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APR 7 2017

Public Service
Commission

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF RED BARN WASTE)
MANAGEMENT, LLC TO TRANSFER)
OWNERSHIP AND CONTROL TO) Case No. 2017- 00165
THE MERCER COUNTY SANITATION)
DISTRICT)

APPLICATION

Applicant Red Barn Waste Management, LLC (hereinafter "Red Barn") hereby applies to the Kentucky Public Service Commission (hereinafter "Commission") for approval pursuant to KRS 278.020 (5) of a transfer of ownership and control of a jurisdictional utility, and other approval necessary relating to a proposed transaction with the Mercer County Sanitation District (hereinafter "District"). In support of its request, Red Barn states the following:

The Applicant

1. The Applicant, Red Barn Waste Management LLC, operates a wastewater collection system and package plant in Mercer County near Chimney Rock Marina, located on Herrington Lake, under the name Red Barn Waste Management, LLC. Red Barn was formed on December 21, 2005. It operates facilities used for the collection, transmission and treatment of sewage for the public for compensation and is therefore a utility subject to the Commission's jurisdiction. Red Barn has been a utility since its September 22, 2006 acquisition of Chimney Rock Waste Management LLC's utility assets. The application is submitted by Mr. Jeff Ruttenburg, Owner with the assistance of the Mercer County Sanitation District.

Mercer County Sanitation District

2. The Mercer County Sanitation District is a special district established by Mercer County Fiscal Court Ordinance No. 2005-8 on July 26, 2005, attached as Exhibit A under KRS Chapter 67.715 enacted by the Kentucky General Assembly authorizing the County Judge/Executive, with approval from the Fiscal Court, to create and establish any special district, and KRS 67.083 which provides for the establishment of necessary governmental services. The service area of the District encompasses the boundary of Mercer County, excluding the City of Harrodsburg Planning Area. The District joins the application for the purpose of verifying its intent to acquire the Red Barn Waste Management wastewater package plant and collection system, located on Herrington Lake, in Mercer County, within the jurisdictional boundaries of the District.

Agreement with Mercer County Sanitation District

3. The action requested by this application is made pursuant to an agreement between Red Barn and the Mercer County Sanitation District dated March 13, 2017, a copy of which is attached hereto as Exhibit B.
4. Red Barn is authorized by this Commission to provide collection and treatment of sewage for compensation within the Commonwealth of Kentucky. (See Case No. 2006-00284). The Applicant's facilities constitute a package treatment plant and pertinent collection system located in the Chimney Rock area of Herrington Lake, in Mercer County. The package plant and collection system, which are the subject of this application, are known as Red Barn Waste Management, LLC and provides service to 18 customers.

5. Copies of Orders, pleadings and other communication regarding this application should be directed to:

Jeff Ruttenburg
Red Barn Waste Management, LLC
P.O. Box 1047
Lexington, Kentucky 40588
jefffrutt56@gmail.com

James W. Carpenter
Mercer County Sanitation District
P.O. Box 303
Burgin, Kentucky 40310
jimanddora@yahoo.com

Christopher K. Herron
Attorney at Law
430 West Main Street
Danville, Kentucky 40422
chriskherron@bellsouth.net

Mike D. Sanford
Lake Village Water Association, Inc.
Mercer County Sanitation District
P.O. Box 303
Burgin, Kentucky 40310
mike@lakevillagewater.org

Proposed Transaction

6. Red Barn proposes to transfer to the Mercer County Sanitation District which proposes to acquire, all of the utilities, assets and infrastructure of the Applicant pursuant to the agreement as set out in Exhibit B to this application. After the transaction described in Exhibit B is complete, the Applicant will have completely divested itself of any property, equipment and tangible property, contractual rights, and any other incidents of ownership relative to Red Barn Waste Management.

The proposed transfer is contingent upon the receipt of Environmental Clearance from the Department for Local Government for the MCSD Kennedy Bridge Road Sewer Project.

KRS 278.020 (5)

7. The Commission should approve the transfer by Red Barn pursuant to KRS 278.020 (5). The Mercer County Sanitation District has the financial, technical and managerial abilities to provide reasonable service following the consummation of the proposed transaction.
8. The District has provided a copy of its most recent audit and is attached as Exhibit C.
9. The District has provided a list of the current Wastewater Collection System Operators and Wastewater Treatment Plant Operator and is attached as Exhibit D.
10. If this application is granted, existing Red Barn customers will be charged the same rate for service as other District customers, the Rate Schedule effective August 1, 2014 is attached as Exhibit E.

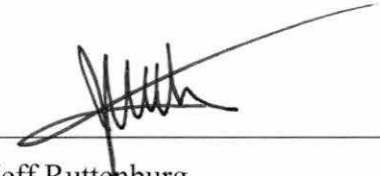
11. If Commission approval is received, the District will maintain and operate the existing wastewater facilities, complying with the terms and conditions set forth in the Amended Agreed Order issued by the Energy and Environment Cabinet, Division of Enforcement, Case No. 160092, dated February 28, 2017, attached as Exhibit E.
12. Attached as Exhibit F is the Agreed Order issued by the Energy and Environment Cabinet, Division of Enforcement, Case No. 160092, dated August 23, 2016.
13. Upon completion of the new package plant and collection system extension, the District will operate under the terms of KPDES No: KY0092631. A copy of the Preliminary Engineering Report for the system upgrade is attached as Exhibit G.
14. Attached as Exhibit H is the Kentucky Division of Water Plan & Specifications approval letter dated February 7, 2017.
15. Attached as Exhibit I is the \$423,500 Kentucky Infrastructure Authority, State Revolving Fund Loan A16-004 Conditional Commitment Letter.
16. Attached as Exhibit J is the \$424,000 Department for Local Government, Community Development Block Grant Agreement.
17. Attached as Exhibit K are MCSD Meeting Minutes approving PSC Transfer Application.
18. The Applicant acknowledges that until the proposed transfer is approved, this Commission retains jurisdiction over the Applicant and its facilities.
19. The proposed transaction is lawful and is made for a proper purpose consistent with the public interest.

Conclusion

WHEREFORE, Applicant, Red Barn Waste Management, by and through Jeff Ruttenburg, its duly authorized officer, requests an Order of the Commission at the earliest possible date which:

- a) Grants approval pursuant to KRS 278.020 (5) for the transfer to the Mercer County Sanitation District ownership and control of the Red Barn Waste Management wastewater package plant and collection system; and
- b) Declares that no other Commission approvals are necessary for the proposed transaction or, in the alternative, grants any other approvals necessary.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Jeff Ruttenburg', is written over a horizontal line. The signature is stylized with several vertical strokes and a long, sweeping horizontal stroke that extends to the right.

Jeff Ruttenburg
Owner/Officer
Red Barn Waste Management, LLC
P.O. Box 1047
Lexington, Kentucky 40588

VERIFICATION

I, Jeff Ruttenburg, do hereby swear or affirm that the contents of the foregoing Application are true and accurate to the best of my knowledge.



JEFF RUTTENBURG

I, James W. Carpenter, as Chairman of the Mercer County Sanitation District, do hereby swear or affirm that the contents of the foregoing Application are true and accurate to the best of my knowledge.



JAMES W. CARPENTER

COMMONWEALTH OF KENTUCKY
COUNTY OF FAYETTE

Signed and sworn to before me on the 13th day of March, 2017, by Jeff Ruttenburg, Owner/Officer of Red Barn Waste Management, LLC.



NOTARY PUBLIC

MY COMMISSION EXPIRES: 7-30-2020

COMMONWEALTH OF KENTUCKY
COUNTY OF MERCER

Signed and sworn to before me on the 9 day of March, 2017 by James W. Carpenter, Chairman of the Mercer County Sanitation District,



NOTARY PUBLIC

MY COMMISSION EXPIRES: 7-30-2020

Exhibits

- Exhibit A: Mercer County Fiscal Court Ordinance No. 2005-8
- Exhibit B: Transfer of Assets Agreement-Red Barn & MCSD
- Exhibit C: MCSD Financial Audit- June 30, 2016
- Exhibit D: MCSD Wastewater Operator Information
- Exhibit E: Amended Agreed Order- February 28, 2017
- Exhibit F: Agreed Order- August 23, 2016
- Exhibit G: PER Kennedy Bridge Road Sewer Improvements Project
- Exhibit H: KDOW Plan Approval
- Exhibit I: KIA SRF Conditional Commitment Letter A16-004
- Exhibit J: DLG CDBG Agreement
- Exhibit K: MCSD Meeting Minutes Approving PSC Transfer Application

AGREEMENT FOR TRANSFER OF ASSETS

This **AGREEMENT FOR THE TRANSFER OF ASSETS** (the "**AGREEMENT**") dated March 13, 2017, is entered into between **RED BARN WASTE MANAGEMENT, LLC**, a Kentucky Limited Liability Company, hereinafter referred to as **SELLER**, and **MERCER COUNTY SANITATION DISTRICT**, hereinafter referred to as **PURCHASER**. **SELLER** is the owner of certain **ASSETS** located in **MERCER COUNTY, KENTUCKY**, and **SELLER** wishes to convey the certain **ASSETS** to **PURCHASER**, and **PURCHASER** wishes to acquire same from **SELLER**. Both parties mutually agree to the following terms and conditions.

DESCRIPTION OF ASSETS

PURCHASER agrees to buy and **SELLER** agrees to sell certain tangible and intangible business assets and services of **SELLER**, as further provided herein, (the "**ASSETS**") related to **SELLER'S** business (the "**BUSINESS**"), free and clear of any liens, claims or other encumbrances. This transaction shall be herein referred to as the "**TRANSFER**". The **ASSETS** which will be sold are as follows:

I. Building, Inventory, and Miscellaneous Items:

- Building and all of its contents located at the following described location in Mercer County, Kentucky:

BEING a 30 feet by 53 foot tract of land encompassing an existing sanitary sewer treatment plant as shown on exhibit attached to the deed of easement recorded in Deed Book 167, Page 239, in Mercer County Clerk's Office, and also a 10 foot wide strip surrounding said plant, and being located near the west shoreline of Herrington Lake approximately 700 feet north of the Chimney Rock Marina and more particularly described as follows:

BEGINNING at a point located 35.4 feet on a bearing of north 10 degrees 20 minutes west from an iron pin with identification cap (LS 3096) located at the northeast corner

of the Klein property; thence 10 feet west of the parallel of the west edge of the existing treatment plant north 02 degrees 04 minutes west 53.0 feet to a point; thence 10 feet north of and parallel to the north edge of the existing treatment plant north 87 degrees 56 minutes east 30.0 feet to a point; thence 10 feet east of and parallel to the east edge of the existing treatment plant south 02 degrees 04 minutes east 30.0 feet to a point; thence 10 feet south of and parallel to the south edge of the existing treatment plant south 87 degrees 56 minutes west 30.0 feet to the point of beginning and containing 1590 square feet, and

BEING the same easement conveyed by Deed of Correction to Red Barn Waste Management, LLC, a Kentucky limited liability company, from Red Barn Waste Management, LLC, a Kentucky limited liability company, dated November 6, 2009 and of record in Deed Book 321, Page 709, all records Mercer County Clerk's office. (See also Deed Book 319, Page 323 and Deed Book 309, Page 279, and DB 167, 239, in the Mercer County Clerk's office.)

- All chemicals and other treatment material.
- All instructional material.
- All customer lists and contact information.
- All documents necessary for compliance purposes including historical documentation.

II: Assignment of Easement:

No transfer of real estate shall be a part of this agreement. Seller agrees to assign the current easement it possesses regarding the operation of the current wastewater package plant and collection system located on the real property owned by Kentucky Utilities which is described above. **The agreement is contingent upon the receipt of Environmental Clearance from the Department for Local Government for the Kennedy Bridge Road Sewer Project.**

PRICE AND TERMS

The price of the **ASSETS** purchased is **ONE DOLLAR AND 00/100 (\$1.00) DOLLAR.**

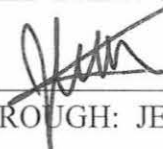
ADDITIONAL TERMS AND CONDITIONS

1. Buyer will become the responsible party for KPDES No. KY0092631 as described in the Agreed Order for Energy and Environment Cabinet Division of Enforcement Case No. 160092.
2. Buyer agrees to maintain sanitary sewer service to 18 existing customers located on Chimney Rock Road, Arthur Court, Klein Court and Ragona Court.

3. Seller agrees to transfer to the Buyer all assets and infrastructure related to the wastewater package plant and collection system as described in KPDES No. KY0092631
4. Buyer will not be liable for debts or other obligations incurred by Seller prior to the transfer of ownership.
5. The electric and water service will be transferred to the Buyer at the time of the ownership transfer.

The undersigned agree to the terms of this agreement.

SELLER: RED BARN WASTE MANAGEMENT, LLC



BY AND THROUGH: JEFFREY C. RUTTENBERG,
MANAGER

3/13/17
Date

BUYER: MERCER SANITATION DISTRICT



BY AND THROUGH: JIM CARPENTER, CHAIRMAN

3-9-17
Date

Witness:



Signature

3-13-17
Date

Rita Monson
Printed Name

Witness:



Signature

3-9-17
Date

Rita Monson
Printed Name

ORDINANCE NO. 2005-8

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Public Service
Commission

AN ORDINANCE RELATING TO THE
CREATION OF A SANITATION
DISTRICT IN MERCER COUNTY

WHEREAS, the Mercer County Fiscal Court recognizes the need for a Sanitation District to provide for the collection and disposal of sewage and other liquid waste in Mercer County, Kentucky so as to prevent and correct the pollution of streams and provide for the general public health, safety and welfare; and recognizes the necessity that such a special district be empowered to construct sanitation facilities conducive to the public health, safety, comfort, convenience or welfare; and

WHEREAS, the Kentucky Revised Statutes Chapter 67.715 as enacted by the Kentucky General Assembly authorizes the County Judge/Executive, with the approval of the Fiscal Court, to create and establish any special district, and KRS 67.083 provides for the establishment of necessary governmental services; and

WHEREAS, it is the desire of the Fiscal Court of Mercer County, Kentucky to provide for the establishment of a Sanitation District encompassing the entire area of Mercer County, exclusive of the City of Harrodsburg current and future wastewater service area;

NOW, THEREFORE, BE IT ORDAINED BY THE FISCAL COURT OF
THE COUNTY OF MERCER, COMMONWEALTH OF KENTUCKY, THAT:

In accordance with KRS Chapter 67.715(2) and KRS Chapter 67.083(3) (c) (h) and (r), the Mercer County Fiscal Court grants its approval for the County Judge/Executive to establish a special district and said special district shall be known as Mercer County Sanitation District. The Mercer County Sanitation District shall be created and formed so that it shall have all powers and duties to reasonably, necessarily and effectively implement the provisions of and carry out the duties prescribed by KRS Chapter 220. The District shall be structured consistent with the provisions of KRS Chapter 220.

