2012
Land	\$ 20,810	\$ -	\$ -	\$ 20,810
Utility plant and equipment	6,768,692	7,032		6,775,724
Construction in process	<u>112,714</u>	<u>-</u>	<u>-</u>	<u>112,714</u>
	<u>\$ 6,902,216</u>	<u>\$ 7,032</u>	<u>\$ -</u>	<u>\$ 6,909,248</u>
Acc. depreciation	<u>\$ 3,310,204</u>	<u>\$ 165,322</u>		<u>\$ 3,475,526</u>
Fixed assets, net of accumulated depreciation	<u>\$ 3,592,012</u>	<u>\$ (158,290)</u>	<u>\$ -</u>	<u>\$ 3,433,722</u>

Note 5 - Revenue Bonds

Water and Revenue Bonds constitute special obligations of the District solely secured by a lien on and pledge of the net revenues of the water system. The revenue bonds are collateralized by the revenue of the water system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions, which require the District to maintain pledged revenues. The District must transfer monthly 1/6 of the next succeeding interest payment and 1/12 of the next succeeding principal payment from the operations and maintenance account into the bond and interest sinking account.

Note 6 - Restricted Cash

Restricted cash is composed of the following:

Depreciation reserve fund	\$ 16,088
Bond & interest	113,414
KIA fund	
Sur charge PSC	90,206
Debt reserve fund	30,878
Line replacement	<u>87,878</u>
	\$ 338,464

Note 7 – Contingencies

The District is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the District in the current and prior years. There were no examinations for the year ended December 31, 2012. Areas of noncompliance, if any, as a result of examinations would be included as a part of the "Findings and Responses section of this report.

Note 8 – Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance coverage for the risks to the extent deemed prudent by District management.

SUPPLEMENTAL INFORMATION

JOHN T. LANE AND ASSOCIATES, LLC  
Certified Public Accountants  
219 Young Lane, Suite 2  
Mount Sterling, Kentucky 40353  
(859) 498-9915  
www.thelanecpa.com

Member:  
American Institute of CPA's  
Kentucky Society of CPA's

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

Board of Commissioners  
Cannonsburg Water District  
Cannonsburg, Kentucky

We have audited the financial statements of the business-type activities of the Cannonsburg Water District, as of and for the year ended December 31, 2012, and have issued our report thereon dated May 13, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Cannonsburg Water District's internal control over financial reporting as a basis for designing our auditing procedures 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 Cannonsburg Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cannonsburg Water District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Cannonsburg Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*John T. Lane & Associates LLC*

May 13, 2013

Cannonsburg Water District  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund Type  
For the fiscal years ended December 31, 2011 & December 31, 2012

	2011	2012
Operating Revenues		
Water sales	\$ 1,963,708	\$ 2,302,800
Penalties & charges	33,345	37,604
Other income	37,413	9,898
 Total Operating Revenues	 2,034,466	 2,350,302
Operating Expenses		
Purchased water	1,232,134	1,087,362
Salaries & wages	437,776	428,270
Payroll taxes	29,367	28,979
Contractual services	23,816	25,087
Employee insurance	224,643	205,438
Retirement	66,230	76,096
Other insurance	25,877	27,016
Operations, maintenance, repairs & supplies	20,905	20,218
Transportation	-	-
Travel & training	-	-
Utilities	58,841	43,113
Telephone	6,547	6,537
Materials & supplies	75,087	121,092
Fuel	31,751	32,659
Water testing	7,819	8,280
Depreciation	165,568	165,322
Other billing expenses	11,382	11,892
Bad debts	19,484	36,434
Miscellaneous expenses	52,462	46,963
 Total Operating Expenses	 2,489,689	 2,370,758
 Operating Income (Loss)	 (455,223)	 (20,456)
Nonoperating Revenues (Expenses)		
Capital grants	-	-
Nonoperating revenue - other	271,452	-
Tap fees	20,125	16,630
Interest income	13,455	4,133
Interest expense	(20,908)	(20,813)
 Net Nonoperating Revenues (Expenses)	 284,124	 (50)
 Change in Net Assets	 \$ (171,099)	 \$ (20,506)

The accompanying notes to the basic financial statements are an integral part of these statements.

CANNONBURG WATER DISTRICT  
FINDINGS AND RESPONSES  
December 31, 2012

PRIOR FINDINGS  
None

CURRENT FINDINGS  
None



AN ORDINANCE OF THE CITY OF ASHLAND, KENTUCKY, AUTHORIZING AND DIRECTING STEPHEN E. GILMORE, MAYOR, TO EXECUTE AN AGREEMENT BETWEEN THE CITY OF ASHLAND AND CANNONSBURG WATER DISTRICT TO FURNISH POTABLE WATER FOR DISTRIBUTION AND SALE WITHIN ITS WATER DISTRIBUTION SYSTEM BOUNDARIES AND REPEALING ORDINANCE NO. 142, SERIES OF 1988, ORDINANCE NO. 42, 1989, AND ANY AND ALL OTHER ORDINANCES IN CONFLICT HEREWITH.

\*\*\*\*\*

BE IT ORDAINED BY THE CITY OF ASHLAND, KENTUCKY:

SECTION 1. That Stephen E. Gilmore, Mayor of the City of Ashland, Kentucky, is hereby authorized and directed to execute an Agreement between the City of Ashland and Cannonsburg Water District for the furnishing of potable water for distribution and sale within Cannonsburg Water District distribution system boundaries. A true copy of said agreement is attached hereto and made a part hereof by reference.

SECTION 2. Ordinance No. 142, Series of 1988; Ordinance No. 42, Series of 1989, and any and all other ordinances and parts of ordinances in conflict herewith, to the extent of such conflict only, are hereby repealed. **Ordinance No. 27, Series of 2001, regarding an agreement between the City of Ashland, Kentucky, Cannonsburg Water District and the Northeast Kentucky Regional Industrial Authority is NOT repealed.**

SECTION 3. This ordinance shall be in full force and effect from and after its adoption, readoption and publication, as required by law.

SECTION 4. It is hereby authorized that publication of this ordinance be in summary form.

  
MAYOR

ATTEST:

  
CITY CLERK

ADOPTED BY THE BOARD OF COMMISSIONERS:  
READOPTED BY THE BOARD OF COMMISSIONERS:  
PUBLISHED:

SEP 15 2005  
OCT 04 2005

REQUESTED/SPONSORED BY: WILLIAM H. FISHER, JR., CITY MANAGER  
ORDINANCE Agreement Cannonsburg Water District

## AGREEMENT

THIS AGREEMENT, made and entered into this the 5<sup>th</sup> day of Oct., 2005, by and between the CITY OF ASHLAND, Boyd County, Kentucky, a municipal corporation of the second class under the laws of the Commonwealth of Kentucky, (hereafter "ASHLAND"), and the Cannonsburg Water District, an independent water district created under the laws of the Commonwealth of Kentucky, (hereafter "CANNONSBURG"),

WITNESSETH:

WHEREAS, ASHLAND, is the owner and operator of a municipally owned water works plant and water distribution system, and is able, to furnish CANNONSBURG potable water for distribution and sale within its water distribution system boundaries as exist on the date of this Agreement or any agreed upon extension of said boundaries, and

WHEREAS, CANNONSBURG has an existing Agreement with ASHLAND dated April 04, 1989, for the purchase of water for distribution and sale through CANNONSBURG'S system within its existing boundaries;

NOW, THEREFORE, it is mutually agreed and covenanted by and between the parties that ASHLAND agrees to sell and CANNONSBURG agrees to buy potable water for and in consideration of the payment of the rates hereinafter established and set out to be paid to ASHLAND by CANNONSBURG, and each and all of the further and additional mutual covenants and agreements hereinafter set out to be performed by both or either of said parties;

1. **BOUNDARIES.** The water supply furnished by ASHLAND to CANNONSBURG shall be restricted to usage by CANNONSBURG only as follows:

In the area west and north of a line extending from the Ohio River along the Boyd/Greenup County line to its intersection with the Cannonsburg Water District boundary as shown on the attached map, both Ashland and Cannonsburg may extend water lines upon written notification to the other party.

North and east of the line extending from the intersection of the Boyd/Greenup County line with the Cannonsburg Water District boundary and extending along the northern boundary line of the Cannonsburg Water District to its intersection with U.S. 23

and extending further along the Cannonsburg Water District line where the Cannonsburg Water District line is contiguous to U.S. 23 as shown on the attached map; Cannonsburg shall not extend its lines without written prior approval of the City of Ashland.

In those areas belonging to the Northeast Kentucky Regional Industrial authority, commonly known as the Industrial Park, Cannonsburg shall not extend its lines without written prior approval of the City of Ashland.

All of the areas above, as set forth on the map attached hereto and made a part hereof, marked Exhibit "A" for identification.

2. **QUANTITY.** CANNONSBURG agrees and binds itself to purchase during the term of this Agreement, all of the potable water required by CANNONSBURG (subject to Section 9 dealing with "shortage") for distribution within its present water distribution system, or any approved extensions within the boundaries, but not less than 600,000 gallons per day nor more than 2,700,000 gallons per day. If for any reason, ASHLAND is unable to provide 600,000, CANNONSBURG shall not be required to purchase the minimum daily amount.

It is understood at the present CANNONSBURG is purchasing no more than 750,000 gallons per month from the Big Sandy Water District for serving customers in Briarwood Estates. CANNONSBURG agrees it shall not purchase water in excess of that amount from the Big Sandy Water District nor shall it purchase water from any other source. CANNONSBURG shall restrict water so purchased to the use of the customers in Briarwood Estates and not expand that service. There is no restriction on the resale of water by CANNONSBURG to the Big Sandy Water District as long as the Big Sandy Water District does not extend service into the area reserved to ASHLAND.

The water shall be taken by CANNONSBURG through a meter or meters located at or adjacent to U.S. Highway 60 at Summit near Summit Road intersection, and through a meter or meters located along Ky. Route 5 near the east fork of the Little Sandy River or at such other places as may be mutually agreed upon in advance in writing between the parties.

3. **RATES AND BILLING.** CANNONSBURG agrees and binds itself to pay for water at rates sold and delivered to it at the meter or meters on a monthly basis and according to statements tendered to CANNONSBURG by ASHLAND, payments to

be due and payable not later than the twentieth (20<sup>th</sup>) day of each month for all water so metered, sold and delivered during the preceding month. In the event CANNONSBURG shall fail to pay any monthly statement or statements in the manner described, then and in that event, there shall be added a penalty of 8 percent (8%) on such amount due and unpaid, together with six percent (6%) interest per annum thereon from due date until paid, and upon the failure of CANNONSBURG to pay said monthly water bills for two (2) consecutive months, then ASHLAND shall have the right and option to discontinue furnishing of said water until said past due bills are paid in full.

In the event a water meter has registered incorrectly, an estimate of the amount of water furnished through the faulty meter shall be prepared by ASHLAND for the purpose of billing CANNONSBURG. The estimate shall be based upon the average of twelve preceding readings of the meter, exclusive of incorrect readings. When less than twelve correct readings are available, fewer readings including some obtained after the period of incorrect registration may be used.

CANNONSBURG agrees and binds itself to purchase all potable water (except that amount purchased from the Big Sandy Water District as outlined in paragraph 2) that may be required by CANNONSBURG, but not less than 600,000 gallons per day n or more than 2,700,000 gallons per day at prices, as follows:

Currently	\$1.20 per one thousand (1000) gallons
Effective January 01, 2006	\$1.32 per one thousand (1000) gallons
Effective January 01, 2007	\$1.43 per one thousand (1000) gallons

It is mutually agreed that the term of this Agreement is such that the passage of time will require increases in the rates to be made for water hereunder. It is agreed that bulk water rates charged to CANNONSBURG shall not exceed rates to other out-of-town bulk water customers. It is further understood that percentage rate increases similar to those shown in this agreement have been approved for other bulk water rate customers and all City of Ashland direct customers.