The Fiscal Court, pursuant to KRS Chapter 220.035, reserves power and authority to: review and approve, amend or disapprove proposed district construction of capital improvements; review and approve, amend or disapprove proposed service charges or user fees; and review and approve, amend or disapprove proposed budget.

The District shall submit to the Fiscal Court all plans and documentation for review and approval, amendment or disapproval by tendering any such documents or plans to the Fiscal Court through the County Judge/Executive at

least thirty days prior to the proposed effective date or time for submission to any entity.

The proposed work of the District is necessary and conducive to the public health, safety, comfort, convenience and welfare. The District is established for the purposes enumerated in KRS 220.030 which include providing for the collection and disposal of sewage and other liquid wastes produced within the district; and incident to such purposes and to enable their accomplishment, to construct, with all appurtenances thereto, laterals, trunk sewers, intercepting sewers, siphons, pumping stations, force mains, treatment and disposal works, to maintain, operate and repair same, and do all other things necessary for the fulfillment of the purposes of KRS 220.010 to 220.520.

The District boundaries shall follow and be the same as those of Mercer County and shall include all territory therein except that the City of Harrodsburg wastewater facilities planning area as amended by proposed joint resolution of the City of Harrodsburg and Mercer County Fiscal Court upon completion of the Mercer County Wastewater Plan. Further, those properties inside the City of Harrodsburg Planning Area shall not be subject to the Mercer County Sanitation District, unless it is necessary

for the District to exercise its authority to acquire easements or otherwise facilitate the operation of the District.

The District shall have the powers stated in KRS Chapter 220 including the power to sue and be sued, contract and be contracted with, incur liabilities and obligations, exercise the right of eminent domain, assess, tax, contract for rentals, issue bonds, and do and perform all acts necessary and proper for the carrying out of the purposes for which the District is created, and for executing the powers with which it is vested as provided in KRS Chapter 220.510.


The District shall have the power of condemnation, as provided and described in KRS Chapter 220.310; and may provide for a sewer service charge to be imposed and collected, as provided in KRS Chapter 220.510.

THIS ORDINANCE NO _____ SHALL BECOME EFFECTIVE ON THE DATE OF THE SECOND READING AND ADOPTION.

INTRODUCED, SECONDED AND GIVEN FIRST READING APPROVAL at a duly convened meeting of the Fiscal Court of Mercer County, Kentucky, held on the 12 day of July, 2005, and

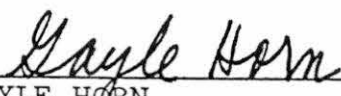
notice of said reading published in the Harrodsburg Herald on the 14 day of July, 2005.

GIVEN SECOND READING AND ADOPTED at a duly convened meeting of the Fiscal Court of Mercer County, Kentucky, held on the 26 day of July, 2005, and notice of said adoption published in the Harrodsburg Herald on the ___ day of _____, 2005.



JOHN TRISLER
MERCER COUNTY JUDGE/EXECUTIVE

ATTEST:



GAYLE HORN
FISCAL COURT CLERK

MERCER COUNTY SANITATION DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2016

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Public Service
Commission

CRAIG A. BUTLER
CERTIFIED PUBLIC ACCOUNTANT
DANVILLE, KENTUCKY

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CRAIG A. BUTLER, CPA

131 N 4TH STREET
DANVILLE, KY 40422
Phone: (859) 936-0201
Fax: (859) 936-0203
Mobile: (859) 583-7941

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mercer County Sanitation District
Harrodsburg, Kentucky 40330

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Mercer County Sanitation District as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Mercer County Sanitation District as of June 30, 2016 and 2015, and the changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 1, 2016, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Craig A. Butler, CPA

Craig A. Butler
Certified Public Accountant

Danville, Kentucky
November 1, 2016

MERCER COUNTY SANITATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 6,456	\$ 2,988
Receivables:		
Customers (Net of Allowance)	31,898	27,983
Grants	24,197	115,546
Prepaid Expenses	<u>1,842</u>	<u>1,708</u>
 Total Current Assets	 <u>64,393</u>	 <u>148,225</u>
Non-current Assets:		
Restricted Cash	19,828	17,409
Restricted Certificate of Deposit	1,300	1,300
Property and Equipment:		
Distribution System	1,900,135	1,436,425
Flow Meters	40,598	40,598
Pump Stations	702,376	338,000
Equipment	90,146	87,098
Construction in Process	668,096	1,078,118
Less: Accumulated Depreciation	<u>(431,473)</u>	<u>(352,907)</u>
 Net Property and Equipment	 <u>2,969,878</u>	 <u>2,627,332</u>
 Total Assets	 <u>\$ 3,055,399</u>	 <u>\$ 2,794,266</u>

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

MERCER COUNTY SANITATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 8,521	\$ 5,885
Accounts Payable - Contractors	25,746	102,576
Refundable Advance	10,000	10,000
Accrued Interest	8,170	8,280
Line of Credit	30,000	16,000
Bonds Payable - Current Portion	<u>6,000</u>	<u>5,500</u>
Total Current Liabilities	<u>88,437</u>	<u>148,241</u>
Non-Current Liabilities:		
Bonds Payable	<u>622,500</u>	<u>628,500</u>
Total Liabilities	<u>710,937</u>	<u>776,741</u>
<u>NET POSITION</u>		
Invested in Capital Assets	2,311,378	1,977,332
Restricted	1,409	13,399
Unrestricted	<u>31,675</u>	<u>26,794</u>
Total Net Position	<u>2,344,462</u>	<u>2,017,525</u>
Total Liabilities and Net Position	<u>\$ 3,055,399</u>	<u>\$ 2,794,266</u>

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

MERCER COUNTY SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Year Ended	
	June 30, 2016	June 30, 2015
Operating Revenue:		
Sewer Service	\$ 165,863	\$ 141,967
Mercer County Fiscal Court Contribution	35,000	40,000
Total Operating Revenue	200,863	181,967
Operating Expenses:		
Cost of Service	97,243	83,403
Commissioner Fees	10,800	10,800
Management Fees	25,000	25,000
Repairs & Maintenance	1,620	180
Legal & Professional	7,109	10,089
Insurance	8,156	7,553
Utilities	4,174	4,630
Miscellaneous	3,540	3,816
Depreciation	78,566	61,096
Total Operating Expenses	236,208	206,567
Operating Income (Loss)	(35,345)	(24,600)
Nonoperating Expenses:		
Interest Expense	20,042	16,670
Income (Loss) Before Capital Contributions	(55,387)	(41,270)
Capital Contributions:		
Rural Development Grant	155,277	154,973
Kentucky Infrastructure Authority Grant	216,103	250,991
Tap Fees	10,944	6,066
Total Capital Contributions	382,324	412,030
Change in Net Position	326,937	370,760
Net Position - Beginning of Year	2,017,525	1,646,765
Net Position - End of Year	\$ 2,344,462	\$ 2,017,525

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

**MERCER COUNTY SANITATION DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>Contributions In Aid Of Construction</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at July 1, 2014	\$ 2,039,907	\$ (393,142)	\$ 1,646,765
Capital Contributions:			
Intergovernmental	405,964	-	405,964
Tap Fees	6,066	-	6,066
Customers	-	-	-
June 30, 2015 Net Income (Loss) Before Capital Contributions	<u>-</u>	<u>(41,270)</u>	<u>(41,270)</u>
Balance at June 30, 2015	<u>2,451,937</u>	<u>(434,412)</u>	<u>2,017,525</u>
Capital Contributions:			
Intergovernmental	371,380	-	371,380
Tap Fees	10,944	-	10,944
June 30, 2016 Net Income (Loss) Before Capital Contributions	<u>-</u>	<u>(55,387)</u>	<u>(55,387)</u>
Balance at June 30, 2016	<u>\$ 2,834,261</u>	<u>\$ (489,799)</u>	<u>\$ 2,344,462</u>

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

**MERCER COUNTY SANITATION DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)**

	Year Ended	
	June 30, 2016	June 30, 2015
Cash Flows From Operating Activities:		
Receipts From Customers	\$ 161,948	\$ 138,967
Mercer County Fiscal Court Contribution	52,500	22,500
Payments to Suppliers	<u>(155,141)</u>	<u>(146,244)</u>
Net Cash Provided by (Used in) Operating Activities	<u>59,307</u>	<u>15,223</u>
Cash Flows From Capital and Related Financing Activities:		
Capital Contributions	456,174	323,099
Refundable Advance	-	10,000
Proceeds from Interim Financing	-	220,000
Repayment of Interim Financing	-	(220,000)
Principal Repayments on Capital Debt	(5,500)	(5,500)
Proceeds from Bond Issuance	-	220,000
Proceeds from Line of Credit	63,995	16,000
Principal Repayments on Line of Credit	(49,995)	-
Interest Payments on Capital Debt	(21,273)	(17,901)
Purchase of Fixed Assets/Construction in Progress	<u>(496,821)</u>	<u>(558,936)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(53,420)</u>	<u>(13,238)</u>
Cash Flows From Investing Activities:		
Purchase of Certificate of Deposit	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	5,887	1,985
Cash at Beginning of Year	<u>20,397</u>	<u>18,412</u>
Cash at End of Year	<u>\$ 26,284</u>	<u>\$ 20,397</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Income (Loss)	\$ (35,345)	\$ (24,600)
Depreciation	78,566	61,096
Decrease (Increase) in Accounts Receivable	(3,915)	(3,000)
Decrease (Increase) in Accounts Receivable-Government	17,500	(17,500)
Decrease (Increase) in Prepaid Expenses	(134)	(1,087)
Increase (Decrease) in Accounts Payable	<u>2,635</u>	<u>314</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 59,307</u>	<u>\$ 15,223</u>
Noncash Investing, Capital, and Financing Activities:		
Construction activity in accounts payable	\$ 25,746	\$ 102,576
Capital contributions in accounts receivable	24,197	98,046

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

MERCER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. GENERAL

The Mercer County Sanitation District, (the "District") is a special-district governmental entity created on July 26, 2005, via ordinance enacted by the Mercer County Fiscal Court in accordance with KRS 67.715 (2) and 67.083 (3). The District is governed by a board consisting of three members, all of whom are appointed by the Mercer County Judge Executive. The District provides sewer services to certain rural sections of Mercer County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The District uses the accrual method of accounting which focuses on the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred. The District 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 a proprietary fund's ongoing operations. The principal operating revenues of the utility are charges to customers for sewer service. Operating expenses include the cost of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.
- B. Cash and investments include amounts in demand deposits and certificates of deposit only. For the purpose of the statement of cash flows, the District considers cash equivalents to be highly liquid investments (as applicable), including restricted assets, with an original maturity of three months or less when purchased.
- C. Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. All receivables in excess of 90 days old comprise the accounts receivable allowance for uncollectibles (when applicable).
- D. Property and equipment are stated at cost, and are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. Assets of the distribution system are being depreciated over a 33 year life and equipment over lives of 5 to 20 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest (as applicable) incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.
- E. Prepaid items include payments made to vendors that will benefit periods beyond the end of the fiscal year.
- F. Restricted assets represent cash and investments for which use is limited to specific construction projects or by bond covenants.
- G. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.
- H. The District's financial statements classify equity as net position and is displayed in three components:
 - a) Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any

MERCER COUNTY SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016 AND 2015

bonds, leases, other borrowings, or payables that are attributable to the acquisition, construction, or improvement of those assets.

- b) Restricted net position – Consists of net position with constraints placed on the use either by 1) External groups such as creditors, grantors, contributors, or laws or regulations of other governments, and 2) Law through constitutional provisions or enabling legislation.
- c) Unrestricted net position – Consists of all other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

- I. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.
- J. The District has evaluated and considered the need to recognize or disclose subsequent events through November 1, 2016, which represents the date that these financial statements were available to be issued. Subsequent events pas this date, as they pertain to the fiscal year ended June 30, 2016, have not been evaluated by the District.

3. CASH AND INVESTMENTS

Cash and investments are composed of the following as of June 30, 2016 and 2015, with restriction for use noted:

		<u>June 30, 2016</u>	<u>June 30, 2015</u>
Cash on Deposit - Operating Account	A	\$ 6,456	\$ 2,988
Cash on Deposit - Construction	B	100	100
Cash on Deposit - Construction	B	153	159
Cash on Deposit - Construction	B	75	-
Cash on Deposit - Depreciation	C	7,400	5,040
Cash on Deposit - Debt Service	D	<u>12,100</u>	<u>12,110</u>
Total Cash		26,284	20,397
Certificate of Deposit - Restricted	E	<u>1,300</u>	<u>1,300</u>
Total Cash and Investments		<u>\$ 27,584</u>	<u>\$ 21,697</u>

The cash deposits are fully insured by the FDIC at June 30, 2016 and 2015.

- (A) The operating account is used to meet the current expenses of operating and maintaining the system.
- (B) These construction accounts are used to account for various grant and loan receipts, and related capital expenditures for various projects funded by the grants and loans.
- (C) The depreciation account was established as required by Rural Development Agency bond covenants for the purpose of funding unusual or extraordinary repairs and maintenance not included in the annual budget or for paying for the cost of future extensions, additions and improvements to the system.
- (D) The debt service account was established as required by Rural Development Agency bond covenants for the purpose of paying the scheduled principal and interest on the District’s debt.
- (E) The certificate of deposit represents donations given to the District for use on the Burgin Sewer Project.

MERCER COUNTY SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016 AND 2015

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Distribution System	\$ 1,436,425	\$ 463,710	\$ -	\$ 1,900,135
Flow Meters	40,598	-	-	40,598
Pump Stations	338,000	364,376	-	702,376
Equipment	87,098	3,048	-	90,146
Construction in Process	1,078,118	418,064	(828,086)	668,096
Total	2,980,239	1,249,198	(828,086)	3,401,351
Less accumulated depreciation for:				
Distribution System	(245,124)	(54,067)	-	(299,191)
Flow Meters	(7,236)	(1,230)	-	(8,466)
Pump Stations	(63,163)	(18,524)	-	(81,687)
Equipment	(37,384)	(4,745)	-	(42,129)
Total accumulated depreciation	(352,907)	(78,566)	-	(431,473)
Capital Assets, Net	\$ 2,627,332	\$ 1,170,632	\$ (828,086)	\$ 2,969,878

5. DEBT

During the fiscal year ended June 30, 2010, the District issued the "Mercer County Sanitation District Sewer System Revenue Bonds, Series 2008" in the amount of \$434,000 for the purpose of financing certain sewer system improvements. The interest rate on this bond issue is 4.0%. Annual principal payments are due January 1 each year. Semi-annual interest payments are due on January 1 and July 1 each year.

The annual principal and interest requirements of the above bonds payable as of June 30, 2016, are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30,			
2017	\$ 6,000	\$ 16,340	\$ 22,340
2018	6,000	16,100	22,100
2019	6,500	15,860	22,360
2020	6,500	15,600	22,100
2021	7,000	15,340	22,340
2022-26	39,000	72,320	111,320
2027-31	48,500	63,760	112,260
2032-36	60,000	53,200	113,200
2037-41	74,000	40,140	114,140
2042-46	92,000	23,940	115,940
2047-49	63,000	5,000	68,000
Total	\$ 408,500	\$ 337,600	\$ 746,100

During the fiscal year ended June 30, 2016, the District renewed a \$60,000 secured line of credit at the Farmers National Bank of Danville to provide funds to pay expenses while awaiting the release of loan and/or grant funds related to their various construction projects. As of June 30, 2016, the District had \$30,000 outstanding against the line of credit. The line of credit matures on June 22, 2017. The current interest rate on the line of credit is 4.0%. Interest is due quarterly.

MERCER COUNTY SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016 AND 2015

During the fiscal year ended June 30, 2015, the District issued the "Mercer County Sanitation District Sewer System Revenue Bonds, Series 2015" in the aggregate principal amount of \$220,000, consisting of \$110,000 of Series A Bonds and \$110,000 of Series B Bonds for the purpose of financing certain sewer system improvements. The interest rate on this bond issue is 2.75%. Annual principal payments are due January 1 of each year (beginning in 2018). Semi-annual interest payments are due on January 1 and July each year.

Prior to the issuance of the 2015 bonds, the District obtained interim financing from Regions Bank for the purpose of funding various construction projects. Interest related to the interim financing amounted to \$1,121 for the year ended June 30, 2015, and was capitalized as a component of Construction in Progress. The interim financing was paid in full upon the issuance of the 2015 bond issue.

The annual principal and interest requirements of above Series A bonds payable as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ -	\$ 3,025	\$ 3,025
2018	1,500	3,025	4,525
2019	1,500	2,984	4,484
2020	1,500	2,943	4,443
2021	1,500	2,901	4,401
2022-26	10,000	13,750	23,750
2027-31	11,000	12,361	23,361
2032-36	12,500	10,726	23,226
2037-41	15,000	8,869	23,869
2042-46	17,000	6,724	23,724
2047-51	19,500	4,251	23,751
2052-55	19,000	1,344	20,344
Total	<u>\$ 110,000</u>	<u>\$ 72,903</u>	<u>\$ 182,903</u>

The annual principal and interest requirements of the above Series B bonds payable as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ -	\$ 3,025	\$ 3,025
2018	1,500	3,025	4,525
2019	1,500	2,984	4,484
2020	2,000	2,943	4,943
2021	2,000	2,888	4,888
2022-26	10,000	13,615	23,615
2027-31	11,500	12,198	23,698
2032-36	12,500	10,519	23,019
2037-41	15,000	8,664	23,664
2042-46	17,000	6,518	23,518
2047-51	19,500	4,042	23,542
2052-55	17,500	1,217	18,717
Total	<u>\$ 110,000</u>	<u>\$ 71,638</u>	<u>\$ 181,638</u>

MERCER COUNTY SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016 AND 2015

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2008 Sewer System Revenue Bond	\$ 414,000	\$ -	\$ (5,500)	\$ 408,500	\$ 6,000
2015 Series A Sewer System Revenue Bond	110,000	-	-	110,000	-
2015 Series B Sewer System Revenue Bond	110,000	-	-	110,000	-
Total	\$ 634,000	\$ -	\$ -	\$ 628,500	\$ 6,000

Short-term debt activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Farmer's National Bank - Line of Credit	\$ 16,000	\$ 63,995	\$ (49,995)	\$ 30,000	\$ 30,000
Total	\$ 16,000	\$ 63,995	\$ (49,995)	\$ 30,000	\$ 30,000

Bond Covenants and Provisions

Certain financial covenants pertaining to the bond issues are as follows:

2008 Bond Issue

- 1) The District shall establish a "sinking fund" into which funds will be transferred from the revenue fund in a sufficient amount on a monthly basis to pay the annual debt service.
- 2) The District shall establish a "depreciation reserve fund" into which \$200 shall be transferred each month until the fund reaches a balance of \$24,000.

2015 Bond Issue

- 1) The District shall establish a "sinking fund" into which funds will be transferred from the revenue fund in a sufficient amount on a monthly basis to pay the annual debt service.
- 2) The District shall establish a "depreciation reserve fund" into which \$80 shall be transferred each month until the fund reaches a balance of \$9,600.

The District was in substantial compliance with the above covenants for the years ended June 30, 2015 and 2016.

6. RISK MANAGEMENT

The District is exposed to a variety of accidental losses, and has attempted to minimize its risk by carrying commercial insurance. There have been no significant reductions in coverage from coverage in the prior year.

7. MANAGEMENT AGREEMENT

On March 1, 2014, the District entered into an agreement with Lake Village Water Association, Inc. whereby Lake Village Water Association will provide management, secretarial, billing, bookkeeping, budgeting, office space, and various other services to the District for an annual fee of \$25,000 payable in equal monthly installments of \$2,083.33. The contract term is five years and is cancelable by either party upon 60 days written notice.

MERCER COUNTY SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016 AND 2015

8. PRESENT PROJECTS AND FUTURE PLANS

As of June 30, 2016, there are two major construction projects in progress.

The first is the Burgin Wastewater System Project. The budgeted amount for the Burgin Wastewater System Project is \$9,718,000. As of June 30, 2016, \$610,325 had been spent on the above project. This project is being funded by the following:

1. Rural Development Loan	\$ 3,873,000
2. Rural Development Grant	4,105,000
3. Community Development Block Grant	1,000,000
4. Kentucky Infrastructure Authority Grant	740,000
Total Funding	\$ 9,718,000

The second major project in progress is referred to as the Kennedy Bridge Road Project. The budgeted amount for the Kennedy Bridge Road Project is \$848,000 which is being funded by a loan from Kentucky Infrastructure Authority in the amount of \$424,000 and a Community Development Block Grant in the amount of \$424,000. As of June 30, 2016, \$37,062 had been spent on this project.

9. OTHER MATTERS

(A) Customer Accounts Receivable Aging at June 30, 2016 and 2015:

	June 30, 2016	June 30, 2015
Current	\$ 28,705	\$ 25,897
30-59 Days	2,284	1,749
60-89 Days	909	338
Over 90 Days	113	113
	\$ 32,011	\$ 28,097

(B) Accounts Receivable is comprised of the following as of June 30, 2016 and 2015:

	June 30, 2016	June 30, 2015
Customers	\$ 32,011	\$ 28,097
Intergovernmental	24,197	115,546
Allowance for Bad Debts	(113)	(113)
	\$ 56,095	\$ 143,530

All receivables 90 days and older are included in the allowance for uncollectible accounts.

COMPLIANCE SECTION

CRAIG A. BUTLER, CPA

131 N 4TH STREET
DANVILLE, KY 40422
Phone: (859) 936-0201
Fax: (859) 936-0203
Mobile: (859) 583-7941

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Mercer County Sanitation District
Harrodsburg, Kentucky 40330

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mercer County Sanitation District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Mercer County Sanitation District's basic financial statements and have issued my report thereon dated November 1, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the following deficiency to be a material weakness.

1. As is common within the system of internal control of most small organizations, the accounting function of Mercer County Sanitation District does not prepare the financial statements complete with footnotes in accordance with the accounting principles generally accepted in the United States of America. Accordingly, the District has not established internal controls over the

preparation of its financial statements. This condition is considered to be a significant deficiency in the District's system of internal control over financial reporting.

During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the financial statements in accordance with generally accepted accounting principles. This reliance on the auditor to detect and make these necessary adjustments is considered to be a significant deficiency in the system of internal control. SAS No. 115 does not make exceptions for reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

Communication of the control deficiency above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor. Stated another way, if an organization is unable to issue, without the auditor's involvement, complete financial statements with footnotes in accordance with generally accepted accounting principles and free of material misstatement, that inability is a symptom of a significant deficiency in the system of internal control.

Management's Response

The District engages consultants who possess industry knowledge and expertise to provide financial services, as well as legal, engineering, and other professional services. Based on the auditor's unqualified opinion and after reading the financial statements, management believes the financial statements to be materially correct. Management does not think that the addition of an employee or consultant to oversee the annual financial reporting process is necessary nor would it be cost effective.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the findings identified in my audit is described above. I did not audit the District's response and, accordingly, I express no opinion on it.

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Craig A. Butler, CPA

Craig A. Butler
Certified Public Accountant

Danville, Kentucky
November 1, 2016

APR 7 2017

Public Service
Commission

Mercer County Sanitation District

801 Pleasant Hill Drive
P.O. Box 303
Burgin, Kentucky 40310
(859) 748-9654

March 30, 2017

Wastewater Treatment Operator

Michael D. Galloway	WW Treatment IV No. 5945	AI No. 26957
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Wastewater Collection Operator

Mike D. Sanford	WW Collection I No. 21607	AI No. 100072
Lorne Patterson	WW Collection I No. 21608	AI No. 31129
Timothy C. Wade	WW Collection I No. 21609	AI No. 104525
Colby L. Harper	WW Collection I No. 26689	AI No. 111765

Mercer County Sanitation District

801 Pleasant Hill Drive
P.O. Box 303
Burgin, Kentucky 40310
(859) 748-9654

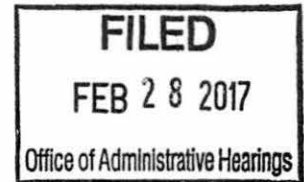
Sewer Use Fees

Effective August 1, 2014

<u>Quantity</u>	<u>Rate</u>
First 2,000 gallons (minimum monthly bill)	\$40.00
Per 1,000 gallons, in excess of 2,000 gallons	\$6.50

*A 10% penalty is added if payment is not received by the 15th of the month.

COMMONWEALTH OF KENTUCKY
ENERGY AND ENVIRONMENT CABINET
DIVISION OF ENFORCEMENT
CASE NO. DOW 160092



IN RE: Mercer County Sanitation District
Chimney Rock WWTP
220 Chimney Rock Rd
Harrodsburg, KY 40330
AI No. 3142
Activity ID No. ERF20160001

RECEIVED

APR 7 2017

Public Service
Commission

AMENDED AGREED ORDER

WHEREAS, the Mercer County Sanitation District (hereinafter "MCSD") has requested an amendment to Agreed Order "DOW 160092", which was executed by the Energy and Environment Cabinet (hereinafter "Cabinet") Secretary on August 23, 2016:

STATEMENTS OF FACT

1. The Cabinet is charged with the statutory duty of enforcing KRS Chapter 224 and the regulations promulgated pursuant thereto.
2. MCSD is a county utility that provides wastewater services to residences and businesses in Mercer County, Kentucky.
3. The parties have previously entered into an Agreed Order, "DOW 160092", which was executed on August 23, 2016.
4. Pursuant to paragraph 6 of Agreed Order DOW 160092, MCSD had planned to assume ownership and operation of the Chimney Rock Wastewater Treatment Plant (hereinafter "Chimney Rock WWTP" or "facility") prior to November 1, 2016. Due to issues with acquiring the facility, MCSD was not able to assume ownership and operation of the facility by November 1, 2016.

5. Pursuant to paragraph 7 of Agreed Order DOW 160092, MCSD had planned to have a new Wastewater Treatment Plant, to replace the Chimney Rock WWTP, built and operational by June 1, 2017.

6. Pursuant to paragraph 14 of Agreed Order DOW 160092, MCSD was required to submit the plans for the new Wastewater Treatment Plant to the Cabinet by August 1, 2016.

7. Pursuant to paragraph 15 of Agreed Order DOW 160092, MCSD was required to submit to the Cabinet's Division of Water (hereinafter "DOW"), a Closure Plan for the Chimney Rock WWTP, in accordance with 401 KAR 5:005 Section 3, by May 1, 2017.

8. Pursuant to paragraph 16 of Agreed Order DOW 160092, MCSD was required to submit a No Discharge Certification to the Cabinet's DOW for the Chimney Rock WWTP, in accordance with 401 KAR 5:005 Section 3, by July 1, 2017.

9. Pursuant to paragraph 19 of Agreed Order DOW 160092, the Agreed Order was to be of no force and effect unless MCSD assumed ownership and operation of the facility on or before November 1, 2016.

NOW THEREFORE, the parties hereby agree to amend paragraphs 6, 7, 14, 15, 16, and 19 of Agreed Order DOW 160092 as follows:

10. The date for MCSD to assume ownership and operation of the facility, described by paragraph 6, shall be and is extended to April 1, 2017.

11. The date by which MCSD plans to have the new Wastewater Treatment Plant built and operational, described by paragraph 7, shall be and is extended to April 1, 2018.

12. The date for the submittal required by paragraph 14 shall be and is extended to January 30, 2017.

13. The date for the submittal required by paragraph 15 shall be and is extended to

June 1, 2018.

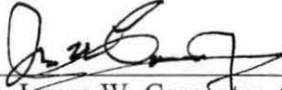
14. The date for the submittal required by paragraph 16 shall be and is extended to August 1, 2018.

15. The date for MCSD to assume ownership and operation of the facility, described by paragraph 19, shall be and is extended to April 1, 2017.

16. All other terms and conditions of Agreed Order "DOW 160092" shall remain in full force and effect.

CASE NO. DOW 160092

AGREED TO BY:

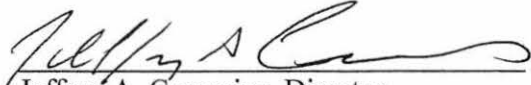


Mr. James W. Carpenter, Chairman
Mercer County Sanitation District

2/1/17

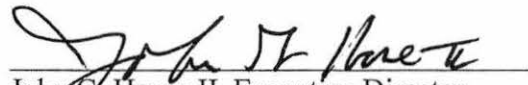
Date

APPROVAL RECOMMENDED BY:




Jeffrey A. Cummins, Director
Division of Enforcement

2/8/17
Date



John G. Horne II, Executive Director
Office of General Counsel
Energy and Environment Cabinet

2/21/17
Date



R. Bruce Scott, Deputy Secretary
Energy and Environment Cabinet

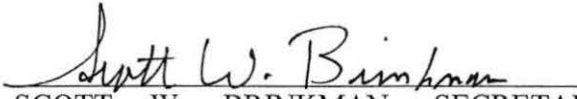
2/21/17
Date

CASE NO. DOW 160092

ORDER

Wherefore, the foregoing Agreed Order is entered as the final Order of the Energy and Environment Cabinet this 28th day of February, 2017.