ASHLAND may modify the schedule of rates for water hereunder from time to time outside the rates agreed upon herein, provided that:

- a. ASHLAND prior to consideration of an increase in rates may have a rate study conducted by an independent engineer chosen by ASHLAND, which rate study may provide the basis for any modification of the schedule of rates. Such rate study shall not be conducted more frequently than annually. ASHLAND shall give CANNONSBURG prior notice of its intent to perform such study. CANNONSBURG may, at its option and cost, provide ASHLAND with a rate study conducted by an engineer chosen by CANNONSBURG. ASHLAND will cooperate with such engineer, and the study, when completed, shall be submitted to ASHLAND for consideration. CANNONSBURG may provide ASHLAND other information it desires ASHLAND to consider in rate adjustment. ASHLAND agrees to meet with CANNONSBURG and discuss the rate study or studies at CANNONSBURG'S request.
- b. Following completion of the rate study by the independent engineer chosen by ASHLAND and based upon any additional considerations and information deemed appropriate, ASHLAND shall notify CANNONSBURG of the proposed rate. However, no modification shall become effective earlier than one hundred eighty (180) days after the increase shall be adopted by ASHLAND, and ASHLAND shall give notice to CANNONSBURG of such increase immediately after such increase shall have been adopted by ASHLAND. ASHLAND shall reasonably provide CANNONSBURG information which would assist CANNONSBURG in any presentation or application required with the Kentucky Public Service Commission for approval of proposed rates.
4. **METER PIT AND ACCESSORIES.** CANNONSBURG shall, at its cost, provide and install a meter pit (s), check valves and accessories to ASHLAND'S specifications. Upon installation and acceptance by ASHLAND such equipment shall become the property of ASHLAND, and shall thereafter be maintained by ASHLAND.
5. **BOOSTER PUMPS.** CANNONSBURG shall have the right to install booster pumps at its own cost within its lines in order to accelerate and increase the flow

of water through the lines of CANNONSBURG to its customers, if and when it is deemed by the said District necessary or reasonable so to do. No booster pumps shall be installed by CANNONSBURG that creates a drop in pressure below forty-five (45) pounds per square inch on the suction side of the booster pumps, at an elevation of 700 feet above mean sea level.

6. **MAINTENANCE, LIABILITY, HOLD HARMLESS.** During the term of this Agreement, CANNONSBURG shall, at its own expense, maintain the water main distribution system of CANNONSBURG and, any agreed upon extension, and make all necessary repairs to said system. Nothing contained herein, however, shall be construed to hold ASHLAND liable for lack of adequate water supply and pressure within the CANNONSBURG District due to any inadequacy on the part of the distribution system of CANNONSBURG, nor due to any inadequacy of the water supply or distribution system of ASHLAND. ASHLAND shall not be responsible in damages for interruption or failure to supply water to CANNONSBURG and shall be saved and held harmless from all damage of any kind, nature and description which may arise as a result of making this Agreement and furnishing water hereunder.

ASHLAND bears no degree of responsibility for the water quality at any point beyond the meter delivery point. CANNONSBURG bears the responsibility for maintaining the water quality at any point beyond the meter and within its distribution system.

7. **WATER SHORTAGE.** In the event of a water shortage suffered by ASHLAND, all of the cities, water districts, corporations, or other entities purchasing water from ASHLAND on a bulk agreement basis shall share in the shortage on a proportionate basis to their average daily usage. ASHLAND shall make every good faith effort to meet emergency needs of its bulk customers during such shortage by taking reasonable and responsible administrative action within the City and shall request such action be taken outside the City.

8. **TEMPORARY SHUT OFF.** It is further agreed that ASHLAND shall have the right to temporarily shut off the water supply of CANNONSBURG or any part thereof whenever alterations, additions or maintenance operations make it necessary. ASHLAND shall give CANNONSBURG reasonable notice and probable duration of

such shutoffs, except that in case of serious break or accident water service may be discontinued without notice. Under no circumstances will ASHLAND be held liable or responsible for any damage that may result to CANNONSBURG or its customers due to any necessary discontinuance of water service.

9. **SUCCESSORS OR ASSIGNS.** In the event of an occurrence rendering CANNONSBURG incapable of performing under this Agreement, any successor of CANNONSBURG, qualified under Kentucky law, shall succeed to the rights and duties of CANNONSBURG under this Agreement subject to the prior written approval of ASHLAND. Otherwise, without the prior written approval of ASHLAND this Agreement may not be assigned or transferred.

10. **COURT ACTION.** The parties reserve the right, either in law or equity, by suit, mandamus or other proceeding, to enforce or compel performance of any or all covenants contained, or for interpretation of the rights of the parties under this Agreement. Further, the parties acknowledge that any dispute between the parties shall be resolved in the state courts of the Commonwealth of Kentucky, including appellate levels of the court system.

11. **TERM.** It is mutually agreed that the term of this Agreement shall be forty (40) years from April 04, 1989. Any extension beyond twenty-four months shall require approval by ASHLAND which shall not be unreasonably withheld.

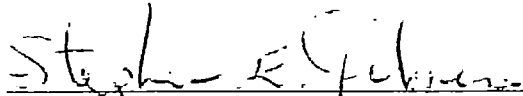
12. **AMENDMENT.** No officer, official or agent of either party has the power to amend, modify or alter this Agreement, waive any of its conditions or bind ASHLAND or CANNONSBURG by making any promise or representation not contained herein. Any amendment must be agreed to in writing by the parties.

13. **REPEAL.** All prior agreements and amendments thereto between the parties, including the April 04, 1989 agreement are hereby repealed, except the December 27, 2000 agreement, as approved by the City of Ashland in Ordinance No. 27, 2001, involving the Northeast Kentucky Regional Industrial Authority, Cannonsburg Water District, and the City of Ashland.

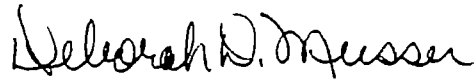
IN WITNESS WHEREOF OF WHICH, the City of Ashland, Kentucky, has caused its Corporate Name to be hereunto subscribed by its Mayor, attested by its City Clerk and its Corporate Seal to be hereunto affixed; and the Cannonsburg Water District,

has caused its name to be hereunto subscribed by its Chairman, attested by its Secretary/Treasurer, and its Corporate Seal to be hereunto affixed; all in quadruplicate identical copies, on the day and year first above written.

CITY OF ASHLAND, KENTUCKY

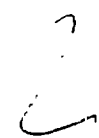
  
\_\_\_\_\_  
Stephen E. Gilmore, Mayor

ATTEST:

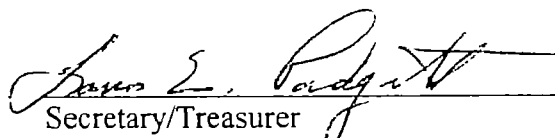
  
\_\_\_\_\_  
Deborah D. Musser, City Clerk

(SEAL)

CANNONSBURG WATER DISTRICT

  
\_\_\_\_\_  
Chairman

ATTEST:

  
\_\_\_\_\_  
Secretary/Treasurer

(SEAL)



Special Term Boyd County Court  
Held at the Court House, thereto  
On the 10th day of June, 1966  
Hon. George R. Hall, presiding

In Re: Order Establishing  
Cannonsburg Water District

A Petition having been filed seeking the creation of the Cannonsburg Water District and the same having been signed by more than seventy-five resident freeholders of the proposed district; and the allegations of the petition that the only water available for the residents within the boundary of the proposed water district as described in the petition is that which is obtained from wells, cisterns or springs and that such is inadequate for the use of said residents being undenied the same are taken as true.

It is therefore ordered that there be, and there is hereby, established 'The Cannonsburg Water District' which shall encompass the land lying within the following discription, to-wit:

Beginning at the southwestern intersection of U. S. Route 60 and County Road opposite Check's Garage near Rockdale, Boyd County, Kentucky, thence south  $70^{\circ} 30'$  West 3045 feet; thence south  $35^{\circ} 00'$  west 2900 feet to a point on the east side of Stephens Hollow, thence up Stephens Hollow north  $26^{\circ} 00'$  west 1300 feet; thence south  $64^{\circ} 00'$  west 1000 feet; thence south  $26^{\circ} 00'$  east 2300 feet, thence south  $54^{\circ} 00'$  west 3610 feet to the center of East Fork approximately 900 feet downstream from the East Fork Bridge on the Meade-Springer Road; thence with the center line of East Fork downstream to the Boyd-Greenup County line, thence with the Greenup-Boyd County line southwesterly to the common corner of Boyd, Carter and Greenup Counties, thence with the Carter-Boyd County line southeasterly to the center of Williams Creek near Coalton, thence south  $70^{\circ} 00'$  east 20,150 feet to a point in old U. S. 23 south of Mavity; thence up Bear Creek south  $32^{\circ} 00'$  east 12000 feet; thence north  $31^{\circ} 00'$  east 27,700 feet to a point in Old U. S. 23 near Oakland Church on Chadwick Creek; thence north  $29^{\circ} 00'$  west 13,800 feet to a point in Catletts Creek Road near top of Bayless Hill; thence north  $64^{\circ} 00'$  west 3100 feet to a point; thence south  $38^{\circ} 00'$  west 2700 feet to a point north of Shopes Creek Road; thence north  $65^{\circ} 30'$  west 6300 feet to a point at the southwesterly intersection of old U. S. 60 and County Road near Joanson Dairy at Rockdale; thence with southerly side of County Road connecting old U. S. Route 60 and New U. S. Route 60, 900 feet to the point of beginning.

This the 10th day of June, 1966.

George R. Hall  
Judge, Boyd County Court

RECEIVED

JUN 5 2015

PUBLIC SERVICE  
COMMISSION  
PRELIMINARY ENGINEERING REPORT

---

**EXISTING WATER  
SYSTEM IMPROVEMENTS**

**CANNONSBURG WATER DISTRICT  
ASHLAND (BOYD/GREENUP COUNTY), KY**

October 2013

October 11, 2013

Mr. Douglas Hoff- Loan Specialist  
Rural Development  
220 West First Street  
Morehead, Kentucky 40351

**RE: Cannonsburg Water District (Boyd/Greenup County)  
Existing Water System Improvements Project**

Dear Mr. Hoff:

On behalf of the Cannonsburg Water District, please find enclosed four (4) copies of the Preliminary Engineering Report w/KY Attachment 1 for their proposed Existing Water System Improvements project.

The project includes improvements to the existing system including the following work items:

1. Sand-blast cleaning , repainting the existing Tarpin Ridge and Princess storage tanks. These tanks will also be upgraded to modern EPA standards. Re-fitted with a valve vault with separate lines for tank fill (from top), tank empty (from bottom) to meet current water turnover requirements.
2. Upgrades to existing Tarpin Ridge booster pump station and transmission line.
3. Electrical upgrades to Midland Trail main booster pump station (main feed from Ashland). Provide auto transfer switch to operate with County Fiscal Court furnished emergency generator.
4. Replace major stream crossings on KY RT 5 (8") and Ellington Run Road (3").
5. Provide in-line hydro-pneumatic booster pump stations on Dog Fork Road and Meadwood Heights to alleviate low pressure problems there.
6. Complete residential meter change-out program. Includes remainder of system, conversion of 2,900 meters to radio read units.

The Cannonsburg WD service area in Boyd County extends into 3 of the 4 total Census Tracts- Catlettsburg, Ashland South, and the Cannonsburg tract, Therefore, it is reasonable to use the NMHI as published for the entire Boyd County. In contrast, Cannonsburg WD's service area in Greenup County extends only into the Wurtland Census Tract.

The Non-Metropolitan Median Household Income (NMHI) of Boyd County as a whole is \$38,802 and for the Wurtland Tract in Greenup County is \$45,967. Of Cannonsburg WD's 3,500 total customers, 3,400 are located in Boyd County, and the balance, 110 customers in Greenup County.

The weighted/NMHI determination for the overall service area would be as follows:

Cannonsburg WD Service Area- Weighted NMHI = \$ 39,027


$$[(3,390 \times \$38,802) + (110 \times \$45,967)] / (3,390 + 110)$$

Mr. Doug Hoff  
October 11, 2013  
Page 2

**The Application request includes 100% RD loan/grant funding. In line with previous discussions, the Cannonsburg Water District is requesting a 20% RD grant and 80% RD loan.**

Should there be questions about the info submitted, please feel free to contact me.

Sincerely,  
E.L. Robinson Engineering

A handwritten signature in blue ink that reads "Paul Amburgey". The signature is written in a cursive style with a large initial "P".

Paul V. Amburgey, PE  
KY Office Director

Cc: Danny Clarkston – Cannonsburg Water District w/1 copy of PER

**CANNONBURG WATER DISTRICT  
ASHLAND (BOYD/GREENUP COUNTY), KY**

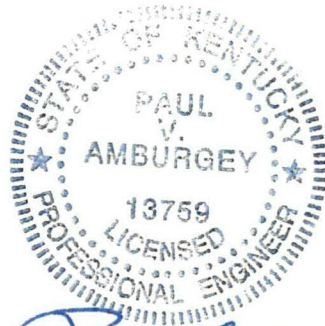
Preliminary Engineering Report

October 2013

**EXISTING WATER SYSTEM IMPROVEMENTS**

Prepared by:

E.L. Robinson Engineering  
3145 Greenup Avenue  
Ashland, KY 41101



*Paul Amburgey*  
Paul V. Amburgey, P.E.