ENERGY AND ENVIRONMENT CABINET


SCOTT W. BRINKMAN, SECRETARY of the
GOVERNOR'S EXECUTIVE CABINET

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing **AGREED ORDER** was mailed, postage prepaid, to the following this 28th day of February, 2017.

Mercer County Sanitation District
Attn: Mike Sanford
P. O. Box 303
Burgin, KY 40310

And mailed, messenger to:

Jeffrey A Cummins, Director
Division of Enforcement
300 Sower Blvd.
Frankfort, Kentucky 40601

John G. Horne II, Executive Director
Office of General Counsel
Energy and Environment Cabinet
300 Sower Blvd.
Frankfort, Kentucky 40601



DOCKET COORDINATOR

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B G D
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COMMONWEALTH OF KENTUCKY
ENERGY AND ENVIRONMENT CABINET
DIVISION OF ENFORCEMENT
CASE NO. DOW 160092

FILED
AUG 23 2016
Office of Administrative Hearings

RECEIVED

APR 7 2017

Public Service
Commission

IN RE: Mercer County Sanitation District
Chimney Rock WWTP
220 Chimney Rock Rd
Harrodsburg, KY 40330
AI No. 3142
Activity ID No. ERF20160001

AGREED ORDER

WHEREAS, the parties to this Agreed Order, the Energy and Environment Cabinet (hereinafter "Cabinet") and the Mercer County Sanitation District (hereinafter "MCSD") state:

STATEMENTS OF FACT

1. The Cabinet is charged with the statutory duty of enforcing KRS Chapter 224 and the regulations promulgated pursuant thereto.
2. MCSD is a county utility that provides wastewater services to residences and businesses in Mercer County, Kentucky.
3. Chimney Rock Wastewater Treatment Plant (hereinafter "Chimney Rock WWTP" or "facility"), previously known as the Red Barn Wastewater Treatment Plant, is located at 220 Chimney Rock Road, Harrodsburg, Kentucky 40330. The facility has a design capacity of .018 million gallons per day and discharges to Herrington Lake.
4. Chimney Rock WWTP is currently owned and operated by Red Barn Waste Management, LLC, d/b/a Chimney Rock Waste Management (hereinafter "Red Barn"). The facility's discharges are permitted under Kentucky Pollutant Discharge Elimination Systems (hereinafter "KPDES") permit number KY0092631, issued by the Cabinet's Division of Water

(hereinafter "DOW"). Red Barn has been a party to multiple enforcement actions in the Cabinet's Division of Enforcement (hereinafter "DENF") since January of 2010, for numerous violations of 401 KAR Chapters 5 and 10, and KRS 224.70-110.

5. Beginning in February of 2015, and continuing into March of 2016, at the request of MCSD, MCSD and the Cabinet met on several occasions to discuss MCSD taking ownership of the Chimney Rock WWTP.

6. MCSD has indicated to the Cabinet that it is currently in negotiations with Red Barn to acquire the Chimney Rock WWTP. MCSD plans to assume ownership and operation of the Chimney Rock WWTP prior to November 1, 2016.

7. MCSD plans to have a new Wastewater Treatment Plant to replace the Chimney Rock WWTP, which will be built and operational by June 1, 2017.

NOW THEREFORE, in the interest of providing corrective actions to the Chimney Rock WWTP, the parties hereby consent to the entry of this Agreed Order and agree as follows:

REMEDIAL MEASURES

8. MCSD shall notify the DENF in writing that it has assumed ownership and operation of the Chimney Rock WWTP, within fifteen (15) days of acquiring the facility.

9. Within fifteen (15) days of assuming ownership and operation of the facility, MCSD shall submit a "Change in Ownership Certification" to the Cabinet.

10. At all times, commencing with assuming ownership of the facility, MCSD shall provide for proper operation and maintenance of the facility, in accordance with 401 KAR 5:065 Section 2(1).

11. Within thirty (30) days of assuming ownership and operation of the facility, MCSD shall replace the broken chlorine tablet feeder. Documentation showing chlorine tablet

feeder has been replaced shall be submitted to DENF within forty-five (45) days of MCSD assuming ownership and operation.

12. Within thirty (30) days of assuming ownership and operation of the facility, MCSD shall have sludge removed from the plant until the sludge as reached a manageable level to best meet KPDES permit conditions. Documentation showing the sludge removal shall be submitted to DENF within forty-five (45) days of MCSD assuming ownership and operation.

13. MCSD shall continue to remove sludge from the facility on a monthly “as needed” basis, depending on conditions at the facility. Documentation showing the sludge removal shall be submitted to DENF by the fifteenth (15th) day of the month after the sludge is removed, commencing the first month after the initial sludge removal documentation noted in paragraph 12 has been submitted.

14. By August 1, 2016, MCSD shall submit the plans for the new Wastewater Treatment Plant to the Cabinet.

15. By May 1, 2017, and prior to transferring the flow of wastewater from to the Chimney Rock WWTP to the new Wastewater Treatment Plant, MCSD shall submit to the Cabinet’s DOW, a Closure Plan for the Chimney Rock WWTP, in accordance with 401 KAR 5:005 Section 3.

16. Within thirty (30) days of the elimination of its discharge, and before July 1, 2017, MCSD shall submit a No Discharge Certification to the Cabinet’s DOW for the Chimney Rock WWTP, in accordance with 401 KAR 5:005 Section 3.

17. So long as MCSD is in compliance with the terms and conditions of this Agreed Order, the Cabinet’s DENF agrees to hold any formal enforcement action for numeric permit parameter violations of Total Suspended Solids, E. Coli, Biological Oxygen Demand, pH, and

Total Residual Chlorine, for the KPDES permit described in paragraph 4, in abeyance. Should MCSD fail to comply with the terms and conditions of this Agreed Order, the Cabinet may seek formal enforcement action that would have otherwise been held in abeyance.

18. All submittals required by the terms of this Agreed Order shall be submitted to: Division of Enforcement, Attention: Director, 300 Fair Oaks Lane, Frankfort, Kentucky, 40601.

MISCELLANEOUS PROVISIONS

19. This Agreed Order shall be of no force and effect unless MCSD assumes ownership and operations of the Chimney Rock WWTP on or before November 1, 2016.

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

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

22. MCSD waives its right to any hearing on the matters admitted herein. However, failure by MCSD to comply strictly with any or all of the terms of this Agreed Order shall be grounds for the Cabinet to seek enforcement of this Agreed Order in Franklin Circuit Court and

to pursue any other appropriate administrative or judicial action under KRS Chapter 224 and the regulations promulgated pursuant thereto.

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

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

25. MCSD shall give notice of this Agreed Order to any purchaser, lessee or successor in interest prior to the transfer of ownership and/or operation of any part of the facility occurring prior to termination of this Agreed Order, shall notify the Cabinet that such notice has been given, and shall follow all statutory requirements for a transfer.

26. This Agreed Order applies specifically and exclusively to the unique facilities referenced herein and is inapplicable to any other facility.

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

28. This Agreed Order shall be of no force and effect unless and until it is entered by


the Secretary or his designee as evidenced by his signature thereon. If this Agreed Order contains any date by which MCSD is to take any action or cease any activity, and the Secretary enters the Agreed Order after that date, then MCSD is nonetheless obligated to have taken the action or ceased the activity by the date contained in this Agreed Order.

TERMINATION

29. This Agreed Order shall terminate upon MCSD's completion of all requirements described in this Agreed Order. MCSD may submit written notice to the Cabinet when it believes all requirements have been performed. The Cabinet shall notify MCSD in writing whether it concurs that all requirements of this Agreed Order have been completed. The Cabinet reserves its right to enforce this Agreed Order, and MCSD reserves its right to file a petition for hearing pursuant to KRS 224.10-420(2) contesting the Cabinet's determination.

CASE NO. DOW 160092

AGREED TO BY:




Mr. James W. Carpenter, Chairman
Mercer County Sanitation District

7/19/16
Date

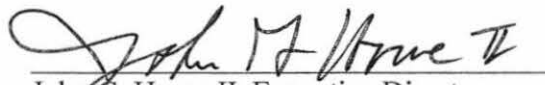
CASE NO. DOW 160092

APPROVAL RECOMMENDED BY:



Jeffrey A. Cummins, Director
Division of Enforcement

7/28/16
Date



John G. Horne II, Executive Director
Office of General Counsel
Energy and Environment Cabinet

8/12/16
Date



R. Bruce Scott, Deputy Secretary
Energy and Environment Cabinet

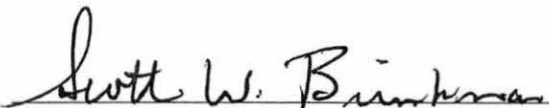
8/12/16
Date

CASE NO. DOW 160092

ORDER

Wherefore, the foregoing Agreed Order is entered as the final Order of the Energy and Environment Cabinet this 23rd day of August, 2016.

ENERGY AND ENVIRONMENT CABINET


SCOTT W. BRINKMAN, SECRETARY of the
GOVERNOR'S EXECUTIVE CABINET

CASE NO. DOW 160092

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing **AGREED ORDER** was mailed, postage prepaid, to the following this 23rd day of August, 2016.

Mercer County Sanitation District
Attn: Mike Sanford
P. O. Box 303
Burgin, KY 40310

And mailed, messenger to:

Jeffrey A Cummins, Director
Division of Enforcement
300 Sower Blvd.
Frankfort, Kentucky 40601

John G. Horne II, Executive Director
Office of General Counsel
Energy and Environment Cabinet
300 Sower Blvd.
Frankfort, Kentucky 40601

Kathy McDonald
DOCKET COORDINATOR

F B T
S H



MATTHEW G. BEVIN
GOVERNOR

CHARLES G. SNAVELY
SECRETARY

ENERGY AND ENVIRONMENT CABINET
Department for Environmental Protection

Aaron B. Keatley
COMMISSIONER

300 SOWER BOULEVARD
FRANKFORT, KENTUCKY 40601

February 7, 2017

Mr. Mike D Sanford
801 Pleasant Hill Dr.
Burgin, KY 40310

RE: A16-004
Chimney Rock Waste Management LLC--
3142
Contract: Kennedy Br Rd SS project
Activity ID: FGL20160006

Dear Mr. Sanford:

The Kentucky Division of Water (DOW) has reviewed for completeness and adequacy the construction plans and specifications submitted for the above referenced contract(s). The project is consist construction of an 18,000 GPD wastewater treatment package plant, 1,900 LF of 8-inch PVC sewer line, 2,100 LF of 1.25 inch to 2-inch PVC force main and 13 grinder pumps each capable of 11-33 GPM at 7-25 feet TDH. The DOW previously approved these plans and specifications with respect to sanitary features of design on January 7, 2017. The approval conditions and a list of eligible/ineligible items are enclosed. Please note that ineligible items cannot be funded using State Revolving Fund (SRF) monies, and must be paid by other funding sources.

We previously sent one (1) set of approved plans and specifications. An identical set should be made available at the project site at all times. If modifications are made to these plans and specifications before bidding, two (2) complete sets of as-bid plans and specifications must be submitted to the DOW for approval. A second DOW construction approval must be issued by separate correspondence before proceeding with advertising for bids. Any red line changes that were made by DOW personnel on the approved plans shall be incorporated into the bid set plans unless an alternative is approved.

You may now advertise for bids on the construction of this project. In addition to other notifications, this project must be advertised in the newspaper of the largest daily circulation in the project area.

You are cautioned not to advertise unless you have a proper wage decision. The Federal Davis-Bacon wage rates are applicable for this project. Please contact all other funding sources for their requirements pertaining to federal wage rates.

A16-004
Chimney Rock Waste Management LLC--3142
Contract(s) Kennedy Br Rd SS project
Activity ID: FGL20160006
February 7, 2017
Page 2 of 3

You are reminded that the construction contracts are subject to the equal employment opportunity requirements contained in Executive Order 11246. Equal employment opportunity affirmative action by the prime contractors and all subcontractors is mandated throughout the duration of the contract. Documentation of efforts to comply with Executive Order 11246, Equal Employment Opportunity is required to be kept by the borrower.

Review the attached Project Review and Cost Summary form for details of the information to be collected and retained in your files or to be submitted to DOW for review and approval. This form must be completed, signed by the recipient, and with the necessary information be then forwarded to the DOW. This signature will certify that all the information to be retained by the recipient has been secured and is available for review by the Division at the pre-construction conference. The required information must be approved by the DOW before executing any contracts.

Along with the Project Review and Cost Summary form, the following items must be submitted to the DOW for review and approval before executing any contracts:

- The bid advertisement
- Revised Project Budget
- Certified bid tabulation
- Documentation of compliance with DBE Good Faith Effort in accordance with 40 CFR 33.301

These items will be reviewed as a part of the Authority to Award process. The DOW will authorize you to award the contracts once these documents are approved

After the Notice to Proceed is signed, the DOW will need a copy of the executed contract documents, including plans and specifications.

Changes orders will require approval from the DOW before payment can be authorized from the State Revolving Fund. Submission of plans and specifications may be required for change order work.

Upon completion of the project, as-built drawings shall be provided to the DOW. As-builts shall be stamped, signed and dated by a professional engineer. A written certification stating that the project was constructed according to the approved plans shall be provided to the DOW by a professional engineer.

The previously issued construction permit has been issued under the provisions of KRS Chapter 224 and the regulations promulgated pursuant thereto. Issuance of this approval does not relieve the applicant from the responsibility of obtaining any other approvals, permits or licenses required by this Cabinet and other state, federal and local agencies.

You are cautioned that the advertisement and award of this contract will be subject to the laws and regulations that govern the State Revolving Fund (SRF) and to the conditions of your loan

A16-004
Chimney Rock Waste Management LLC--3142
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agreement. If we can be of further assistance, please call Abbas Pourghasemi, Project Engineer, at (502) 782-7041.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Humphries', written in a cursive style.

Terry Humphries, P.E.
Supervisor, Engineering Section
Water Infrastructure Branch
Division of Water

TH:AP

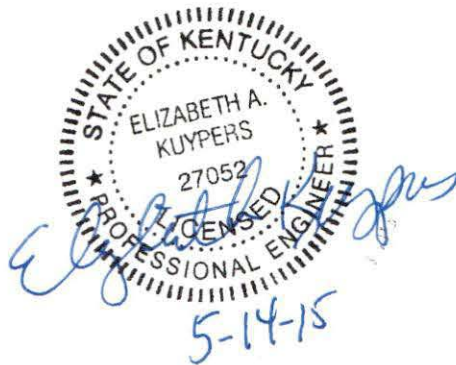
Enclosures

Eligible List, Ineligible List, Approval Conditions
Project Review and Cost Summary Form

C: Strand Associates, Inc.
Kentucky Infrastructure Authority
Cabinet for Economic Development

Report for Mercer County Sanitation District, Kentucky

Preliminary Engineering Report
Kennedy Bridge Road Sanitary Sewer Project



RECEIVED

APR 7 2017

Public Service
Commission

Prepared by:

STRAND ASSOCIATES, INC.®
1525 Bull Lea Road, Suite 100
Lexington, KY 40511
www.strand.com

May 2015



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or Following

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APPENDIX

MERCER COUNTY HEALTH DEPARTMENT LETTER

**SECTION 1
EXECUTIVE SUMMARY**

1.01 EXECUTIVE SUMMARY

The Mercer County Sanitation District (MCSD) continuously works to expand public sewer service to areas in Mercer County where service is not currently available. The Maple Hill subdivision, the mobile home subdivision at 1599 Kennedy Bridge Road, and the apartments at 1603 Kennedy Bridge Road in eastern Mercer County have been identified as priority areas where public sewer improvements are necessary to replace failing on-site sewage disposal systems. Eighteen homes and businesses along nearby Chimney Rock Road are currently served by a privately owned package wastewater treatment plant (WWTP), and this package plant has enough permitted capacity to treat wastewater from the additional 35 homes in the mentioned priority areas. The MCSD proposes to take over ownership of the package plant and extend the existing sewer collection system to the priority areas.

In addition to evaluating options for providing public sanitary sewer service to the mentioned unserved homes, this report also addresses several necessary upgrades to the package plant. The plant is estimated to have been installed 45 to 55 years ago and is operating beyond its design service life. Because of the area's proximity to Herrington Lake, proper wastewater disposal is pivotal for safeguarding public health in the nearby communities.

Three approaches were evaluated to address sewer service and collection in this area:

1. Alternative 1A–Continue using on-site disposal systems.
2. Alternative 1B–Gravity collection and conveyance supplemented with grinder pumps and force mains.
3. Alternative 1C–Grinder pumps with force main collection and conveyance.

Alternatives 1B and 1C involve conveying the wastewater from the producers in the project area to a manhole in the existing collection system that will convey it to the Chimney Rock WWTP.

The first approach is a cursory analysis of the existing disposal systems. Poor soil conditions, small lot sizes in the project area, and lack of system maintenance make this “do nothing” option unattractive for remedying concerns about failing systems and improper on-site disposal.

The second approach to providing sewer service in the project area involves the use of gravity sewers where the topography facilitates their cost-effective installation. To serve the entire project area with gravity sewers, some mains would need to be excessively deep. Instead, this approach recommends installing individual grinder pump stations and force mains in some branches of the proposed collection system so that the bury depth of the mains can be minimized throughout.

The third approach proposes the exclusive use of individual grinder pumps with force main collection and conveyance. This would require installing and maintaining a grinder pump at each residence in the project area.

Three approaches were also evaluated to address the operation of the existing package plant:

1. Alternative 2A–Continue operating package plant as-is.
2. Alternative 2B–Repair/upgrade existing package plant.
3. Alternative 2C–Replace with new package plant.

The first approach is presented simply as a “do nothing” option. This option is unattractive because the age and condition of the WWTP will likely result in decreased reliability and increased operations and maintenance costs.

The second approach proposes rehabilitation and reuse of the existing package plant tanks and replacement of the structure and equipment. The cost implications of this option are not fully understood because the plant must be removed from service before the tanks can be inspected and the full repair cost assessed.

The third approach describes total replacement of the package plant. This approach has the greatest capital cost, but replacement of the plant is much more straightforward in scope and cost than repairing the existing plant.

The recommended approach for collecting wastewater from the project area is gravity collection and conveyance supplemented with grinder pumps and force mains. The recommended approach for addressing the package plant deficiencies is replacing it with a new package plant.

Table 1.01–1 summarizes the opinion of probable project cost to provide public sewer to the 35 additional customers in the Kennedy Bridge Road area and to replace the existing package WWTP. The cost opinion includes a construction contingency and engineering costs line item that is 35 percent of the construction subtotal.

Project Component	Cost
Construction Subtotal	\$ 631,400
Construction Contingency and Engineering	221,000 ¹
Total Project Cost	\$ 852,400

Construction contingency and engineering is 35 percent of the construction subtotal. Engineering includes basic services, resident project representative (RPR), and limited additional services.

**Table 1.01–1 Kennedy Bridge Road Service Area
Opinion of Probable Project Cost**

SECTION 2
SCOPE OF THE PROJECT

2.01 SCOPE OF THE PROJECT

The Kennedy Bridge Road Sanitary Sewer Project proposed by the Mercer County Sanitation District (MCSD) addresses the need for reliable wastewater collection and treatment for homes and businesses in the Kennedy Bridge Road, Chimney Rock Road, and Maple Hill Drive area of eastern Mercer County on Herrington Lake. Currently, a small package wastewater treatment plant (WWTP) in the area serves 18 properties including the Chimney Rock Marina and Restaurant and the Chimney Rock RV Park. 35 additional residences in the Maple Hill subdivision, the mobile home subdivision at 1599 Kennedy Bridge Road, and the apartments at 1603 Kennedy Bridge Road are currently relying on failing on-site disposal systems.

This preliminary engineering report for the Kennedy Bridge Road Sanitary Sewer Project presents three alternatives to address sewer service and collection in the project area. The first alternative is a “do nothing” approach while the other two involve collecting the wastewater and treating it at the nearby Chimney Rock Package Plant:

1. Alternative 1A–Continue using on-site disposal systems.
2. Alternative 1B–Employ gravity collection and conveyance where practical and supplement with grinder pumps and force mains.
3. Alternative 1C–Install grinder pumps with force main collection and conveyance exclusively.

This report also presents three alternatives for addressing operation at the 45 to 55 year old package plant. The first alternative is a “do nothing” approach while the other two involve major repairs or replacement of all or portions of the existing treatment plant:

1. Alternative 2A–Continue operating package plant as-is.
2. Alternative 2B–Repair/upgrade existing package plant.
3. Alternative 2C–Replace with new package plant.

The Chimney Rock Package Plant and the associated collection lines are currently privately owned. The Kennedy Bridge Road Sanitary Sewer Project proposes that the MCSD assume ownership of the existing package plant, collection system, and property easements associated with both. Once the MCSD owns the treatment system, the residences served by the package plant will become sewer customers of the MCSD. This new ownership arrangement will allow the MCSD to provide proper and consistent operation of the package plant, which in turn reduces the potential environmental impacts of the area’s wastewater on Herrington Lake.

This project will maintain public sewer service to 18 current wastewater producers and will provide service to 35 additional residences along Maple Leaf Drive and at 1599 and 1603 Kennedy Bridge Road.

2.02 ABBREVIATIONS AND ACRONYMS

EA	each
KDOW	Kentucky Division of Water
LF	linear foot
LS	lump sum
MCHD	Mercer County Health Department
MCSD	Mercer County Sanitation District
O&M	operation and maintenance
RD	Rural Development
WWTP	wastewater treatment plant

3.01 DESCRIPTION

The main objective of the Kennedy Bridge Road Sanitary Sewer project is to provide public sanitary sewer service to 35 residences in the Chimney Rock and Kennedy Bridge Road area on the bank of Herrington Lake in Mercer County. The Mercer County Health Department (MCHD) has multiple reports of failing on-site sewage disposal systems in the area that cause raw sewage surface ponding as well as illicit discharges directly into Herrington Lake. Refer to the MCHD letter dated January 28, 2015, in the Appendix for more details on the history of sewage disposal problems in the area. Because of poor soil conditions, shallow depths to bedrock, and lack of maintenance by property owners, any potential on-site disposal methods at these properties are not anticipated to be effective. Serving the 35 properties mentioned with public sewer will eliminate on-site treatment failures and will better protect public health in the area.

The properties proposed to be served by this project are a small subdivision of 9 homes on Maple Hill Drive, 25 mobile homes at the 1599 Kennedy Bridge Road mobile home park, and an apartment complex of 20 units at 1603 Kennedy Bridge Road¹. Extending the existing collection system that serves the Chimney Rock Marina and Restaurant, the Chimney Rock RV Park, and 16 individual residences nearby is the most feasible solution for collecting wastewater from the unserved area. The existing collection system conveys wastewater to the Chimney Rock Package Plant near the marina for treatment. Based on flow estimates presented in this project plan, the package plant has the additional permitted capacity to accept and treat wastewater from the 35 properties requiring service. The package plant, however, is 45 to 55 years old and is in need of extensive renovation or replacement. This project plan also proposes improvements to or replacement of the package plant to avoid plant failures because of deteriorated equipment and deferred maintenance.

3.02 COLLECTION ALTERNATIVES

Three alternatives were evaluated for providing wastewater collection to the 35 properties in the Kennedy Bridge Road area.

A. Alternative 1A–Continue Using On-Site Disposal Systems

With this alternative, the homes proposed to be served with sanitary sewer extensions remain on their existing disposal systems. Even if upgrades were made to the existing systems and the maintenance requirements were consistently met, the capacity of the systems is insufficient for effective on-site disposal. Additionally, all improvement costs and maintenance responsibilities for individual systems are borne by the property owners. Such arrangements have repeatedly proven ineffective in the area.

Furthermore, it is commonly known that the soil conditions and rock depth in and around Mercer County are not conducive to effective septic tank disposal of wastewater on small lots. This factor further compounds the difficulties with on-site disposal.

This alternative is not recommended because the existing systems are generally undersized and the soil conditions are poor in the area. It is doubtful that the existing systems could effectively dispose of wastewater even with upgrades and proper maintenance.

¹Apartment complex is considered one water customer. Sewer will be assigned in the same manner.

B. Alternative 1B—Gravity Collection and Conveyance Supplemented with Grinder Pumps and Force Mains

Where the ground profile facilitates cost-effective installation (through most of the mobile home subdivision), the existing gravity collection system would be extended to serve the nearby residences. At each residence proposed to be served by a gravity main, the service lateral would be rerouted and connected to the main. In locations where gravity sewers would be excessively deep and expensive to install (through the Maple Hill subdivision and the apartment complex), a force main system would be used instead. Each service lateral would be rerouted and connected to a grinder pump station. A smaller diameter service would be installed between each grinder pump station and the force main, and the pump stations would convey the wastewater via pressure flow to the force main. The force main system would convey the wastewater to a manhole where it would be discharged and then conveyed to the package plant via a gravity main. The package plant would treat the wastewater before discharging the effluent to Herrington Lake.

This alternative is recommended because it is a practical and cost-effective collection method that allows for the elimination of on-site disposal systems. Gravity collection is suitable for a portion of the project area, but the terrain varies to the point that grinder pumps and force mains are more economically feasible to serve some areas. Refer to Table 3.06-1 for an operation and maintenance (O&M) cost present worth evaluation of this alternative. This collection alternative coupled with one of the two package plant improvement alternatives would allow for effective treatment of wastewater and the decommissioning of existing disposal systems.

This alternative is shown graphically in Figure 3.02-1.

C. Alternative 1C—Grinder Pumps with Force Main Collection and Conveyance

With this alternative, the sewer extensions to serve the aforementioned residences would be designed as force mains regardless of the topography. Existing on-site disposal systems would be disconnected and decommissioned, and the service lateral at each residence would be rerouted and connected to the nearest force main. An individual grinder pump station would be installed at each residence (or one pump per two or three apartments) to pressurize the service lateral and force main collection system. All the proposed force mains would collectively discharge into the existing gravity collection system. The wastewater would flow to the package plant and be treated and discharged to Herrington Lake.

This alternative consisting of grinder pumps with force main collection and conveyance allows for the effective treatment of wastewater from producers whose on-site disposal systems are consistently failing. Coupled with one of the two package plant improvement alternatives, this collection approach would mitigate health department regulatory concerns.

This alternative is not recommended because the exclusive use of force mains to serve the project area is not the most economical collection method. Refer to Table 3.06-1 for an O&M cost present worth evaluation of this alternative compared with Alternative 1B.

This alternative is shown graphically in Figure 3.02-2.

3.03 TREATMENT ALTERNATIVES

Three alternatives were evaluated for addressing the operation of the Chimney Rock Package Plant.

A. Alternative 2A–Continue Operating Package Plant As-Is

With this alternative, the existing package plant would not be upgraded or replaced. The package plant would continue accepting flows from the wastewater producers currently connected to the collection system, and with collection alternatives 1B and 1C, it would also accept flows from the expanded service area. Considering that the package plant is 45 to 55 years old and operating beyond its design service life, this alternative is not attractive. At a minimum, upgrades to the plant are necessary to prevent treatment failure that could lead to illicit wastewater discharges into Herrington Lake.

It would not be advantageous for the MCSD to take over the plant in its current condition. If the MCSD moves forward with providing wastewater collection to the residences on Maple Hill Drive and at 1599 and 1603 Kennedy Bridge Road but cannot repair or replace the package plant, the most suitable arrangement might be for the MCSD to contract with the current owner of the package plant to provide treatment to the new sewer customers.

This alternative is not recommended because the integrity of the package plant components and processes is questionable. Although currently operational, the plant requires upgrades or replacement to avoid regulatory violations, reduce public health risks, and to improve reliability.

B. Alternative 2B–Repair/Upgrade Existing Package Plant

The existing package plant building structure and mechanical equipment would be replaced in-kind and the tanks would be repaired and reused. A heating system would also be installed to prevent the plant from freezing during the winter. The treatment processes and capacity would not change, but the upgrades would improve the efficiency of the plant. During renovation, the wastewater from the service area would need to be collected upstream of the plant and transported off-site for treatment.