10-11-13

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# I. GENERAL

## A. Purpose/History

The Cannonsburg Water District serves 3,675 total, 3,500 active residential, commercial, and industrial customers in Boyd and Greenup Counties. Cannonsburg has 3,390 active customers in Boyd County, the remaining 110 customers in Greenup County. The purpose of this project is to complete improvements to the existing Cannonsburg Water District system.

The Cannonsburg Water District has been in operation since the early 1970's. Since their inception, Cannonsburg purchases a majority of their water from the City of Ashland water system. Cannonsburg purchases a minor amount of water from the Big Sandy Water District to provide service to the higher elevation areas along Dog Fork/Laurel Road.

Cannonsburg's largest master metering point with Ashland is located on old US 60/Midland Trail in the Summit area at their existing Pump Station also located there. Cannonsburg also has additional master meters located at England Hill near US 23 between Catlettsburg and I-64, at Ashland's High Knob Tank on Buena Vista Road and on Technology Drive in EastPark (2) master meters; and at Kirby Flats Road.

Cannonsburg also has a master meter, sells water to the Big Sandy Water District on US 60 at Coalton near the Boyd/Carter County line.

Finally, Cannonsburg has master meters with the City of Greenup Water system located at Logtown Rd/KY 207, at KY 503 at Danleyton, and at the junction of the Industrial Parkway/KY 207. Cannonsburg currently does not sell water to the Greenup system.

The Cannonsburg Water District system is zoned with three (3) separate pump station/tanks as follows:

1. Midland Trail Pump Station- Princess Hill 300,000 gallon and Coffey Park 1 Million gallon tanks
2. Tarpin Ridge (McGuire Rd) Pump Station- Tarpin Ridge 50,000 and 90,000 gallon tanks
3. Rebel Road Hydro-pneumatic Pump Station (no remote tank)
4. Brookfield Farm Road Hydro-pneumatic Pump Station (no remote tank)

## B. Scope of Proposed Project

Cannonsburg is one of the older Water District's in eastern Kentucky. Their existing lines, tanks as originally constructed are now over 40 years old. The scope of this project is to complete needed improvements within the existing Cannonsburg Water District system.

These improvements to the existing system include the following work items:

1. Sand-blast cleaning, repainting the existing Tarpin Ridge and Princess storage tanks. These tanks will also be upgraded to modern EPA standards. Re-fitted with a valve vault with separate lines for tank fill (from top), tank empty (from bottom) to meet current water turnover requirements.
2. Upgrades to existing Tarpin Ridge booster pump station and transmission line.

- 
3. Electrical upgrades to Midland Trail main booster pump station (main feed from Ashland). Provide auto transfer switch to operate with County Fiscal Court furnished emergency generator.
  4. Replace major stream crossings on KY RT 5 (8") and Ellington Run Road (3").
  5. Provide in-line hydro-pneumatic booster pump stations on Dog Fork Road and Meadewood Heights to alleviate low pressure problems there.
  6. Complete residential meter change-out program. Includes remainder of system, conversion of 2,900 meters to radio read units.

Cannonsburg's existing service area is generally describes as follows:

### **Boyd County**

Most of Cannonsburg's customers are located in Boyd County. Their existing Boyd County service area includes southern Boyd County from the Ashland Water System limits at Summit/Meade Station to/including the unincorporated Mavity area south off I-64.

### **Greenup County**

Cannonsburg also serves the unincorporated Naples area of Greenup County, the FIVCO Court area within EastPark, and the Industrial Parkway from Technology Drive, 8 miles north to the junction of KY 207.

## **II. AREAS TO BE SERVED**

### **A. Boundaries**

Boyd and Greenup Counties are located in northeastern Kentucky and are bordered by the Ohio River to the North, Carter County to the west, Lawrence County to the South. Ashland is the largest City in Boyd County but Catlettsburg is the county seat for Boyd County. Greenup is the county seat for Greenup County.

The major roads in Boyd County are US 60 and I-64 which runs east-west, and US 23 which runs north-south. KY 180 connects US 60 with I-64. The Industrial Parkway runs thru the extreme northwesterly end of Boyd County. The major roads in County County are US 23 which runs north-south, and the AA Highway which runs east-west. The Industrial Parkway also runs thru Greenup County.

### **B. Existing & Future Land Use, Median Household Income**

The service area of the Cannonsburg Water District is mixed with residential single family subdivisions, multi-family apartments, commercial development along KY 180 and US 60, Elementary/High Schools, and light industrial (Paul Coffey Park, EastPark). There are but a few rural farms remaining in their service area. The 2010 Census indicates 2.40 persons occupy each household unit.

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## **APPENDICES**

- A. RD Kentucky PER Summary/Addendum Guide 7**
- B. Existing Water Rates, Charges (Effective January-2013)**
- C. Excerpts from 12-31-2013 PSC Audit Report**
- D. Water Purchase Contract- City of Ashland**
- E. June 10, 1966 Order Establishing Cannonsburg Water District**

---

# **I. GENERAL**

## **A. Purpose/History**

The Cannonsburg Water District serves 3,675 total, 3,500 active residential, commercial, and industrial customers in Boyd and Greenup Counties. Cannonsburg has 3,390 active customers in Boyd County, the remaining 110 customers in Greenup County. The purpose of this project is to complete improvements to the existing Cannonsburg Water District system.

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1. Midland Trail Pump Station- Princess Hill 300,000 gallon and Coffey Park 1 Million gallon tanks
2. Tarpin Ridge (McGuire Rd) Pump Station- Tarpin Ridge 50,000 and 90,000 gallon tanks
3. Rebel Road Hydro-pneumatic Pump Station (no remote tank)
4. Brookfield Farm Road Hydro-pneumatic Pump Station (no remote tank)

## **B. Scope of Proposed Project**

Cannonsburg is one of the older Water District's in eastern Kentucky. Their existing lines, tanks as originally constructed are now over 40 years old. The scope of this project is to complete needed improvements within the existing Cannonsburg Water District system.

These improvements to the existing system include the following work items:

1. Sand-blast cleaning, repainting the existing Tarpin Ridge and Princess storage tanks. These tanks will also be upgraded to modern EPA standards. Re-fitted with a valve vault with separate lines for tank fill (from top), tank empty (from bottom) to meet current water turnover requirements.
2. Upgrades to existing Tarpin Ridge booster pump station and transmission line.

- 
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### **Greenup County**

Cannonsburg also serves the unincorporated Naples area of Greenup County, the FIVCO Court area within EastPark, and the Industrial Parkway from Technology Drive, 8 miles north to the junction of KY 207.

## **II. AREAS TO BE SERVED**

### **A. Boundaries**

Boyd and Greenup Counties are located in northeastern Kentucky and are bordered by the Ohio River to the North, Carter County to the west, Lawrence County to the South. Ashland is the largest City in Boyd County but Catlettsburg is the county seat for Boyd County. Greenup is the county seat for Greenup County.

The major roads in Boyd County are US 60 and I-64 which runs east-west, and US 23 which runs north-south. KY 180 connects US 60 with I-64. The Industrial Parkway runs thru the extreme northwesterly end of Boyd County. The major roads in County County are US 23 which runs north-south, and the AA Highway which runs east-west. The Industrial Parkway also runs thru Greenup County.

### **B. Existing & Future Land Use, Median Household Income**

The service area of the Cannonsburg Water District is mixed with residential single family subdivisions, multi-family apartments, commercial development along KY 180 and US 60. Elementary/High Schools, and light industrial (Paul Coffey Park, EastPark). There are but a few rural farms remaining in their service area. The 2010 Census indicates 2.40 persons occupy each household unit.

---

The Non-Metropolitan Median Household Income (NMHI-2010 Census) for the entire State of Kentucky is \$40,418. The NMHI of Boyd County as a whole is \$38,802. The Cannonsburg WD service area in Boyd County extends into 3 of the 4 total Boyd County Census Tracts- Catlettsburg, Ashland South, and the Cannonsburg Census tracts. Therefore, it is reasonable to use the NMHI for Boyd County as a whole. By contrast, Cannonsburg WD's service area in Greenup County only extends into the Naples area, Wurtland Census Tract (NMHI \$45,967). As previously noted, Cannonsburg has 3,390 customers in Boyd, and 110 customers in Greenup County.

The weighted/NMHI determination for the overall Cannonsburg WD service area would be as follows:

$$\text{Cannonsburg WD NMHI} = \$39,027 [(3,390 \times \$38,802) + (110 \times \$45,967)] / (3,390+110)$$

Cannonsburg has their service area well covered with their existing distribution system. No major future extensions of waterlines in the District is expected.

### **C. Description of Service Area Boundary**

The existing Cannonsburg Water District territorial service boundaries can be generally described as follows:

The Cannonsburg Water District boundary was established in June 1966 by appropriate KRS Chapter 74 statute. The boundary covers the broad area from the end of the existing City of Ashland system at Summit south crossing I-64 and US 60 to the Mavity. There system includes the un-incorporated communities of Rockdale, Meads, Cannonsburg, Mavity, Coalton, and Princess. In Greenup County, the District serves the unincorporated community of Naples.

The Big Sandy water District serves the area of Boyd County from the southern end of Cannonsburg's system at Mavity to the Lawrence County line. The Big Sandy WD also serves Carter County beginning at the Boyd/Carter County line, end of Cannonsburg Water service area on US 60.

The Cannonsburg District boundary descriptions and maps are filed with the Public Service Commission. A copy of the District's original 1966 boundary description is included in the Appendix.

### **D. Required Annexation of Additional District Territory**

The District's service area boundary was amended approximately 15 years ago to include the Naples, Brushy Creek area of Greenup. The boundary was amended again by the Greenup County Fiscal Court to allow the District to serve the Industrial Parkway corridor from EastPark/Technology Drive north to the intersection of KY 207. All area's proposed for service under this project are within existing defined District boundaries.

### **E. Major Obstacles/Problems**

No major obstacles/problems are anticipated. Two small hydro-pneumatic pump stations are proposed to serve existing low pressure areas on Meadewood Heights and Dog Fork.

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## F. Need for Facility/System Improvements

The Cannonsburg Water District has been in operation since the early 1970's. The purpose of this project is to complete much needed improvements to the existing Cannonsburg Water District system. No line extensions are proposed. Cannonsburg has an extensive distribution network that covers their service area.

## III. EXISTING FACILITIES

### A. Existing Distribution System

The present Cannonsburg WD distribution system consists of the following pipe sizes and lengths. The existing system has a total of 160.8 miles of 2-inch through 16-inch water mains.

**TABLE 1- EXISTING WATER MAINS**

---

<b>2 inch pipe</b>	.....	<b>2.5 miles</b>
<b>3 inch pipe</b>	.....	<b>69 miles</b>
<b>4 inch pipe</b>	.....	<b>6.5 miles</b>
<b>6 inch pipe</b>	.....	<b>48.9 miles</b>
<b>8 inch pipe</b>	.....	<b>20.8 miles</b>
<b>10 inch pipe</b>	.....	<b>2.4 miles</b>
<b>12 inch pipe</b>	.....	<b>10.6 miles</b>
<b>16 inch pipe</b>	.....	<b>0.1 miles</b>

The Cannonsburg Water District system is zoned with five (5) separate pump station/tanks pressure zones as follows:

1. Midland Trail Pump Station- Fills Princess Hill 300,000 gallon and Coffey Park 1.0 Million gallon tanks
2. Tarpin Ridge (McGuire Rd) Pump Station- Fills Tarpin Ridge 50,000 and 90,000 gallon tanks
3. Briarwood Pump Station- Fills Briarwood 32,000 gallon tank
4. Rebel Road Hydro-pneumatic Pump Station (no remote tank)
5. Brookfield Farm Road Hydro-pneumatic Pump Station (no remote tank)

### B. Existing Water Supply

As noted previously, Cannonsburg's customers are supplied by a Water Purchase Contract from the City of Ashland Water System, which allows purchase of between 600,000 and 2,700,000 gallons per day. Cannonsburg also has a Water Purchase Contract from the Big Sandy Water District which allows purchase of 100,000 gallons per day.

According to their PSC reports, Cannonsburg purchased a total of 449.503 million gallons of water for the entire 2012 year. This equates to 37.458 million gallons per month, or 1,248,620

---

gallons per day. Thus, the actual water purchased from Ashland is well under and within the allowable contract amount. Cannonsburg's water supply is this considered more than adequate.

## **IV. PROPOSED FACILITIES**

### **A. Design Criteria and Approvals**

All waterlines will be designed in accordance with Kentucky Natural Resources and Environmental Protection Cabinet, Division of Water and U.S. Department of Agriculture (RUS) guidelines.

Construction drawings, specifications, and bid documents will be submitted for approval by the Division of Water, and the RUS. The minimum pressure at all customer meter connections will be 30 psi.

### **B. Lands and Rights of Way**

For all lines constructed on private right of way, a construction and permanent easement will be obtained from the property owner prior to constructing the lines. For lines to be constructed on Kentucky state or county highways, all necessary encroachment permits will be obtained before proceeding with waterline construction. There are no new tanks are required for this project, therefore no fee simple property acquisitions are required. Two (2) new hydro-pneumatic pump stations are required. The land for the new pump stations will be secured by fee simple deed.

### **C. Waterline Extensions**

No new extensions are proposed.

### **D. Water System Improvements**

The various water system improvements are proposed as follows:

1. Sand-blast cleaning, repainting the existing Tarpin Ridge and Princess storage tanks. These tanks will also be upgraded to modern EPA standards. Re-fitted with a valve vault with separate lines for tank fill (from top), tank empty (from bottom) to meet current water turnover requirements.
2. Upgrades to existing Tarpin Ridge booster pump station and transmission line.
3. Electrical upgrades to Midland Trail main booster pump station (main feed from Ashland). Provide auto transfer switch to operate with County Fiscal Court furnished emergency generator.
4. Replace major stream crossings on KY RT 5 (8") and Ellington Run Road (3").
5. Provide in-line hydro-pneumatic booster pump stations on Dog Fork Road and Meadewood Heights to alleviate low pressure problems there.
6. Complete residential meter change-out program. Includes remainder of system, conversion of 2,900 meters to radio read units.

---

## **V. COST ESTIMATES**

The Construction Cost estimate for new waterline extensions/replacement, pump stations/storage tank improvements, new water office, and meter change out program are shown on Table IV-1.

The Total Project Cost estimate including costs for engineering, legal, land and rights of way, project administration, contingencies, and capitalized interest is included on Table IV-2.

The proposed sources of funding for the project are illustrated on Table IV-3

## **VI. ANNUAL OPERATING BUDGETS**

### **A. Income**

The analysis of water usage and income based upon the 3,500 existing customers served is shown on Table IV-5.

The current water rate schedule currently in effect for the Cannonsburg Water District is shown on Table IV-4. The current water rates were last adjusted by the District in January 2013 when the KY PSC requested rate increase was approved. The latest rate increase was due to the annual "Consumer Price Index" calculated increase from the City of Ashland for water purchase. Also shown on this page are the existing residential water connection fees.

The proposed rate schedule is shown on Table IV-4A.

### **B. Operation and Maintenance Costs**

The projects first year of operation (2015), revenues, operation and maintenance costs, and costs for debt service on the proposed \$ 1,668,380 RUS loan are included as Table IV-7. The revenue, expenses were in part based on Cannonsburg's Year ending December 31, 2011 and 2012 Audit Reports as included in the Appendix of this report.

### **C. Capital Improvements**

As noted previously, the construction cost and total project costs associated with the proposed water system improvements are shown on Tables IV-1 and IV-2.

### **D. Debt Repayment/Reserve**

The debt service requirements for the new RUS loan are shown on Table IV-7. The debt service coverage (reserve) available has also been shown on Table IV-7.

## **VII. MAPS**

A map showing the existing water service area has been included as Figure 1.



# TABLE IV-1

## EXISTING WATER SYSTEM IMPROVEMENTS BOYD COUNTY CANNONSBURG WATER DISTRICT

### Construction Cost Estimate

1/2. Description: Rehab of existing Princess 300,000 and Tarpin Ridge 50,000 gallon storage tanks including sandblasting, re-coating interior and exterior. Replace tank vent system, level gage, and interior ladder. Provide separate inlet/outlet fill lines as required by current KYDOW regulations.

3. Replace 2,900 existing bronze touch read residential meters w/new radio read meters.

Existing 900 radio read meters to remain in service.

4. Project includes replacement of existing 40+ year old Electric Motor Control Center at Main Midland Trail Pump Station. Emergency Generator provide by Boyd County Fiscal Court. Cannonsburg WD to assist w/install of Gen Set (not part of this project).

5/6. Replace existing major stream crossings at KY RT 5 (8") and aerial crossing at Ellington Run (3") w/new directional bored HDPE.

7/8. Install new inline hydropneumatic Pump Stations at Dog Fork (BSWD rate increase); and at Meadewood Heights (low pressure)

9/10. Replace existing 6" waterline and upgrade existing pumps, controls at Tarpin Ridge BPS

Item	Quantity	Unit	Unit Price Labor, and Materials	Total Unit Price	Item Total
1. Blast clean, repainting exist. 50,000 Gallon Tarpin Ridge Tank(1)	1	LS	\$225,000	\$225,000	\$ 225,000.00
2. Blast clean, repainting exist. 300,000 Gallon Princess Tank(1)	1	LS	\$90,000	\$90,000	\$ 90,000.00
(1)Also replace tank level indicator, vent, inside ladder, separate tank fill line					
3. Replace remaining 2,900 residential meters w/Radio Read units(2)	1	LS	\$885,000	\$885,000	\$ 885,000.00
(2)Leave existing 900 radio read bronze meters in service					
4. Elec. Motor Control Center Repl., Midland Trail Pump Sta.(4)	1	LS	\$30,000	\$30,000	\$ 30,000.00
(4) County Fiscal Court to provide Emergency Gen Set					
5. KY RT 5- 8" Stream Crossing Replacement	1	LS	\$40,000	\$40,000	\$ 40,000.00
6. Ellington Run- 3" Aerial Crossing Replacement	1	LS	\$20,000	\$20,000	\$ 20,000.00
7. New Pump Station, Dog Fork (due to BSWD rate increase)	1	LS	\$110,000	\$110,000	\$ 110,000.00
8. New Pump Station, Meadewood Heights (due to low pressure)	1	LS	\$105,000	\$105,000	\$ 105,000.00
9. Replace existing 6" W/L from Tarpin Ridge BPS w/8" C-900 PVC	1	LS	\$80,000	\$80,000	\$ 80,000.00
10. Upgrade pumps, controls at Tarpin Ridge BPS	1	LS	\$60,000	\$60,000	\$ 60,000.00
Construction Sub-total					\$ 1,645,000.00

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## TABLE IV-2

### TOTAL PROJECT COST ESTIMATE EXISTING WATER SYSTEM IMPROVEMENTS CANNONSBURG WATER DISTRICT

Construction	\$ 1,645,000.00
Cannonsburg WD Project Administration	\$ 9,500.00
Planning (Preliminary Engineering)	\$ 9,250.00
Engineering Design Services	\$ 115,150.00
Engineering Inspection Services	\$ 57,575.00
Additional Engineering Services	\$ 19,500.00
Legal Services	\$ 20,000.00
Land and Rights-of-Way Acquisition	\$ 5,000.00
Capitalized Interest	\$ 40,000.00
Contingency	\$ 164,500.00
<b>TOTAL PROJECT COST</b>	<b>\$ 2,085,475.00</b>

## TABLE IV-3

### TOTAL PROJECT FINANCING CANNONSBURG EXISTING WATER SYSTEM IMPROVEMENTS

RUS Grant (20% of RUS funds)	\$ 417,095
RUS Loan (80% of RUS – 40 Years @ 3.75%)	\$ 1,668,380
<b>TOTAL PROJECT FINANCING</b>	<b>\$ 2,085,475</b>

## TABLE IV-4

### CANNONSBURG WATER DISTRICT BOYD COUNTY EXISTING WATER SYSTEM IMPROVEMENTS

#### EXISTING WATER RATE SCHEDULE

Cannonsburg's current rate schedule and connection/tap fees are as follows. These rates became effective on January 13, 2013:

First 2,000 Gallons	\$19.84 (Minimum Bill)
Next 3,000 Gallons	\$ 7.63 per 1,000 Gallons
Next 15,000 Gallons	\$ 7.22 per 1,000 Gallons
Next 30,000 Gallons	\$ 6.80 per 1,000 Gallons
Next 50,000 Gallons	\$ 6.40 per 1,000 Gallons
All Over 100,000 Gallons	\$ 5.96 per 1,000 Gallons
Wholesale Rate (to Big Sandy WD, Greenup)	\$ 3.84 per 1,000 Gallons

#### EXISTING CONNECTION CHARGES

1" Meter	\$1,275
5/8" X 3/4" Meter	\$1,100
Larger than 1" Meter	Actual Cost

The entire rate schedule and schedule of charges listing as submitted to/approved by the KY Public Service Commission is attached on the following pages.

---

## TABLE IV-5

The Proposed Rate schedule and connection/tap fees associated with this proposed project are as follows:

### PROPOSED WATER RATE SCHEDULE

First 2,000 Gallons	\$ 23.75 (Minimum Bill)
Next 3,000 Gallons	\$ 8.55 per 1,000 Gallons
Next 15,000 Gallons	\$ 8.25 per 1,000 Gallons
Next 30,000 Gallons	\$ 7.60 per 1,000 Gallons
Next 50,000 Gallons	\$ 7.25 per 1,000 Gallons
All Over 100,000 Gallons	\$ 6.25 per 1,000 Gallons
Wholesale Rate (to Big Sandy WD, Greenup)	\$ 4.25 per 1,000 Gallons

### PROPOSED CONNECTION CHARGES

1" Meter	\$1,275
5/8" X 3/4" Meter	\$1,100
Larger than 1" Meter	Actual Cost

# TABLE IV-5

## CANNONSBURG WATER DISTRICT ANALYSIS OF WATER INCOME (Existing Water Rates)

Revenue		Cannonsburg Water District- Existing Rates					
Date							
Total Users	3505						
Total Annual Revenues	\$2,095,631						
Rates as of 06-4-2012							
Rate	per	Minimum Bill	Gallons	to	Gallons	to	Gallons
\$19.84		2,000	Gallons	5,000	Gallons		
\$7.63	per	1,000	Gallons	20,000	Gallons		
\$7.22	per	1,000	Gallons	50,000	Gallons		
\$6.80	per	1,000	Gallons	100,000	Gallons		
\$6.40	per	1,000	Gallons	500,000	Gallons		
\$5.96	per	1,000	Gallons	95,000	Gallons		
	per	1,000	Gallons	195,000	Gallons		

usage	rate	monthly #	monthly #	usage	income
Gallons		of users	of users	x 1000 Gal	
		Residential	Non-Residential		
0-1K	19.84	459	84	272	\$10,773
1-2K	18.84	459	37	992	\$9,841
2-3K	27.47	637	16	1959	\$17,938
3-4K	35.10	637	18	2612	\$22,920
4-5K	42.73	334	10	1720	\$14,699
5-6k	49.95	334	9	2058	\$17,133
6-7K	57.17	114	3	819	\$6,689
7-8K	64.39	114	3	936	\$7,534
8-9K	71.61	41	7	432	\$3,437
9-10K	78.83	40	6	460	\$3,626
10-12k	86.05	23	8	341	\$2,666
12-14k	100.49	23	8	403	\$3,115
14-16k	114.93	12	3	225	\$1,724
16-18k	129.37	10	2	204	\$1,552
18-20k	151.03	2	2	80	\$604
20-22k	157.83	2	2	84	\$634
22-24k	171.43	1	3	92	\$684
24-35k	215.63	8	6	413	\$3,011
36-70k	419.03	3	11	840	\$5,861
70-100k	589.03	0	5	425	\$2,944
100-150k	973.03	0	5	750	\$4,864
150-300k	1,420.03	0	3	675	\$4,264
300-500k	2,671.03	0	1	450	\$2,671
1000000-3000000k	11,999.03	0	1	2000	\$11,999
3000000-4000000k	13,440.00	0	1	3500	\$13,440
300-400k	2,165.03	0	0	0	\$
sub total		3253	252	22742	\$174,635
average rate per month				3505	\$53.6
average usage per month in Gallons					6,95
annual revenue					\$2,095,631
annual flow quantity in gallons sold					272,898,000