This alternative is not recommended because of the risk involved with reusing the existing tanks and the lack of redundancy in the existing single-train treatment configuration. Because the plant is estimated to be 45 to 55 years old, the tanks may be deteriorated beyond economical repair and cannot be inspected or serviced without shutting down the entire plant. Kentucky Division of Water (KDOW) reports from as early as 1994 suggest replacing the entire plant, and they cite the inadequacies of the current treatment configuration because no screening is provided and the existing chlorination tank provides inadequate detention time.

C. Alternative 2C–Replace with New Package Plant

Assessment of the package plant's current condition confirms that extensive repairs and upgrades are required to preserve the plant's current operation. Because of the plant's age, the structure and mechanical equipment require total replacement and repairing the tanks would be labor and time-intensive. Repairs and upgrades to the plant will not improve the plant's expected useful life to be comparable with the expected useful life of a new plant. Additionally, a new plant will provide screening,

appropriate detention time, and treatment redundancy. These improvements are impossible if the plant is simply repaired.

This alternative is recommended because a total replacement of the package plant greatly increases the treatment reliability. The existing plant is operating beyond its design life, and repairing/upgrading components of the existing plant will not match the useful life and improved treatment of a new plant.

3.04 PROJECTED FLOWS AND DESIGN CRITERIA

A. Projected Flows

The existing package WWTP is permitted by the KDOW to discharge 18,000 gallons per day of treated wastewater into Herrington Lake. Because no flow monitoring equipment is installed in the plant, potable water usage data for the existing service area was obtained from Lake Village Water Association and used to estimate wastewater flows to the package plant from current customers. These flow estimates suggest that the plant discharges well under its permitted flow and can accept flows from the proposed service area. Following are flow projections based on water usage data for the expanded service area that would include the additional customers along Maple Hill Drive, 1599 Kennedy Bridge Road, and 1603 Kennedy Bridge Road.

Assumptions applied when projecting wastewater flows from potable water usage data are as follows:

1. All potable water used becomes wastewater.
2. Water usage in seasonal homes peaks in July.
3. Inflow and infiltration do not contribute to wastewater flows.
4. Calculated average monthly flows can be divided by 30 days to calculate average daily flows.

The area currently served by the plant includes several seasonal homes, so potable water usage average monthly flows for July 2014 are used to quantify wastewater flows for the current service area. To incorporate potential concurrent occupancy of all the seasonal homes into the flow projections, any properties with less than 1,000 gallons of water usage in July 2014 have been assigned a water usage amount equal to the July average of the other residential customers currently served by the package plant.

The properties proposed to be served by the package plant are permanent residences. Annual average monthly water usage for August 2013 to July 2014 is used to estimate wastewater flows for this proposed service area. To allow for a peak monthly flow, any properties with less than an average monthly water usage of 1,000 gallons will be assigned a water usage amount equal to the average monthly usage from the other customers in the proposed service area.

Estimated combined wastewater flows from July 2014 for the 18 properties currently served by the package plant:

$$\frac{160,600 \text{ gallons}}{\text{month}} \times \frac{\text{month}}{31 \text{ days}} = 5,200 \frac{\text{gallons}}{\text{day}}$$

Estimated combined average monthly wastewater flows from August 2013 to July 2014 for the 35 properties proposed to be served by the package plant:

$$\frac{152,800 \text{ gallons}}{\text{month}} \times \frac{\text{month}}{30 \text{ days}} = 5,100 \frac{\text{gallons}}{\text{day}}$$

$$\text{Total Projected Flow for Currently Served and Proposed} = 5,200 + 5,100 = 10,300 \frac{\text{gallons}}{\text{day}}$$

B. Flood Impact Assessment

The proximity of the package plant to the waters of Herrington Lake warranted an investigation into the tank level in relation to the 100-year lake level. By noting the lake level from National Weather Service data on the date of a site visit to the package plant and then measuring the top of tank level in relation to the water level, it was determined that although the 100-year lake level will submerge a portion of the WWTP tanks, a 100-year event would not overtop the tanks of the existing package plant.

3.05 OPINIONS OF PROBABLE PROJECT COST

The following are opinions of probable project cost for Alternatives 1B, 1C, 2B, and 2C.

Table 3.05-1 provides an opinion of probable project cost for Alternative 1B—Gravity Collection and Conveyance Supplemented with Grinder Pumps and Force Mains.

Item	Components	Unit	Unit Cost	Quantity	Extension
1	8-inch-diameter sewer	LF	\$ 50	1350	\$ 67,500
2	4-foot-diameter manhole	EA	3,000	9	27,000
3	Pavement replacement	LF	40	50	2,000
4	4-inch-diameter lateral sewer	LF	40	2,600	104,000
5	Simplex grinder station	EA	5,500	23	126,500
6	3-inch-diameter force main	LF	14	650	9,100
7	4-inch-diameter force main	LF	15.50	450	7,000
8	1.5-inch-diameter force main lateral	LF	14	3,500	49,000
	Subtotal				\$392,100
	Erosion and Sediment Control (2%)				7,900
	Subtotal Construction Costs				\$400,000
	Construction Contingency and Engineering (35%)				140,000
	Total Project Cost				\$540,000

Table 3.05-1 Gravity Collection and Conveyance Supplemented with Grinder Pumps and Force Mains (Alternative 1B)

Table 3.05-2 provides an opinion of probable project cost for Alternative 1C–Grinder Pumps with Force Main Collection and Conveyance.

Item	Components	Unit	Unit Cost	Quantity	Extension
1	Pavement replacement	LF	\$ 40	50	\$ 2,000
2	3-inch-diameter force main	LF	14	1,050	14,700
3	4-inch-diameter force main	LF	15.50	1,400	21,700
4	1.5-inch-diameter force main lateral	LF	14	6,100	85,400
5	Simplex grinder station	EA	5,500	43	236,500
	Subtotal				\$360,300
	Erosion and Sediment Control (2%)				7,300
	Subtotal Construction Costs				\$367,600
	Construction Contingency and Engineering (35%)				128,700
	Total Project Cost				\$496,300

Table 3.05-2 Grinder Pumps with Force Main Collection and Conveyance (Alternative 1C)

Table 3.05-3 provides an opinion of probable project cost for Alternative 2B–Repair/Upgrade Existing Package Plant.

Item	Components	Unit	Unit Cost	Quantity	Extension
1	Structure replacement	LS			\$ 12,000
2	Equipment and piping replacement	LS			41,000
3	Heating system for enclosure	LS			7,500
4	Tank repair and painting	LS			35,000
5	Access improvements	LS			5,700
6	Pumping and hauling for 6 weeks	LOAD	\$375	\$137	51,400
	Subtotal				\$152,600
	Erosion and Sediment Control (2%)				3,100
	Subtotal Construction Costs				\$155,800
	Construction Contingency and Engineering (35%)				54,600
	Total Project Cost				\$210,400

Table 3.05-3 Repair/Upgrade Existing Package Plant (Alternative 2B)

Table 3.05-4 provides an opinion of probable project cost for Alternative 2C—Replace with New Package Plant.

Item	Components	Unit	Unit Cost	Quantity	Extension
1	Furnish precast concrete package plant	LS			\$175,000
2	Additional concrete	CY	\$361	5.8	2,100
3	Crushed stone	CY	42	7.5	400
4	Demolish and remove existing plant	LS			15,000
5	Pumping and hauling for 4 weeks	LOAD	\$375	91	34,200
	Subtotal				\$226,800
	Erosion and Sediment Control (2%)				4,600
	Subtotal Construction Costs				\$231,400
	Construction Contingency and Engineering (35%)				81,000
	Total Project Cost				\$312,400

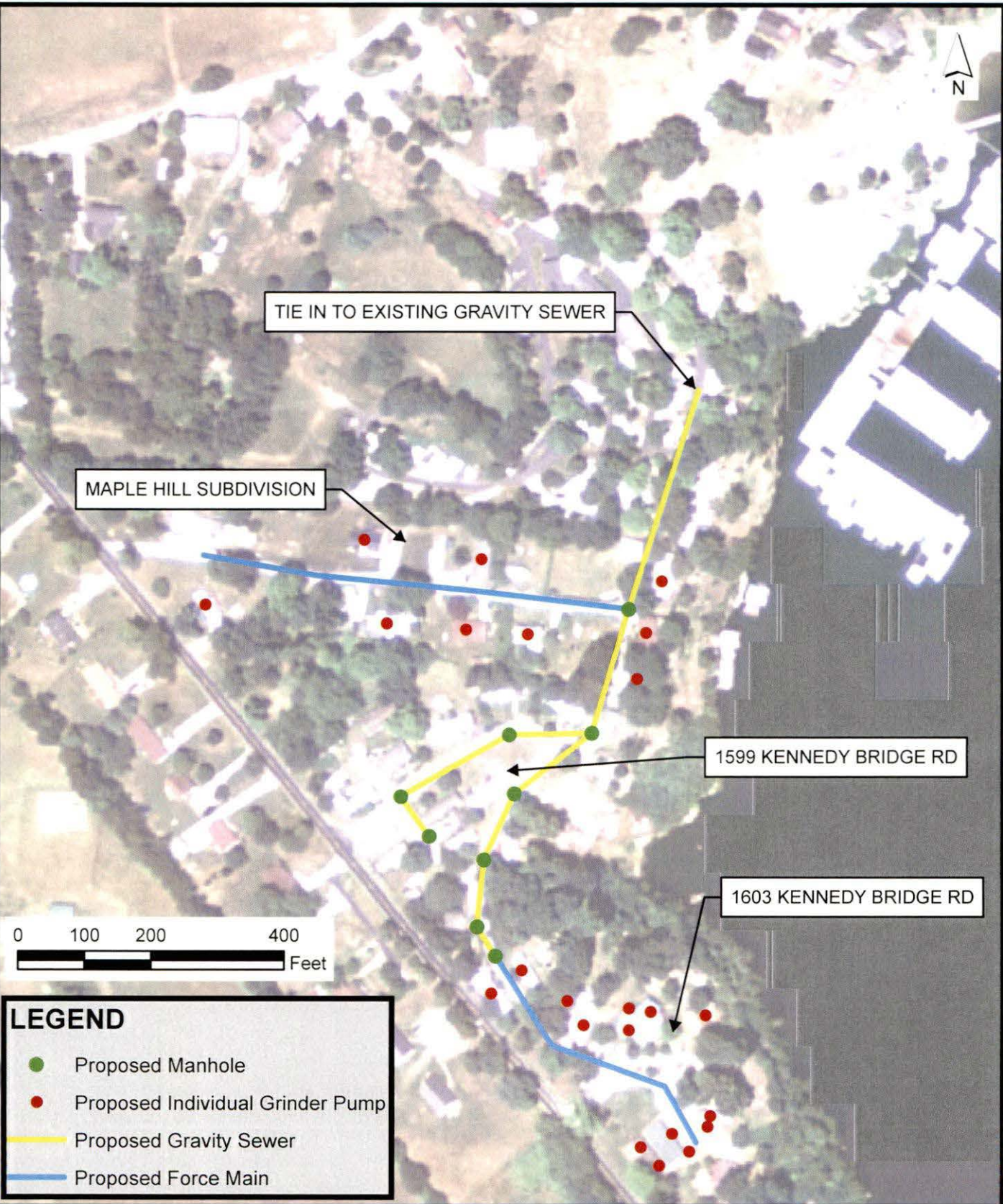
Table 3.05-4 Replace with New Package Plant (Alternative 2C)

3.06 PRESENT WORTH EVALUATION

Table 3.06-1 provides an O&M cost present worth evaluation of the collection alternatives 1B and 1C. The basis of this evaluation is a 20-year period at a 3 percent rate of return. The cost of grinder pump replacement over a 16- to 20-year life span is estimated as a present worth of \$2,500 for each pump.

	Alternative 1B	Alternative 1C
20-Year Grinder Replacement Fund	\$ 57,500	\$ 107,500
Annual Administrative Expenses	5,000	5,000
Annual Emergency Expense	2,000	4,000
Present Worth of O&M Costs	\$ 161,700	\$ 241,400
Project Cost	\$ 540,000	\$ 496,300
Total Present Worth	\$ 701,700	\$ 737,700

Table 3.06-1 Present Worth Evaluation of Collection Alternatives



LEGEND

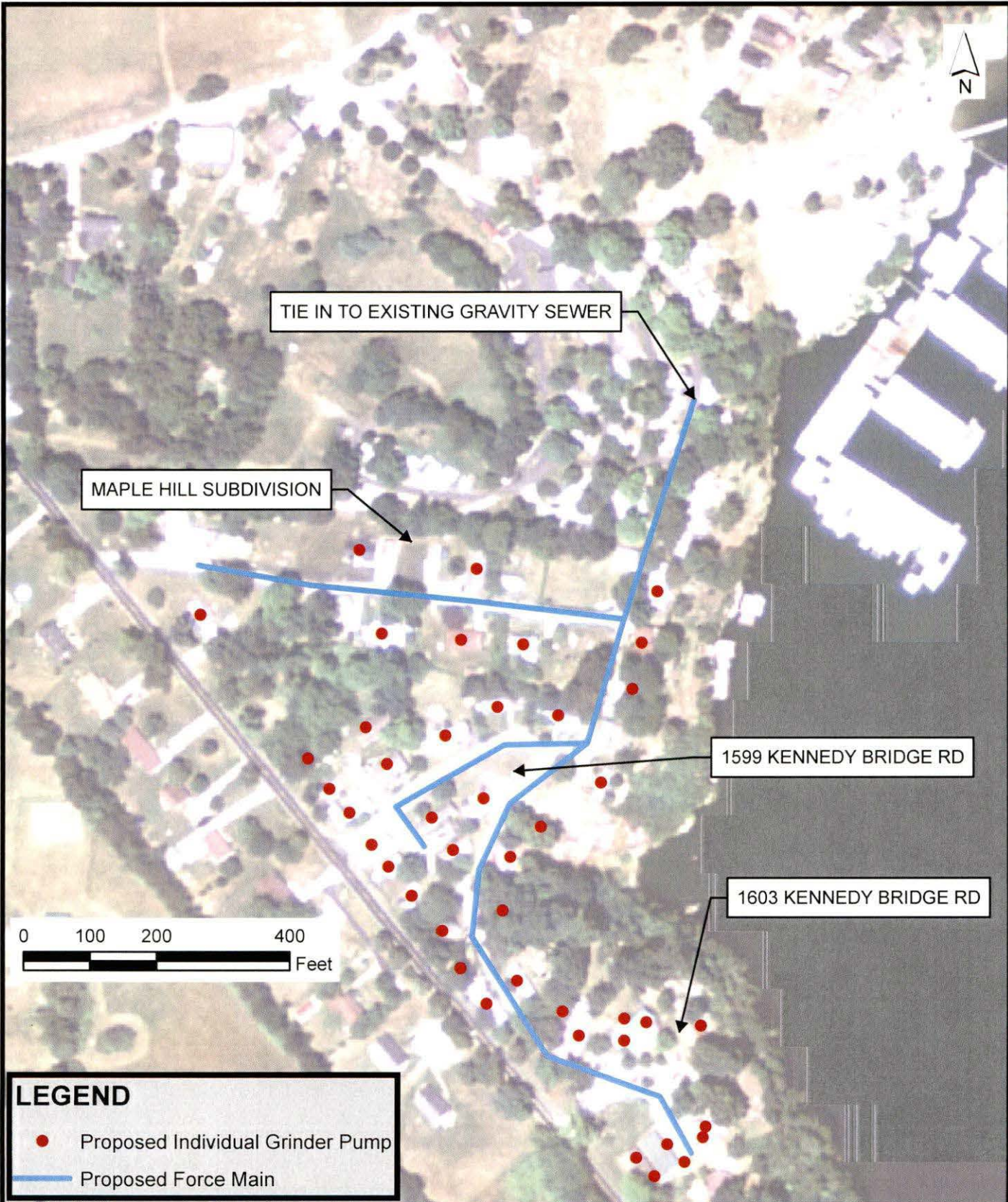
- Proposed Manhole
- Proposed Individual Grinder Pump
- Proposed Gravity Sewer
- Proposed Force Main