# TABLE IV-5A

## CANNONSBURG WATER DISTRICT ANALYSIS OF WATER INCOME

Revenue		Cannonsburg Water District- Proposed Rates						
Date								
Total Users	3505							
Total Annual Revenues	\$2,402,876							
Rates as of 06-4-2012								
				Minimum Bill				
\$23.75		2,000	Gallons					
\$8.55	per	1,000	Gallons	2,000	to	5,000	Gallons	
\$8.25	per	1,000	Gallons	5,000	to	20,000	Gallons	
\$7.60	per	1,000	Gallons	20,000	to	50,000	Gallons	
\$7.25	per	1,000	Gallons	50,000	to	100,000	Gallons	
\$6.25	per	1,000	Gallons	100,000	to	5,000,000	Gallons	
	per	1,000	Gallons	95,000	to	195,000	Gallons	
	per	1,000	Gallons	195,000	to	10,000,000	Gallons	

usage		rate	monthly #	monthly #	usage	income
Gallons	Gallons		of users	of users	x 1000 Gal	
			Residential	Non-Residential		
0-1K	500	23.75	459	84	272	\$12,896
1-2K	2,000	23.75	459	37	992	\$11,780
2-3K	3,000	32.30	637	16	1959	\$21,092
3-4K	4,000	40.85	637	16	2612	\$26,675
4-5K	5,000	49.40	334	10	1720	\$16,994
5-6k	6,000	57.65	334	9	2058	\$19,774
6-7K	7,000	65.90	114	3	819	\$7,710
7-8K	8,000	74.15	114	3	936	\$8,676
8-9K	9,000	82.40	41	7	432	\$3,955
9-10K	10,000	90.65	40	6	460	\$4,170
10-12k	11,000	98.90	23	8	341	\$3,066
12-14k	13,000	115.40	23	8	403	\$3,577
14-16k	15,000	131.90	12	3	225	\$1,975
16-18k	17,000	148.40	10	2	204	\$1,788
18-20k	20,000	173.15	2	2	80	\$690
20-22k	21,000	180.75	2	2	84	\$720
22-24k	23,000	195.95	1	3	92	\$780
24-35k	29,500	245.35	8	6	413	\$3,435
36-70k	60,000	473.65	3	11	840	\$6,630
70-100k	85,000	661.25	0	5	425	\$3,300
100-150k	150,000	1,082.50	0	5	750	\$5,415
150-300k	225,000	1,551.25	0	3	675	\$4,650
300-500k	450,000	2,957.50	0	1	450	\$2,950
1000000-3000000k	2,000,000	12,645.00	0	1	2000	\$12,640
3000000-4000000k	3,500,000	14,875.00	0	1	3500	\$14,870
300-400k	350,000	2,326.15	0	0	0	\$
sub total			3253	252	22742	\$200,239
average rate per month					3505	\$61.5
average usage per month in Gallons						6,99
annual revenue						\$2,402,87
annual flow quantity in gallons sold						272,898,00

## TABLE IV-6

### CANNONSBURG WATER DISTRICT CURRENT REVENUES, OPERATION AND MAINTENANCE EXPENSES

The following table provides the current Revenues, Operation/Maintenance expenses, based on the 2012, 2011 most current year ending audits.

#### Operating Revenues

	<u>Year Ending 2012</u>	<u>Year Ending 2011</u>
Water Sales	\$2,302,800 *	\$1,963,708
Penalties & Charges	37,604 *	33,345
Other Income	9,898 *	<u>37,413</u>
Less Income from PSC Surcharge	<u>97,000</u>	
<b>Total Operating Revenues (*)</b>	<b>2,350,302</b>	<b><u>2,034,066</u></b>
<b>Total Operating Revenues</b>	<b><u>2,253,302</u></b>	
(Less PSC Surcharge)		

#### Operating Expenses

Purchased Water	\$1,087,362	\$1,232,134
Salaries & Wages	428,270	437,776
Payroll Taxes	28,989	29,367
Contractual Services	25,087	23,816
Employee Insurance	205,438	224,643
Retirement	76,096	66,230
Other Insurance Expenses	27,016	25,877
Oper. Maint., Repairs, Supplies	20,218	20,905
Utilities	43,113	58,841
Telephone	6,537	6,547
Materials & Supplies	121,092	75,087
Fuel	32,659	31,751
Water Testing	8,280	7,819
Depreciation	165,322	165,568
Other Billing Expenses	11,892	11,382
Bad Debts	36,434	19,484
Misc. Expenses	46,963	<u>52,462</u>
<b>Total Operating Expenses</b>	<b><u>2,370,758</u></b>	<b><u>2,489,689</u></b>
<b>Operating Income (Loss)</b>	<b><u>(20,456)</u></b>	<b><u>(455,223)</u></b>

#### Non-operating Revenues (Expenses)

Non-operating revenue-other		271,452
Tap Fees	16,630	20,125
Interest Income	4,133	13,455
Interest, Expense	<u>(20,813)</u>	<u>(20,908)</u>

#### Net Non-operating

<b>Revenues (Expenses)</b>	<b><u>(50)</u></b>	<b><u>284,124</u></b>
----------------------------	--------------------	-----------------------

<b>Change in Net Assets</b>	<b><u>\$ (20,506)</u></b>	<b><u>\$ (171,099)</u></b>
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## TABLE IV-6A

### CANNONSBURG WATER DISTRICT PROPOSED REVENUES, OPERATION AND MAINTENANCE EXPENSES

The following table provides the projected Revenues, Operation/Maintenance expense. Based on the 2015 first full year of operation after completion of the RUS funded project.

#### Operating Revenues

	<u>Year Ending 2015</u>
Water Sales	\$2,403,000
Penalties & Charges	35,000
Other Income	10,000
Income from PSC Surcharge(Surcharge Revenue ends in 2014)	0
<b>Total Operating Revenues</b>	<b><u>2,448,000</u></b>

#### Operating Expenses

Purchased Water	\$1,150,000
Salaries & Wages	440,500
Payroll Taxes	29,000
Contractual Services	25,000
Employee Insurance	225,000
Retirement	76,000
Other Insurance Expenses	27,000
Operating Maintenance, Repairs, Supplies	28,000
Utilities	50,000
Telephone	7,000
Materials & Supplies	125,000
Fuel	33,000
Water Testing	8,500
Depreciation	165,000
Other Billing Expenses	13,000
Bad Debts	35,000
Misc. Expenses	<u>53,000</u>
<b>Total Operating Expenses</b>	<b><u>\$ 2,490,000</u></b>

<b>Total Operating Expenses (less Depreciation)</b>	<b><u>\$ 2,325,000</u></b>
<b>Operating Income</b>	<b><u>\$ 123,000</u></b>

#### Non-operating Revenues (Expenses)

Non-operating revenue-other	\$ 0
Tap Fees	15,000
Interest Income	4,000
Interest and Principal New RUS Loan	(83,100)
Interest and Principal Ex. KRWFC Loan	<u>(22,400)</u>
<b>Net Non-operating Revenues (Expenses)</b>	<b><u>\$ (86,500)</u></b>

<b>NET REVENUES AVAILABLE FOR DEBT SERVICE COVERAGE</b>	<b><u>\$ 36,500</u></b>
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## TABLE IV-7

### CANNONSBURG WATER DISTRICT REVENUE/EXPENSE PROJECTIONS USDA WATER IMPROVEMENTS PROJECT

#### Annual Operating Revenue (New Rates)

Water Sales	\$ 200,240 /month revenue x 12 months/year	=	\$ 2,403,000
Penalties and Charges			\$ 35,000
Other Income			\$ 10,000
			<u>TOTAL \$ 2,448,000 (A)</u>

#### Debt Service on \$1,668,400 Loan

The RUS latest Intermediate level interest rate of 3.75% requires an annual payment of \$49.79/1,000 loan over 38 years (principal deferred 2 years)

New Debt Service Requirement	= \$1,668,400 x \$49.79/\$1,000	=	\$ 83,100
Existing Debt Service (Existing KRWFC Loan)		=	<u>\$ 22,400</u>

**TOTAL DEBT SERVICE PRINCIPAL & INTEREST \$ 105,500 (B)**

#### Operation & Maintenance Expenses (less Depreciation)

The operation and maintenance expenses less depreciation for the existing system are estimated as follows for the 1<sup>st</sup> year of operation (Table IV-6A).

**Non Operating Revenues \$ 19,000 (C)**

**TOTAL OPERATION & MAINTENANCE EXPENSES \$ 2,325,000 (D)**

**Funds available for Reserve (A) – (B) + (C) – (D) \$ 36,500 \*\***

\*\* Equals 35 % of debt service

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## APPENDICES

- RD Summary/Addendum to PER
- Latest Water Rate Ordinance (effective 01/13/13)
- Excerpts from Fiscal Year Ending December 31, 2011 and 2012 Audit Reports
- Water Purchase Contract with City of Ashland
- June 10, 1966 Order Establishing Cannonsburg Water District

FOR ENTIRE AREA SERVED \_\_\_\_\_

P.S.C. KY. NO. 2013-00007

Original \_\_\_\_\_ SHEET NO. \_\_\_\_\_

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

CANNONSBURG WATER DISTRICT

RATES AND CHARGES

**5/8" x 3/4" Meter**

First	2,000 gallons	\$19.84 Minimum Bill
Next	3,000 gallons	7.63 per 1,000 gallons
Next	15,000 gallons <sup>2014</sup>	7.22 per 1,000 gallons
Next	30,000 gallons	6.80 per 1,000 gallons
Next	50,000 gallons	6.40 per 1,000 gallons
Over	100,000 gallons	5.96 per 1,000 gallons

**1 1/2" Meter**

First	5,000 gallons	\$42.73 Minimum Bill
Next	15,000 gallons	7.22 per 1,000 gallons
Next	30,000 gallons	6.80 per 1,000 gallons
Next	50,000 gallons	6.40 per 1,000 gallons
Over	100,000 gallons	5.96 per 1,000 gallons

**2" & 3" Meter**

First	20,000 gallons	\$151.03 Minimum Bill
Next	30,000 gallons	6.80 per 1,000 gallons
Next	50,000 gallons	6.40 per 1,000 gallons
Over	100,000 gallons	5.96 per 1,000 gallons

**6" Meter**

First	50,000 gallons	\$355.03 Minimum Bill
Next	50,000 gallons	6.40 per 1,000 gallons
Over	100,000 gallons	5.96 per 1,000 gallons

**12" Meter**

First	100,000 gallons	\$675.03 Minimum Bill
Over	100,000 gallons	5.96 per 1,000 gallons

Rates Based on Monthly Consumption and Calculated Per 100 Gallons

DATE OF ISSUE January 30, 2013  
MONTH / DATE. / YEAR

DATE EFFECTIVE January 13, 2013  
MONTH / DATE / YEAR

ISSUED BY [Signature]  
(SIGNATURE OF OFFICER)

<b>KENTUCKY PUBLIC SERVICE COMMISSION</b>
<b>JEFF R. DEROUEN EXECUTIVE DIRECTOR</b>
TARIFF BRANCH  <i>Brent Kirtley</i>
EFFECTIVE <b>1/13/2013</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

FOR CANNONSBURG WATER DISTRICT

P.S.C. KY. NO. \_\_\_\_\_

Original \_\_\_\_\_ SHEET NO. \_\_\_\_\_

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

CANNONSBURG WATER DISTRICT

---

RATES AND CHARGES

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**C. METER CONNECTION/TAP-ON CHARGES:**

5/8 Inch x 3/4 Inch meter	\$1,100.00
1 Inch meter	\$1,275.00
All Larger Meters	Actual Cost

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DATE OF ISSUE \_\_\_\_\_ May 1, 2008 \_\_\_\_\_  
MONTH / DATE. / YEAR

DATE EFFECTIVE \_\_\_\_\_ May 1, 2008 \_\_\_\_\_  
MONTH / DATE / YEAR

ISSUED BY \_\_\_\_\_  \_\_\_\_\_  
(SIGNATURE OF OFFICER)

TITLE \_\_\_\_\_ Treasurer \_\_\_\_\_

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2008-00034 DATED April 4, 2008

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
5/1/2008  
PURSUANT TO 807 KAR 5:011  
SECTION 9 (1)

By  \_\_\_\_\_  
Executive Director

FOR Entire Area Served  
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 6

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

Cannonsburg Water District  
(Name of Utility)

RATES AND CHARGES

B. DEPOSITS:

5/8" Meter	\$50.00
1" Meter	\$100.00
2" Meter	\$150.00
3" Meter	\$200.00
6" Meter	\$500.00
12" Meter	\$1,000.00

DATE OF ISSUE \_\_\_\_\_  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_

ISSUED BY James E. [Signature]  
Month / Date / Year  
(Signature of Officer)

TITLE Treasurer

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

OCT 17 2003

PURSUANT TO 807 KAR 5.011  
SECTION 9(1)

BY Charles E. [Signature]  
EXECUTIVE DIRECTOR

FOR ENTIRE AREA SERVED \_\_\_\_\_  
P.S.C. KY. NO. 1 \_\_\_\_\_

Original \_\_\_\_\_ SHEET NO. \_\_\_\_\_

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

CANNONSBURG WATER DISTRICT

RATES AND CHARGES

**SPECIAL NON-RECURRING CHARGES**

Connection/Turn On	\$40.00
Connection/Turn On After Hours	\$75.00*
Meter Reread Charge	\$40.00
Re-Connection Charge	\$40.00
Re-Connection Charge After Hours	\$75.00*
Service Call/Investigation Charge	\$40.00
Service Call/Investigation Charge After Hours	\$75.00*
Damage to Lid or Meter Equipment	Actual Cost
Late Payment Penalty	10%
Returned Check Charge	\$25.00
Meter Relocation Charge	Actual Charge
Meter Test Charge	\$70.00
Field Collection Charge	\$25.00

**\*NOTE** – Regular working hours for the utility’s Maintenance staff is 8:00 am to 4:00 pm, Monday thru Friday, excluding holidays, Upon customer request, and subject to availability of Maintenance Staff, services may be performed outside regular working hours at the after hours rate.