**GRAVITY COLLECTION AND CONVEYANCE SUPPLEMENTED
WITH GRINDER PUMPS AND FORCE MAINS
KENNEDY BRIDGE ROAD SERVICE AREA**

**MERCER COUNTY SANITATION DISTRICT
MERCER COUNTY, KENTUCKY**



**FIGURE 3.02-1
2992.022**



**GRINDER PUMPS WITH FORCE MAIN
COLLECTION AND CONVEYANCE
KENNEDY BRIDGE ROAD SERVICE AREA**

**MERCER COUNTY SANITATION DISTRICT
MERCER COUNTY, KENTUCKY**



**FIGURE 3.02-2
2992.022**

Mercer County Health Department
900 North College Street
Harrodsburg, KY 40330

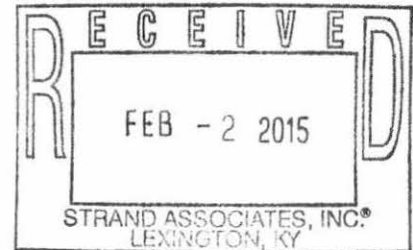
Kathlyn Crown-Weber, RD, CDE
Director

Clinic Phone 859-734-4522
Administration 859-734-2229
FAX 859-734-0568

Sandra DeFoor, RN, Chairman
John Crossfield, Vice-Chair

January 28, 2015

Mercer County Sanitation District
Mike Sanford
P.O. Box 303
Burgin, Ky. 40310



Mr. Sanford,

I would like to take this opportunity to support the Mercer County Sanitation District's efforts to extend sewer service to those in the area of 1599 Kennedy Bridge Road in Mercer County near the edge of Herrington Lake. This area has had ongoing issues with failing septic systems for many years. I have personally dealt with the area for the last 23 years and I am aware that problems have been going on since the early 1970's. I would like to address some of the challenges we have had over the years in trying to correct problems as well as detail some of the attempts made to prevent health hazards from occurring.

The primary issue we have in this area is the mobile home subdivision located at 1599 Kennedy Bridge Road. This area contains approximately 30 individually owned mobile home lots that are connected to at least two or possibly three undersized septic systems. According to a map obtained from one of the subdivision residents, one of the systems serves around 10 mobile homes, the other serves 4 mobile homes, while the other serves 5. It is my understanding that the park has been in existence for at least 60 years and our office does not have any records showing the exact location of the existing septic systems. It is obvious just by the lack of space available in the subdivision that the systems are greatly undersized. Our current Kentucky Onsite Sewage Regulation would require at least 19,000 gallons of septic tank capacity and at least 6,100 feet of rock trench lateral line for 19 mobile homes with two bedrooms (if soil conditions are good). Based on available space, I would guess that approximately 300 to 400 feet of lateral

line at most is in place. Water records for a 12 month period during 2013 and 2014 show an average of almost 53,000 gallons of water being used per month in the subdivision. This is a large amount of sewage to treat with such small septic systems.

Over the years we have had complaints of surfacing sewage in many areas of the subdivision. The system that serves at least 10 mobile homes has had ongoing issues with failing pumps that are not repaired which results in sewage surfacing. I have found pipes clogged to the point that owners have unhooked the sewer line from the underside of the mobile home and have allowed sewage to just spill onto the ground. We have had sewage surfacing as a result of mop heads being stuffed into the lines. One abandoned mobile home actually has a septic tank underneath it. Sewage has also been found surfacing on two of the lots with abandoned mobile homes. It seems that as soon as one problem is addressed another one occurs at a different location.

In 2004 a holding tank was installed at the end of the lateral field that serves the 10 mobile homes in an attempt to keep sewage from surfacing. This was done after legal action was taken by our office against the subdivision property owners. Because of the failure to keep the tank pumped when needed it has actually created another location for sewage to surface when the tank overflows. A warning alarm light that was installed to indicate that the tank needs to be pumped is usually not operational because of the light bulb being removed or broken.

I have also found sewage surfacing and running over a cliff and into Herrington Lake on the eastern side of the subdivision due to pumps not being maintained. This has happened on more than one occasion. Surfacing sewage was recently found again because of a sewer line being unhooked, this time the sewage ran onto an adjacent property on Maple Hill Road.

Above the subdivision at 1599 Kennedy Bridge Road you will find an apartment complex that is also served by septic systems. These systems are also very old and just like the subdivision, have very little space for septic systems. One of the apartment buildings sits on a cliff just above Herrington Lake. Another apartment complex sits just below this one. It is my hope that these areas will also be connected to the existing wastewater treatment plant.

Legal action has been taken several times during my time with the Mercer County Health Department to attempt to get issues resolved for this area. This is difficult since it is hard to determine which property owner is responsible since shared systems are being used. It is also very difficult to come up with permanent solutions because of the lack of repair area. Most

of what we have done in the past has just been a temporary fix. In my opinion the only long term solution for this area is to have the subdivision and adjacent areas be connected to the existing wastewater treatment plant that serves the Chimney Rock area. During the last round of legal action in 2013-2014, it was determined that a meeting should be held with the property owners to discuss possible solutions. The meeting was held on August 12, 2014, at the Burgin Fire Department to address the ongoing issues. The meeting was well attended by the residents and owners of the properties in the subdivision, as well as representatives of the Mercer County Board of Health, Mercer County Sanitation District, Kentucky Division of Water, Kentucky Department for Public Health, The office of United States Senator Mitch McConnell, Kentucky State Representative Kim King, Mercer County Attorney Ted Dean, and Mercer County Judge Executive Milward Dedman. The meeting was moderated by Bluegrass Area Development District Executive Director David Dutlinger. The meeting has resulted in positive steps being made to have the subdivision and surrounding area to be connected to the existing wastewater treatment plant located on Chimney Rock Road. I ask that you continue with these efforts as again, I think this is the best long term solution to the ongoing septic system failure issues in the area. I am also hopeful that this might lead to additional areas being connected in this area in the future. Please feel free to contact me if I can be of assistance.

Respectfully,



Tony White, R.S.
Environmental Director
Mercer County Health Department

Cc: Strand Associates



KENTUCKY INFRASTRUCTURE AUTHORITY

Matthew G. Bevin
Governor

Capital Center Complex
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
(502) 573-0260
(502) 573-0157 (fax)
kia.ky.gov

RECEIVED

APR 7 2017

Public Service
Commission

December 23, 2015

Mercer County Sanitation District
Jim Carpenter, Chairman
P.O. Box 303
Burgin, KY 40310

KENTUCKY INFRASTRUCTURE AUTHORITY FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND CONDITIONAL COMMITMENT LETTER (A16-004)

Dear Chairman Carpenter:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On November 5, 2015, the Authority approved your loan for the Kennedy Bridge Road Sanitary Sewer Improvements Project, subject to the conditions stated below. The total cost of the project shall not exceed \$848,000 of which the Authority loan shall provide \$423,500 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Mercer County Sanitation District upon satisfactory performance of the conditions set forth in this letter. You must meet the conditions set forth in this letter and enter into an Assistance Agreement by November 16, 2016. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

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

1. The Authority project loan shall not exceed \$423,500.

3. The loan shall bear interest at the rate of 1.75 percent per annum commencing with the first draw of funds.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1, or December 1, immediately succeeding the date of the initial draw of funds, provided that if such June 1, or December 1, shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1, or December 1, which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on the appropriate June 1, or December 1, within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
6. The loan shall be repaid over a period not to exceed 20 years from the date of initiation of operation for the project.
7. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will only be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "A" loan funds may be considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. Please note that the guidance for single audit requirements changed for calendar or fiscal years beginning after December 26, 2014. Please consult with your independent auditor as soon as possible to understand how the changes will affect you.
11. The Authority requires that an annual financial audit be provided for the

life of the loan.

12. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

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

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
4. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the State's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. Any special conditions listed in Attachment A must be satisfied before the project is presented before the Committee.
5. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
6. The Borrower must complete and return the attached "Authorization for Electronic Deposit of Vendor Payment" form to the Authority.
7. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.

8. Prior to the project bid, an environmental review shall be conducted by the Division of Water for all construction projects receiving CWSRF funds.
9. Technical plans and specifications and a complete CWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
10. All easements or purchases of land shall be completed prior to commencement of construction. Clear Site Certification of all land or easement acquisitions shall be provided to the Division of Water. DOW representatives shall be notified for attendance of the pre-construction conference.
11. Project changes or additions deviating from the original scope of work described in the Project Profile may require a new or amended environmental review and change order review before they can be included in the CWSRF loan project.
12. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.
13. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
14. The Borrower shall comply with all Davis Bacon related monitoring and reporting and require all contractors to pay wages pursuant to applicable prevailing wage rates (federal or state) for all work relating to the subject Project.
15. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.
16. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.
17. Based on the final "as-bid" project budget, the Borrower must provide satisfactory proof, based on then existing conditions, that the revenue

Chairman Carpenter
December 23, 2015
Page 5

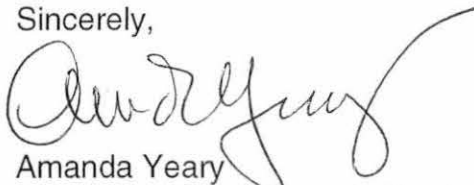
projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by the consulting engineer.

18. The project shall comply with American Iron and Steel requirements of The Consolidated Appropriations Act of 2014 (H.R. 3547), which became effective January 17, 2014, unless engineering plans and specifications were approved by the Division of Water prior to the effective date.

Any special conditions listed stated in Attachment A must be resolved.

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

Sincerely,



Amanda Yeary
Kentucky Infrastructure Authority

Attachments

cc: Elizabeth Dienst, P.E., Strand Associates
Dirk Bedarff, Peck, Shaffer & Williams LLP
Borrower File - Mercer County Sanitation District - A16-004

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



Accepted

3/10/16
Date

AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND A16-004)

Borrower Information:

Name: Mercer County Sanitation District

Address: PO Box 303, 801 Pleasant Hill Drive

City: Burgin State: KY Zip: 40310

Federal I.D. # 37-1517709

Contact Name: Mike D. Sanford Telephone: (859)748-5642

Email: mike@lakevillagewater.org

Financial Institution Information:

Bank Name: Farmers National Bank

Branch: Burgin Phone No: (859)748-5277

City: Burgin State: KY Zip: 40310

Transit / ABA No.: 083901236

Account Name: Kennedy Bridge Road

Account Number: 614718

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature:  Date: 3/10/16

Name Printed: James W Carpenter Job Title: Chairman

Please return completed form to:

Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157

TRANSPARENCY ACT REPORTING INFORMATION FORM
CLEAN WATER STATE REVOLVING FUND
AND
DRINKING WATER STATE REVOLVING FUND

This form is required for projects funded in whole or in part from the Clean Water State Revolving Fund or the Drinking Water State Revolving Fund. This form is to be completed and returned with the signed Conditional Commitment Letter from the Kentucky Infrastructure Authority.

Borrower Information:

Name:	Mercer County Sanitation District
Data Universal Numbering system (DUNS) No.*:	011177311
KIA Loan Number:	A16-004
Street Address	801 Pleasant Hill Drive, PO Box 303
City, State and Zip (Zip must include 4 digit extension)	Burgin, Kentucky 40310
Federal Congressional District(s) of Borrower Utility Service Area:	2nd

*If the DUNS No. provided above is registered under a different name than the recipient of funding, please provide the registration name below:

DUNS Name	
-----------	--

*If the recipient has not yet obtained a DUNS Number, please do so no later than 30 days after the KIA Board approval date of your loan request and provide notification to KIA of the number once issued. For instructions on DUNS registration, please contact jeff.abshire@ky.gov.

Physical Location of Project (Primary Place of Performance)

Street Address	Chimney Rock Area, Herrington Lake
City, State and Zip (Zip must include 4 digit extension)	Harrodsburg, Kentucky 40330
Federal Congressional District(s) of Project Location	2nd

Reliance upon Federal Assistance (please answer the below questions Yes or No):

Did recipient receive 80% or more of its annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards) during the last fiscal year?	NO
Did recipient receive \$25 million or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards) during the last fiscal year?	NO
Does the public have access to compensation of senior executives of the recipient through periodic reports filed under Section 13A or 15D of the Securities Exchange Act of 1934 or Section 6104 of the Internal Revenue Code of 1986?	NO

DUNS Registration Information: <http://fedgov.dnb.com/webform> OR 1-866-705-5711

Registration can be completed over the phone or via the web. Phone registration requests take approximately 10 minutes and are free. Internet requests are fulfilled within 24 hours.