DATE OF ISSUE \_\_\_\_\_ JUNE 4, 2012 \_\_\_\_\_  
MONTH / DATE / YEAR

DATE EFFECTIVE \_\_\_\_\_ JUNE 4, 2012 \_\_\_\_\_  
MONTH / DATE / YEAR

ISSUED BY *Danay Clarkston* \_\_\_\_\_  
(SIGNATURE OF OFFICER)

TITLE \_\_\_\_\_ MANAGER \_\_\_\_\_

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. 2011-00217 DATED JUNE 4, 2012

<b>KENTUCKY PUBLIC SERVICE COMMISSION</b>
<b>JEFF R. DEROUEN EXECUTIVE DIRECTOR</b>
TARIFF BRANCH
<u><i>Brent Kintley</i></u>
EFFECTIVE <b>6/4/2012</b>
PURSUANT TO 807 KAR 5.011 SECTION 9 (1)

FOR ENTIRE AREA SERVED

P.S.C. KY. NO. 2013-00007

Original          SHEET NO.         

CANCELLING P.S.C. KY. NO.         

         SHEET NO.         

CANNONSBURG WATER DISTRICT

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RATES AND CHARGES

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Leak Adjustment Rate

\$3.84 per 1,000 Gallons

Wholesale Water Rates

Big Sandy Water District  
City of Greenup Co.

\$3.84 per 1,000 Gallons

\$3.84 per 1,000 Gallons

---

DATE OF ISSUE January 30, 2013  
MONTH / DATE. / YEAR

DATE EFFECTIVE January 13, 2013  
MONTH / DATE / YEAR

ISSUED BY   
(SIGNATURE OF OFFICER)

KENTUCKY  
PUBLIC SERVICE COMMISSION

JEFF R. DEROUEN  
EXECUTIVE DIRECTOR

TARIFF BRANCH



EFFECTIVE

**1/13/2013**

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

FOR Entire Area Served  
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 11

Cannonsburg Water District  
(Name of Utility)

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

RATES AND CHARGES

H. FIRE SPRINKLER SYSTEM RATES:

<u>Meter Size</u>	<u>Monthly Charge</u>
2 Inch Line	\$10.00
3 Inch Line	\$15.00
4 Inch Line	\$20.00
6 Inch Line	\$30.00
8 Inch Line	\$40.00
Above 8" Line	\$50.00

DATE OF ISSUE \_\_\_\_\_  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_

ISSUED BY David E. [Signature]  
(Signature of Officer)

TITLE Treasurer

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

OCT 17 2003

PURSUANT TO 907 KAR 5 011  
SECTION 9.1

BY [Signature]  
EXECUTIVE DIRECTOR



FOR ENTIRE AREA SERVED

P.S.C. KY. NO. 1

Original          SHEET NO.         

CANCELLING P.S.C. KY. NO.         

CANNONSBURG WATER DISTRICT

         SHEET NO.         

RATES AND CHARGES

**NON-REVENUE WATER REDUCTION SURCHARGE**

A Surcharge of \$5.53 shall be assessed monthly to each customer for the period from June 1, 2012 until May 31, 2015, or until the total amount of the surcharge assessed equals \$700,875, which ever occurs first. Assessment of this surcharge is subject to the conditions set forth in this Order.

DATE OF ISSUE         JUNE 4, 2012          
MONTH / DATE / YEAR

DATE EFFECTIVE         JUNE 4, 2012          
MONTH / DATE / YEAR

ISSUED BY *Danny R. Cloutier*  
(SIGNATURE OF OFFICER)

TITLE         MANAGER        

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. 2011-00217 DATED JUNE 4, 2012

<b>KENTUCKY PUBLIC SERVICE COMMISSION</b>
<b>JEFF R. DEROUEN EXECUTIVE DIRECTOR</b>
TARIFF BRANCH  <i>Brent Kirtley</i>
EFFECTIVE <b>6/4/2012</b> PURSUANT TO 807 KAR 5 011 SECTION 9 (1)

FOR Boyd County, Kentucky  
Community, Town or City

P.S.C. KY. NO. 1

2<sup>nd</sup> Revised SHEET NO. 1

City of Ashland, Kentucky  
(Name of Municipal Utility)

CANCELLING P.S.C. KY. NO. 1

1<sup>st</sup> Revised SHEET NO. 1

**RATES AND CHARGES**

**MONTHLY WHOLESALE WATER RATE:**

Cannonsburg Water District

\$2.58 Per 1,000 Gallons

NOTE: This tariff revises the following prior rates:

- \$1.20 per 1,000 gallons effective on April 6, 1998.
- \$1.32 per 1,000 gallons effective on January 1, 2006.
- \$1.43 per 1,000 gallons effective on January 1, 2007.
- \$1.89 per 1,000 gallons effective on March 1, 2009.
- \$2.01 per 1,000 gallons effective on March 15, 2010.
- \$2.12 per 1,000 gallons effective on January 1, 2011.
- \$2.33 per 1,000 gallons effective on October 1, 2011.
- \$2.46 per 1,000 gallons effective on January 1, 2012.

DATE OF ISSUE December 14, 2012  
Month / Date / Year

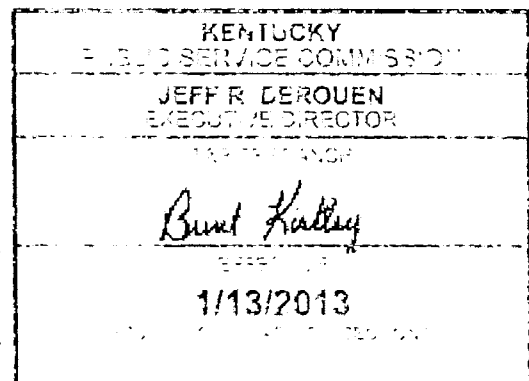
DATE EFFECTIVE January 1, 2013  
Month / Date / Year

ISSUED BY Ryan S. Eastwood, P.E.  
(Signature of Officer)

TITLE Director of Engineering and Utilities

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. N/A DATED N/A



CANNONSBURG  
WATER DISTRICT

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
for the year ended December 31, 2012

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Kentucky Society of CPA's

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Cannonsburg Water District  
Cannonsburg, Kentucky

We have audited the accompanying financial statements of the business-type activities of the Cannonsburg Water District as of and for the year ended December 31, 2012, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cannonsburg Water District's management. Our responsibility is to an express opinion on these financial statements based on our audit.

### ***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.

Management has elected to omit the Management's Discussion & Analysis which is required by the Governmental Accounting Standards Board.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 opinion.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Cannonsburg Water District, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other-Matter***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cannonsburg Water District's financial statements as a whole. The Comparative Statement of Revenues and Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The Comparative Statement of Revenues and Expenses is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Comparative Statement of Revenues and Expenses has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*John T. Lane & Associates LLC*

May 13, 2013

This report contains 13 pages.

Cannonsburg Water District  
Statement of Net Assets  
Proprietary Fund Type  
December 31, 2012

ASSETS

Current Assets	
Cash and cash equivalents - unrestricted	\$ 257,421
Cash and cash equivalents - restricted	338,464
Accounts receivable - net of allowance for doubtful accounts	211,308
Inventory	67,681
Prepaid expenses	<u>2,712</u>
Total Current Assets	<u>877,586</u>
Noncurrent Assets	
Capital assets: (note 1)	
Plant, equipment and lines	6,796,534
Construction in process	112,714
Less accumulated depreciation	<u>(3,475,526)</u>
Total Noncurrent Assets	<u>3,433,722</u>
Total Assets	<u>\$ 4,311,308</u>

LIABILITIES

Current Liabilities	
Accrued liabilities	\$ 196,153
Accrued interest	12,420
Deposits payable	12,851
Bonds/notes payable	<u>28,666</u>
Total Current Liabilities	<u>250,090</u>
Noncurrent Liabilities	
Bonds/notes payable	<u>336,638</u>
Total Liabilities	<u>586,728</u>

NET ASSETS

Invested in capital assets, net of related debt	3,068,418
Restricted net assets	325,613
Unrestricted net assets	<u>330,549</u>
Total Net Assets	<u>\$ 3,724,580</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

Cannonsburg Water District  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund Type  
For the fiscal year ended December 31, 2012

Operating Revenues	
Water sales	\$ 2,302,800
Penalties & charges	37,604
Other income	<u>9,898</u>
 Total Operating Revenues	 <u>2,350,302</u>
Operating Expenses	
Purchased water	1,087,362
Salaries & wages	428,270
Payroll taxes	28,979
Contractual services	25,087
Employee insurance	205,438
Retirement	76,096
Other insurance	27,016
Operations, maintenance, repairs & supplies	20,218
Utilities	43,113
Telephone	6,537
Materials & supplies	121,092
Fuel	32,659
Water testing	8,280
Depreciation	165,322
Other billing expenses	11,892
Bad debts	36,434
Miscellaneous expenses	<u>46,963</u>
 Total Operating Expenses	 <u>2,370,758</u>
 Operating Income (Loss)	 <u>(20,456)</u>
Nonoperating Revenues (Expenses)	
Tap fees	16,630
Interest income	4,133
Interest expense	<u>(20,813)</u>
 Net Nonoperating Revenues (Expenses)	 <u>(50)</u>
 Change in Net Assets	 (20,506)
 Total Net Assets - beginning	 <u>3,745,086</u>
 Total Net Assets - ending	 <u>\$ 3,724,580</u>

The accompanying notes to the basic financial statements are an integral part of these statements.



Cannonsburg Water District  
Statement of Cash Flows  
Proprietary Fund Type  
December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating revenues	\$ 2,368,528
Cash paid to employees	(428,270)
Cash paid for general and administrative expenses	<u>(1,724,683)</u>
Net Cash provided/(used) by operating activities	<u>215,575</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	6,549
Customer deposits	<u>951</u>
Net Cash provided/(used) by investing activities	<u>7,500</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Tap fees	16,630
Bond/note payments	(17,155)
Purchase of assets	(7,032)
Interest paid	<u>(20,813)</u>
Net Cash provided/(used) in capital and financing activities	<u>(28,370)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	194,705
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>401,180</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 595,885</u>
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net Operating Income	\$ (20,456)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
decrease in prepaid expenses	5,433
decrease in inventory	51,442
depreciation	165,322
decrease in accounts receivable	18,226
(decrease) in accounts payable	<u>(4,392)</u>
Net cash provided/(used) by operating activities	<u>\$ 215,575</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

CANNONSBURG WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

The Cannonsburg Water District is a water utility which services areas of Boyd County. Its sales are primarily to residential customers. The District is a corporate body set forth in Kentucky Revised Statutes (KRS) 74.070 which was created November, 1961. The District began operations in 1956. The District is subject to the regulatory authority of the Kentucky Public Service Commission pursuant to KRS 278.040.

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

The Reporting Entity

The District, for financial purposes, includes all of the funds relevant to the operations of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Cannonsburg Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of governing District, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service, and financing relations.

Based on the foregoing criteria there are not other organizations included in these financial statements.

The District, presented as an enterprise fund, does not apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989.

Bond and Interest Sinking Fund - Monthly transfers are required to be made into this account in an amount equal to one-sixth (1/6) of the interest becoming due on the next succeeding interest due date for all outstanding bonds and one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding due date. The required balance of the fund at December 31, 2012 was \$56,000. The District had set aside \$217,380 into this fund at December 31, 2012.

Enterprise Funds

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are operating grants and tenant rental revenue. Operating expenses of the District include the cost of producing the revenue and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segmented into invested in capital assets, net of related debt, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Basis of Accounting

The records of the District are maintained and the budgetary process is based on the accrual method of accounting.

#### Inventory

The cost of inventory is recorded as a disbursement at the time of payment for the purchase. Materials on hand are inventoried at year end and recorded as an asset at that time. They are valued at lower of cost or market and recorded using the FIFO method.

#### Fixed Assets

Fixed assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation.

Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Water lines, tanks	40-50 years
Equipment	5-10 years
Computers	3 years
Meters	15 years

The District's capitalization policy is as follows: expenditures costing more than \$1,000 with an estimated useful life greater than one year are capitalized: all others are expensed.

#### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets- net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by external restrictions.

#### Accounts Receivable

The receivable reflected in the statements in the amount of \$215,286 are net of allowance for uncollectible in the amount of \$3,978.

#### Use of Estimates

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

#### Note 2 - Notes Payable

The amount shown in the accompanying financial statements as notes payable represents the District's future obligation to make loan payments from future revenues. At December 31, 2012, three separate loans had outstanding balances. Details of each of these issues are summarized as follows:

##### Note A

Lender - USDA

Balance of loan - \$50,000

Rate - 5%

Principal due January 1

Interest due January and July 1

Prepayment provision - subject to payment prior to its stated maturity without penalty or premium, at any time upon ten (10) days notice.

##### Note B

Lender - KRWFC

Balance of loan - \$312,000

Rate - 4.15-5.15%

Principal due January 1

Interest due January 1 and July 1

Prepayment provision - subject to payment prior to its stated maturity without penalty or premium, at any time upon ten (10) days notice.

Note C

Lender – Chase  
 Balance of loan - \$3,304  
 Rate - varies  
 Principal due monthly  
 Interest due monthly

Five-Year Maturities

2012	\$ 28,666
2013	25,000
2014	24,000
2015	20,000
2016	20,000
2017-2021	112,000
Thereafter	<u>135,638</u>
	<u>\$365,304</u>

The following is a summary of changes in long-term obligations for the year:

	Outstanding			Outstanding	Due Within
	1/1/2012	Issued	Retired	12/31/2012	One Year
USDA	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 14,000
KRWFC	325,000	-	13,000	312,000	11,000
Chase	<u>7,459</u>	<u>-</u>	<u>4,155</u>	<u>3,304</u>	<u>3,666</u>
Total	<u>\$ 382,459</u>	<u>\$ -</u>	<u>\$ 17,155</u>	<u>\$ 365,304</u>	<u>\$ 28,666</u>

Total interest paid during the year on long-term debt totaled \$20,813.

Note 3 - Pension Plan

The District provides pension benefits for its employees through the County Employees Retirement System (CERS). In this type of plan, the monthly retirement benefit is based upon several factors, primarily of which is the length of service, the systems benefit factor (2.5%), and the average of the five highest fiscal year wages from all public employees' retirement system participation (CERS, KERS, &SPRS). All employees who work an average of 100 hours per month over a fiscal year may participate with CERS.

The plan currently requires the District to contribute an amount equal to 18.96%/ 19.55% of the employee's base salary each month, with employees required to contribute 5%. The District's contribution will vary, depending on the dictates of the management of the county plan. The required employer's contribution is usually reviewed at least annually.

The District's total payroll in fiscal year 2012 was \$421,720 and its contributions were calculated using the base salary amount of \$396,348. Contributions to the plan were \$19,817 and \$76,096 by the employees and the District, respectively.

Note 4 on next page

Note 4 - Changes in Fixed Assets

The following is a summary of changes in the fixed assets for the fiscal year:

	Balance 1/1/2012	Transfers/ Additions/ Transfers	Deletions	Balance 12/31/2012
Land	\$ 20,810	\$ -	\$ -	\$ 20,810
Utility plant and equipment	6,768,692	7,032		6,775,724
Construction in process	112,714	-	-	112,714
	<u>\$ 6,902,216</u>	<u>\$ 7,032</u>	<u>\$ -</u>	<u>\$ 6,909,248</u>
Acc. depreciation	<u>\$ 3,310,204</u>	<u>\$ 165,322</u>		<u>\$ 3,475,526</u>
Fixed assets, net of accumulated depreciation	<u>\$ 3,592,012</u>	<u>\$ (158,290)</u>	<u>\$ -</u>	<u>\$ 3,433,722</u>

Note 5 - Revenue Bonds

Water and Revenue Bonds constitute special obligations of the District solely secured by a lien on and pledge of the net revenues of the water system. The revenue bonds are collateralized by the revenue of the water system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions, which require the District to maintain pledged revenues. The District must transfer monthly 1/6 of the next succeeding interest payment and 1/12 of the next succeeding principal payment from the operations and maintenance account into the bond and interest sinking account.

Note 6 - Restricted Cash

Restricted cash is composed of the following:

Depreciation reserve fund	\$ 16,088
Bond & interest	113,414
KIA fund	
Sur charge PSC	90,206
Debt reserve fund	30,878
Line replacement	87,878
	<u>\$ 338,464</u>

Note 7 - Contingencies

The District is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the District in the current and prior years. There were no examinations for the year ended December 31, 2012. Areas of noncompliance, if any, as a result of examinations would be included as a part of the "Findings and Responses section of this report.

Note 8 - Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance coverage for the risks to the extent deemed prudent by District management.

SUPPLEMENTAL INFORMATION

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

Board of Commissioners  
Cannonsburg Water District  
Cannonsburg, Kentucky

We have audited the financial statements of the business-type activities of the Cannonsburg Water District, as of and for the year ended December 31, 2012, and have issued our report thereon dated May 13, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Cannonsburg Water District's internal control over financial reporting as a basis for designing our auditing procedures 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 Cannonsburg Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cannonsburg Water District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Cannonsburg Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*John T. Lane & Associates LLC*

May 13, 2013



Cannonsburg Water District  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund Type  
For the fiscal years ended December 31, 2011 & December 31, 2012

	2011	2012
Operating Revenues		
Water sales	\$ 1,963,708	\$ 2,302,800
Penalties & charges	33,345	37,604
Other income	37,413	9,898
 Total Operating Revenues	 2,034,466	 2,350,302
Operating Expenses		
Purchased water	1,232,134	1,087,362
Salaries & wages	437,776	428,270
Payroll taxes	29,367	28,979
Contractual services	23,816	25,087
Employee insurance	224,643	205,438
Retirement	66,230	76,096
Other insurance	25,877	27,016
Operations, maintenance, repairs & supplies	20,905	20,218
Transportation	-	-
Travel & training	-	-
Utilities	58,841	43,113
Telephone	6,547	6,537
Materials & supplies	75,087	121,092
Fuel	31,751	32,659
Water testing	7,819	8,280
Depreciation	165,568	165,322
Other billing expenses	11,382	11,892
Bad debts	19,484	36,434
Miscellaneous expenses	52,462	46,963
 Total Operating Expenses	 2,489,689	 2,370,758
 Operating Income (Loss)	 (455,223)	 (20,456)
Nonoperating Revenues (Expenses)		
Capital grants	-	-
Nonoperating revenue - other	271,452	-
Tap fees	20,125	16,630
Interest income	13,455	4,133
Interest expense	(20,908)	(20,813)
 Net Nonoperating Revenues (Expenses)	 284,124	 (50)
 Change in Net Assets	 \$ (171,099)	 \$ (20,506)

The accompanying notes to the basic financial statements are an integral part of these statements.

CANNONBURG WATER DISTRICT  
FINDINGS AND RESPONSES  
December 31, 2012

PRIOR FINDINGS  
None

CURRENT FINDINGS  
None

ORDINANCE NO. 143, 2005

AN ORDINANCE OF THE CITY OF ASHLAND, KENTUCKY, AUTHORIZING AND DIRECTING STEPHEN E. GILMORE, MAYOR, TO EXECUTE AN AGREEMENT BETWEEN THE CITY OF ASHLAND AND CANNONSBURG WATER DISTRICT TO FURNISH POTABLE WATER FOR DISTRIBUTION AND SALE WITHIN ITS WATER DISTRIBUTION SYSTEM BOUNDARIES AND REPEALING ORDINANCE NO. 142, SERIES OF 1988, ORDINANCE NO. 42, 1989, AND ANY AND ALL OTHER ORDINANCES IN CONFLICT HEREWITH.

\*\*\*\*\*

BE IT ORDAINED BY THE CITY OF ASHLAND, KENTUCKY:

SECTION 1. That Stephen E. Gilmore, Mayor of the City of Ashland, Kentucky, is hereby authorized and directed to execute an Agreement between the City of Ashland and Cannonsburg Water District for the furnishing of potable water for distribution and sale within Cannonsburg Water District distribution system boundaries. A true copy of said agreement is attached hereto and made a part hereof by reference.

SECTION 2. Ordinance No. 142, Series of 1988; Ordinance No. 42, Series of 1989, and any and all other ordinances and parts of ordinance in conflict herewith, to the extent of such conflict only, are hereby repealed. **Ordinance No. 27, Series of 2001, regarding an agreement between the City of Ashland, Kentucky, Cannonsburg Water District and the Northeast Kentucky Regional Industrial Authority is NOT repealed.**

SECTION 3. This ordinance shall be in full force and effect from and after its adoption, readoption and publication, as required by law.

SECTION 4. It is hereby authorized that publication of this ordinance be in summary form.

  
MAYOR

ATTEST:

  
CITY CLERK

ADOPTED BY THE BOARD OF COMMISSIONERS:  
READOPTED BY THE BOARD OF COMMISSIONERS:  
PUBLISHED:

SEP 15 2005  
OCT 04 2005

REQUESTED/SPONSORED BY: WILLIAM H. FISHER, JR., CITY MANAGER  
ORDINANCE Agreement.Cannonsburg Water District

## AGREEMENT

THIS AGREEMENT, made and entered into this the 5<sup>th</sup> day of Oct., 2005, by and between the CITY OF ASHLAND, Boyd County, Kentucky, a municipal corporation of the second class under the laws of the Commonwealth of Kentucky, (hereafter "ASHLAND"), and the Cannonsburg Water District, an independent water district created under the laws of the Commonwealth of Kentucky, (hereafter "CANNONSBURG"),

WITNESSETH:

WHEREAS, ASHLAND, is the owner and operator of a municipally owned water works plant and water distribution system, and is able, to furnish CANNONSBURG potable water for distribution and sale within its water distribution system boundaries as exist on the date of this Agreement or any agreed upon extension of said boundaries, and

WHEREAS, CANNONSBURG has an existing Agreement with ASHLAND dated April 04, 1989, for the purchase of water for distribution and sale through CANNONSBURG'S system within its existing boundaries;

NOW, THEREFORE, it is mutually agreed and covenanted by and between the parties that ASHLAND agrees to sell and CANNONSBURG agrees to buy potable water for and in consideration of the payment of the rates hereinafter established and set out to be paid to ASHLAND by CANNONSBURG, and each and all of the further and additional mutual covenants and agreements hereinafter set out to be performed by both or either of said parties;

1. **BOUNDARIES.** The water supply furnished by ASHLAND to CANNONSBURG shall be restricted to usage by CANNONSBURG only as follows:

In the area west and north of a line extending from the Ohio River along the Boyd/Greenup County line to its intersection with the Cannonsburg Water District boundary as shown on the attached map, both Ashland and Cannonsburg may extend water lines upon written notification to the other party.

North and east of the line extending from the intersection of the Boyd/Greenup County line with the Cannonsburg Water District boundary and extending along the northern boundary line of the Cannonsburg Water District to its intersection with U.S. 23

and extending further along the Cannonsburg Water District line where the Cannonsburg Water District line is contiguous to U.S. 23 as shown on the attached map; Cannonsburg shall not extend its lines without written prior approval of the City of Ashland.

In those areas belonging to the Northeast Kentucky Regional Industrial authority, commonly known as the Industrial Park, Cannonsburg shall not extend its lines without written prior approval of the City of Ashland.

All of the areas above, as set forth on the map attached hereto and made a part hereof, marked Exhibit "A" for identification.

2. **QUANTITY.** CANNONSBURG agrees and binds itself to purchase during the term of this Agreement, all of the potable water required by CANNONSBURG (subject to Section 9 dealing with "shortage") for distribution within its present water distribution system, or any approved extensions within the boundaries, but not less than 600,000 gallons per day nor more than 2,700,000 gallons per day. If for any reason, ASHLAND is unable to provide 600,000, CANNONSBURG shall not be required to purchase the minimum daily amount.

It is understood at the present CANNONSBURG is purchasing no more than 750,000 gallons per month from the Big Sandy Water District for serving customers in Briarwood Estates. CANNONSBURG agrees it shall not purchase water in excess of that amount from the Big Sandy Water District nor shall it purchase water from any other source. CANNONSBURG shall restrict water so purchased to the use of the customers in Briarwood Estates and not expand that service. There is no restriction on the resale of water by CANNONSBURG to the Big Sandy Water District as long as the Big Sandy Water District does not extend service into the area reserved to ASHLAND.

The water shall be taken by CANNONSBURG through a meter or meters located at or adjacent to U.S. Highway 60 at Summit near Summit Road intersection, and through a meter or meters located along Ky. Route 5 near the east fork of the Little Sandy River or at such other places as may be mutually agreed upon in advance in writing between the parties.

3. **RATES AND BILLING.** CANNONSBURG agrees and binds itself to pay for water at rates sold and delivered to it at the meter or meters on a monthly basis and according to statements tendered to CANNONSBURG by ASHLAND, payments to

be due and payable not later than the twentieth (20<sup>th</sup>) day of each month for all water so metered, sold and delivered during the preceding month. In the event CANNONSBURG shall fail to pay any monthly statement or statements in the manner described, then and in that event, there shall be added a penalty of 8 percent (8%) on such amount due and unpaid, together with six percent (6%) interest per annum thereon from due date until paid, and upon the failure of CANNONSBURG to pay said monthly water bills for two (2) consecutive months, then ASHLAND shall have the right and option to discontinue furnishing of said water until said past due bills are paid in full.

In the event a water meter has registered incorrectly, an estimate of the amount of water furnished through the faulty meter shall be prepared by ASHLAND for the purpose of billing CANNONSBURG. The estimate shall be based upon the average of twelve preceding readings of the meter, exclusive of incorrect readings. When less than twelve correct readings are available, fewer readings including some obtained after the period of incorrect registration may be used.

CANNONSBURG agrees and binds itself to purchase all potable water (except that amount purchased from the Big Sandy Water District as outlined in paragraph 2) that may be required by CANNONSBURG, but not less than 600,000 gallons per day or more than 2,700,000 gallons per day at prices, as follows:

Currently	\$1.20 per one thousand (1000) gallons
Effective January 01, 2006	\$1.32 per one thousand (1000) gallons
Effective January 01, 2007	\$1.43 per one thousand (1000) gallons

It is mutually agreed that the term of this Agreement is such that the passage of time will require increases in the rates to be made for water hereunder. It is agreed that bulk water rates charged to CANNONSBURG shall not exceed rates to other out-of-town bulk water customers. It is further understood that percentage rate increases similar to those shown in this agreement have been approved for other bulk water rate customers and all City of Ashland direct customers.

ASHLAND may modify the schedule of rates for water hereunder from time to time outside the rates agreed upon herein, provided that:

- a. ASHLAND prior to consideration of an increase in rates may have a rate study conducted by an independent engineer chosen by ASHLAND, which rate study may provide the basis for any modification of the schedule of rates. Such rate study shall not be conducted more frequently than annually. ASHLAND shall give CANNONSBURG prior notice of its intent to perform such study. CANNONSBURG may, at its option and cost, provide ASHLAND with a rate study conducted by an engineer chosen by CANNONSBURG. ASHLAND will cooperate with such engineer, and the study, when completed, shall be submitted to ASHLAND for consideration. CANNONSBURG may provide ASHLAND other information it desires ASHLAND to consider in rate adjustment. ASHLAND agrees to meet with CANNONSBURG and discuss the rate study or studies at CANNONSBURG'S request.
  - b. Following completion of the rate study by the independent engineer chosen by ASHLAND and based upon any additional considerations and information deemed appropriate, ASHLAND shall notify CANNONSBURG of the proposed rate. However, no modification shall become effective earlier than one hundred eighty (180) days after the increase shall be adopted by ASHLAND, and ASHLAND shall give notice to CANNONSBURG of such increase immediately after such increase shall have been adopted by ASHLAND. ASHLAND shall reasonably provide CANNONSBURG information which would assist CANNONSBURG in any presentation or application required with the Kentucky Public Service Commission for approval of proposed rates.
4. **METER PIT AND ACCESSORIES.** CANNONSBURG shall, at its cost, provide and install a meter pit (s), check valves and accessories to ASHLAND'S specifications. Upon installation and acceptance by ASHLAND such equipment shall become the property of ASHLAND, and shall thereafter be maintained by ASHLAND.
  5. **BOOSTER PUMPS.** CANNONSBURG shall have the right to install booster pumps at its own cost within its lines in order to accelerate and increase the flow

of water through the lines of CANNONSBURG to its customers, if and when it is deemed by the said District necessary or reasonable so to do. No booster pumps shall be installed by CANNONSBURG that creates a drop in pressure below forty-five (45) pounds per square inch on the suction side of the booster pumps, at an elevation of 700 feet above mean sea level.

6. **MAINTENANCE, LIABILITY, HOLD HARMLESS.** During the term of this Agreement, CANNONSBURG shall, at its own expense, maintain the water main distribution system of CANNONSBURG and, any agreed upon extension, and make all necessary repairs to said system. Nothing contained herein, however, shall be construed to hold ASHLAND liable for lack of adequate water supply and pressure within the CANNONSBURG District due to any inadequacy on the part of the distribution system of CANNONSBURG, nor due to any inadequacy of the water supply or distribution system of ASHLAND. ASHLAND shall not be responsible in damages for interruption or failure to supply water to CANNONSBURG and shall be saved and held harmless from all damage of any kind, nature and description which may arise as a result of making this Agreement and furnishing water hereunder.

ASHLAND bears no degree of responsibility for the water quality at any point beyond the meter delivery point. CANNONSBURG bears the responsibility for maintaining the water quality at any point beyond the meter and within its distribution system.

7. **WATER SHORTAGE.** In the event of a water shortage suffered by ASHLAND, all of the cities, water districts, corporations, or other entities purchasing water from ASHLAND on a bulk agreement basis shall share in the shortage on a proportionate basis to their average daily usage. ASHLAND shall make every good faith effort to meet emergency needs of its bulk customers during such shortage by taking reasonable and responsible administrative action within the City and shall request such action be taken outside the City.

8. **TEMPORARY SHUT OFF.** It is further agreed that ASHLAND shall have the right to temporarily shut off the water supply of CANNONSBURG or any part thereof whenever alterations, additions or maintenance operations make it necessary. ASHLAND shall give CANNONSBURG reasonable notice and probable duration of



such shutoffs, except that in case of serious break or accident water service may be discontinued without notice. Under no circumstances will ASHLAND be held liable or responsible for any damage that may result to CANNONSBURG or its customers due to any necessary discontinuance of water service.

9. **SUCCESSORS OR ASSIGNS.** In the event of an occurrence rendering CANNONSBURG incapable of performing under this Agreement, any successor of CANNONSBURG, qualified under Kentucky law, shall succeed to the rights and duties of CANNONSBURG under this Agreement subject to the prior written approval of ASHLAND. Otherwise, without the prior written approval of ASHLAND this Agreement may not be assigned or transferred.

10. **COURT ACTION.** The parties reserve the right, either in law or equity, by suit, mandamus or other proceeding, to enforce or compel performance of any or all covenants contained, or for interpretation of the rights of the parties under this Agreement. Further, the parties acknowledge that any dispute between the parties shall be resolved in the state courts of the Commonwealth of Kentucky, including appellate levels of the court system.

11. **TERM.** It is mutually agreed that the term of this Agreement shall be forty (40) years from April 04, 1989 .Any extension beyond twenty-four months shall require approval by ASHLAND which shall not be unreasonably withheld.


12. **AMENDMENT.** No officer, official or agent of either party has the power to amend, modify or alter this Agreement, waive any of its conditions or bind ASHLAND or CANNONSBURG by making any promise or representation not contained herein. Any amendment must be agreed to in writing by the parties.

13. **REPEAL.** All prior agreements and amendments thereto between the parties, including the April 04, 1989 agreement are hereby repealed, except the December 27, 2000 agreement, as approved by the City of Ashland in Ordinance No. 27, 2001, involving the Northeast Kentucky Regional Industrial Authority, Cannonsburg Water District, and the City of Ashland.

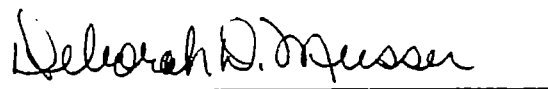
IN WITNESS WHEREOF OF WHICH, the City of Ashland, Kentucky, has caused its Corporate Name to be hereunto subscribed by its Mayor, attested by its City Clerk and its Corporate Seal to be hereunto affixed; and the Cannonsburg Water District,

has caused its name to be hereunto subscribed by its Chairman, attested by its Secretary/Treasurer, and its Corporate Seal to be hereunto affixed; all in quadruplicate identical copies, on the day and year first above written.

CITY OF ASHLAND, KENTUCKY


  
\_\_\_\_\_  
Stephen E. Gilmore, Mayor

ATTEST:


  
\_\_\_\_\_  
Deborah D. Musser, City Clerk

(SEAL)

CANNONSBURG WATER DISTRICT

  
\_\_\_\_\_  
Chairman

ATTEST:

  
\_\_\_\_\_  
Secretary/Treasurer

(SEAL)

# ORDERS

Commonwealth Courts

## BOYD QUARTERLY COURT

Special

Term,

Day, 10th

Day of June

19 66

THE STANDARD PRINTING CO., INC., LOUISVILLE

Special Term Boyd County Court  
Held at the Court House, thereto  
On the 10th day of June, 1966  
Hon. George R. Hall, presiding

In Re: Order Establishing  
Cannonsburg Water District

A Petition having been filed seeking the creation of the Cannonsburg Water District and the same having been signed by more than seventy-five resident freeholders of the proposed district; and the allegations of the petition that the only water available for the residents within the boundary of the proposed water district as described in the petition is that which is obtained from wells, cisterns or springs and that such is inadequate for the use of said residents being undenied the same are taken as true.

It is therefore ordered that there be, and there is hereby, established "The Cannonsburg Water District" which shall encompass the land lying within the following discription, to-wit:

Beginning at the southwestern intersection of U. S. Route 60 and County Road opposite Check's Garage near Rockdale, Boyd County, Kentucky, thence south  $70^{\circ} 30'$  West 3045 feet; thence south  $35^{\circ} 00'$  west 2900 feet to a point on the east side of Stephens Hollow, thence up Stephens Hollow north  $26^{\circ} 00'$  west 1300 feet; thence south  $64^{\circ} 00'$  west 1000 feet; thence south  $26^{\circ} 00'$  east 2300 feet, thence south  $54^{\circ} 00'$  west 3610 feet to the center of East Fork approximately 900 feet downstream from the East Fork Bridge on the Meade-Springer Road; thence with the center line of East Fork downstream to the Boyd-Greenup County line, thence with the Greenup-Boyd County line southwesterly to the common corner of Boyd, Carter and Greenup Counties, thence with the Carter-Boyd County line southeasterly to the center of Williams Creek near Coalton, thence south  $70^{\circ} 00'$  east 20,150 feet to a point in old U. S. 23 south of Mavity; thence up Bear Creek south  $32^{\circ} 00'$  east 12000 feet; thence north  $31^{\circ} 00'$  east 27,700 feet to a point in Old U. S. 23 near Oakland Church on Chadwick Creek; thence north  $29^{\circ} 00'$  west 13,800 feet to a point in Catlegts Creek Road near top of Bayless Hill; thence north  $64^{\circ} 00'$  west 3100 feet to a point; thence south  $38^{\circ} 00'$  west 2700 feet to a point north of Shopes Creek Road; thence north  $65^{\circ} 30'$  west 5300 feet to a point at the southwesterly intersection of old U. S. 60 and County Road near Johnson Dairy at Rockdale; thence with southerly side of County Road connecting old U. S. Route 60 and New U. S. Route 60, 900 feet to the point of beginning.

This the 10th day of June, 1966.

George R. Hall  
Judge, Boyd County Court