ATTACHMENT A

**Mercer County Sanitation District
A16-004**

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND A, FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND		Reviewer Date KIA Loan Number WRIS Number	Brandi Norton November 5, 2015 A16-004 SX21167021	
BORROWER	MERCER COUNTY SANITATION DISTRICT MERCER COUNTY			
BRIEF DESCRIPTION The project will install new sanitary sewer collection mains which will be extended from an existing system in Chimney Rock. The areas to receive new sewer service include 1599 Kennedy Bridge Road, a mobile home park consisting of 25 lots and Maple Hill Subdivision consisting of 9 homes currently served by onsite septic systems and an apartment complex located at 1603 Kennedy Bridge Road, consisting of 15 units served by an onsite septic system. The project scope includes the construction of approximately 2,000 LF of 8" gravity sewer main and 1,000 LF of 3" sewer force main and will include an upgrade to the existing package treatment plant.. The project would eliminate the approximately 35 aged and inadequate onsite septic systems, eliminate infiltration of sewage to the Herrington Lake watershed and protect the health of the citizens that reside in the three unserved areas.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$423,500	Administrative Expenses	\$5,000	
CDBG	424,500	Legal Expenses	5,000	
		Planning	14,000	
		Eng - Design / Const	65,740	
		Eng - Insp	44,590	
		Eng - Other	17,000	
		Construction	631,400	
		Contingency	65,270	
TOTAL	\$848,000	TOTAL	\$848,000	
REPAYMENT	Rate	1.75%	Est. Annual Payment	
	Term	20 Years	1st Payment	
			6 Mo. after first draw	
			\$26,035	
PROFESSIONAL SERVICES	Engineer	Strand Associates		
	Bond Counsel	Peck, Shaffer, & Williams, a division of Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	May-16		
	Construction Start	Jul-16		
	Construction Stop	Mar-17		
DEBT PER CUSTOMER	Existing	\$1,630		
	Proposed	\$2,691		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	254	\$53.00 (for 4,000 gallons)	
	Additional	53		
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2013	20,972	22,080	(1,108)	0.9
Audited 2014	10,501	13,490	(2,989)	0.8
Projected 2015	40,946	22,280	18,666	1.8
Projected 2016	37,658	22,060	15,598	1.7
Projected 2017	59,304	22,340	36,964	2.7
Projected 2018	54,783	48,135	6,648	1.1
Projected 2019	51,293	48,395	2,898	1.1
Projected 2020	48,234	48,095	139	1.0

Reviewer: Brandi Norton
Date: Dec. 17, 2015
Loan Number: A16-004

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND "A")
MERCER COUNTY SANITATION DISTRICT, MERCER COUNTY
PROJECT REVIEW
SX21167021**

I. PROJECT DESCRIPTION

The Mercer County Sanitation District is requesting a Fund "A" loan in the amount of \$423,500 for the Kennedy Bridge Road Sanitary Sewer Improvements project. The project will install new sanitary sewer collection mains which will be extended from an existing system in Chimney Rock. The areas to receive new sewer service include 1599 Kennedy Bridge Road, a mobile home park consisting of 25 lots and Maple Hill Subdivision consisting of 9 single family homes currently served by onsite septic systems and an apartment complex located at 1603 Kennedy Bridge Road, consisting of 15 residential apartment units served by an onsite septic system.

The project scope includes the construction of approximately 2,000 linear feet of 8" gravity sewer main and 1,000 linear feet of 3" sewer force main. The existing collection system is connected to a privately owned package treatment plant. The KPDES permit for the plant indicates that capacity is available to provide treatment for additional properties located in the vicinity of the plant. The plant discharge is currently in compliance, but the plant is aging and requires renovation to maintain reliable operation, therefore the scope will include an upgrade to the existing package treatment plant. This upgrade will include new structure and new equipment. The project would eliminate approximately 35 aged and inadequate onsite septic systems, eliminate infiltration of sewage to the Herrington Lake watershed and protect the health of the citizens that reside in the three unserved areas.

The Mercer County Sanitation District provides sewer service to 211 households within Mercer County.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 5,000
Legal Expenses	5,000
Planning	14,000
Engineering Fees - Design / Const	65,740
Engineering Fees - Inspection	44,590
Engineering Fees - Other	17,000
Construction	631,400
Contingency	65,270
Total	\$ 848,000

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 423,500	50%
CDBG	424,500	50%
Total	\$ 848,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 423,500
Interest Rate	1.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 25,188
Administrative Fee (0.20%)	847
Total Estimated Annual Debt Service	\$ 26,035

V. PROJECT SCHEDULE

Bid Opening	May 2016
Construction Start	July 2016
Construction Stop	March 2017

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current	Proposed	Total
Residential	249	51	300
Commercial	5	2	7
Industrial	0	0	0

Total	254	53	307
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B) Rates

	Current	Prior
Date of Last Rate Increase	08/01/14	05/10/12
First 2,000 gallons (minimum)	\$40.00	\$35.00
Per 1,000 gallons in excess of 2,000	6.50	6.50
Cost for 4,000 gallons	\$53.00	\$48.00
Increase %	10.4%	
Affordability Index (Rate/MHI)	1.5%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2009-2013, the Utility's service area population was 402 with a Median Household Income (MHI) of \$42,539. The median household income for the Commonwealth is \$43,036. The project will qualify for a 1.75% interest rate.

Year	Population		Unemployment	
	County	% Change	Date	Rate
1980	19,011		June 2004	5.3%
1990	19,148	0.7%	June 2009	11.9%
2000	20,817	8.7%	June 2013	8.6%
2010	21,331	2.5%	June 2014	7.1%
Current	21,313	-0.1%		
Cumulative %		12.1%		

VIII. 2014 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) Additional Subsidization – This project does not qualify for additional subsidization.

IX. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the audited financial statements for the years ended June 30, 2012 through 2014. Amounts for 2015 are estimated.

Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Operating revenues increased 69% from 2012 to 2014 from \$101,467 to \$171,690. Operating expenses increased 23% from \$130,822 to \$161,189. The debt coverage was (1.3), 0.9 and 0.8 for years 2012 through 2014, respectively.

The balance sheet reflects a current ratio of 1.3, a debt to equity ratio of 0.3 and unrestricted cash equals 0.5 months of operating expenses.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Sewer revenues reflect a previously approved 10% rate increase that was passed in August of 2014.
- 2) Operating expenses will increase by 2% per year.
- 3) Debt service coverage is 1.1 in 2018 when full year principal and interest repayments begin.

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

REPLACEMENT RESERVE

The annual replacement cost is \$1,100. This amount should be added to the replacement account each December 1 until the balance reaches \$11,000 and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
Series 2008 Bonds	\$ 419,500	2035
Total	\$ 419,500	

XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

Description	Funding Source	Type
Mercer Co. Sanitary Sewer Service Project	KIA	Grant
Mercer Co. Sanitary Sewer Service Project	RD	Loan
Mercer Co. Sanitary Sewer Service Project	RD	Grant
City of Burgin Sanitary Sewer Extension	KIA	Grant

City of Burgin Sanitary Sewer Extension	HUD	Grant
City of Burgin Sanitary Sewer Extension	RD	Grant
City of Burgin Sanitary Sewer Extension	RD	Loan

XII. CONTACTS

Legal Applicant	
Name	Mercer County Sanitation District
Address	801 Pleasant Hill Drive, PO Box 303 Burgin, KY 40310
County	Mercer
Authorized Official	Jim Carpenter (Chairman)
Phone	(859) 784-5642
Email	lvwa2@yahoo.com

Project Contact – Applicant & Administrator	
Name	Mike Sanford
Representing	Mercer County Sanitation District
Address	801 Pleasant Hill Drive, PO Box 303 Burgin, KY 40310
Phone	(859) 748-9654
Email	mike@lakevillagewater.org

Consulting Engineer	
Name	Elizabeth Dienst, P.E.
Firm	Strand Associates
Address	1525 Bull Lea Road, Suite 100 Lexington, KY 40511
Phone	(859) 225-8500
Email	liz.dienst@strand.com

XIII. RECOMMENDATIONS

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

MERCER COUNTY SANITATION DISTRICT
FINANCIAL SUMMARY (JUNE YEAR END)

	Audited <u>2012</u>	Audited <u>2013</u>	Audited <u>2014</u>	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>	Projected <u>2020</u>
Balance Sheet									
Assets									
Current Assets	39,908	118,781	41,642	61,009	77,307	114,971	122,319	125,917	126,856
Other Assets	1,747,364	2,048,217	2,051,873	1,992,665	1,871,851	2,599,037	2,435,823	2,270,209	2,104,595
Total	<u>1,787,272</u>	<u>2,166,998</u>	<u>2,093,515</u>	<u>2,053,674</u>	<u>1,949,158</u>	<u>2,714,008</u>	<u>2,558,142</u>	<u>2,396,126</u>	<u>2,231,451</u>
Liabilities & Equity									
Current Liabilities	10,754	110,718	32,750	33,090	33,990	34,390	35,290	35,690	36,590
Long Term Liabilities	424,500	419,500	414,000	408,500	402,500	820,000	813,500	807,000	800,000
Total Liabilities	<u>435,254</u>	<u>530,218</u>	<u>446,750</u>	<u>441,590</u>	<u>436,490</u>	<u>854,390</u>	<u>848,790</u>	<u>842,690</u>	<u>836,590</u>
Net Assets	<u>1,352,018</u>	<u>1,636,780</u>	<u>1,646,765</u>	<u>1,612,084</u>	<u>1,512,668</u>	<u>1,859,618</u>	<u>1,709,352</u>	<u>1,553,436</u>	<u>1,394,861</u>
Cash Flow									
Revenues	101,461	155,992	171,690	205,359	205,359	230,359	230,359	230,359	230,859
Operating Expenses	130,822	135,020	161,189	164,413	167,701	171,055	175,576	179,066	182,625
Cash Flow Before Debt Service	<u>(29,361)</u>	<u>20,972</u>	<u>10,501</u>	<u>40,946</u>	<u>37,658</u>	<u>59,304</u>	<u>54,783</u>	<u>51,293</u>	<u>48,234</u>
Debt Service									
Existing Debt Service	21,770	22,080	13,490	22,280	22,060	22,340	22,100	22,360	22,060
Proposed KIA Loan	0	0	0	0	0	0	26,035	26,035	26,035
Total Debt Service	<u>21,770</u>	<u>22,080</u>	<u>13,490</u>	<u>22,280</u>	<u>22,060</u>	<u>22,340</u>	<u>48,135</u>	<u>48,395</u>	<u>48,095</u>
Cash Flow After Debt Service	<u>(51,131)</u>	<u>(1,108)</u>	<u>(2,989)</u>	<u>18,666</u>	<u>15,598</u>	<u>36,964</u>	<u>6,648</u>	<u>2,898</u>	<u>139</u>
Ratios									
Current Ratio	3.7	1.1	1.3	1.8	2.3	3.3	3.5	3.5	3.5
Debt to Equity	0.3	0.3	0.3	0.3	0.3	0.5	0.5	0.5	0.6
Days Sales in Accounts Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Months Operating Expenses in Unrestricted Cash	1.7	0.4	0.5	1.9	2.9	5.5	5.8	5.9	5.8
Debt Coverage Ratio	-1.3	0.9	0.8	1.8	1.7	2.7	1.1	1.1	1.0



OFFICE OF THE GOVERNOR
DEPARTMENT FOR LOCAL GOVERNMENT

Matthew G. Bevin
Governor

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone: (502) 573-2382
Fax: (502) 573-2939
TDD: 711
www.kydlgweb.ky.gov

Sandra K. Dunahoo
Commissioner

RECEIVED

APR 7 2017

Public Service
Commission

July 15, 2016

The Honorable Milward Dedman
Mercer County Judge/Executive
207 Lexington Avenue
Harrodsburg, KY 40330

RE: Kennedy Bridge Road Sanitary Sewer Improvements Project
Community Development Block Grant (CDBG) Application #15-045

Dear Judge Dedman:

Enclosed is a fully executed copy of the grant agreement for the Mercer County Community Development Block Grant project referenced above. Please retain this agreement in your official project files. The agreement sets forth the terms and conditions of the grant. Please review it carefully to ensure full understanding of the requirements your community must meet.

Please contact Jennifer Peters at 502/573-2382, ext. 213, if you have any questions.

Sincerely,

Vernon Brown, Executive Director
Office of Federal Grants

Enclosure

c: Bob Casher, BGADD
Jim Carpenter, Mercer Co. Sanitation District



An Equal Opportunity Employer M/F/D

GRANT INFORMATION AND IDENTIFICATION

Grant Agreement Number: 15-045

Subrecipient: Mercer County

Project Name: Kennedy Bridge Road Sanitary Sewer Improvements

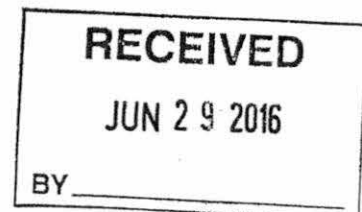
Federal Agency: U.S. Department of Housing and Urban Development

Pass-Through Agency: Kentucky Department for Local Government

CFDA Title: Community Development Block Grant/State's Program
(State-Administered Small Cities Program)

CFDA Number: 14.228

Award Year: 2015



GRANT AGREEMENT

This Agreement is made and entered into this 7th day of July, 2016, by and between the Mercer County, Kentucky, hereinafter referred to as Recipient and the Commonwealth of Kentucky, Department for Local Government, hereinafter referred to as the Commonwealth.

The purpose of this Agreement is to set forth the terms and conditions under which the Commonwealth agrees to dispense the sum of \$424,000 to the Recipient.

Recipient desires to use the funds for the Kennedy Bridge Road Sanitary Sewer Improvement Project and the Recipient shall complete the project by December 31, 2017.

GRANT AGREEMENT

1. GENERAL PROVISIONS

A. Contents of Agreement

This Grant Agreement, hereinafter called the "Agreement," shall consist of the following documents which are incorporated by reference as if fully set out herein: (1) the Grant Agreement and all exhibits to which this Grant Agreement refers; (2) the Application, including the Statement of Assurances; (3) all State and Federal Law requirements to which the Application and this Agreement refer or apply; (4) the Kentucky Community Development Block Grant Handbook currently in effect, plus any advisories; (5) The Guide to National Objectives and Eligible Activities for State CDBG Programs; (6) any applicable administrative regulations; and (7) any amendments or modifications to any of the above referenced requirements.

B. General Definitions

Unless specifically provided otherwise or the context otherwise requires, when used in this Agreement:

(1) "Act" means the Housing and Community Development Act of 1974, Pub. L. No. 93-383, as amended.

(2) "Application" means the Commonwealth Small Cities Community Development Block Grant (CDBG) Application, and such other submittals, as are specified in Exhibit A of this Grant Agreement.

(3) "CDBG" means a grant guided by Title I of the Housing and Community Development Act of 1974, as amended and those regulations set forth in 24 CFR Part 570, Subpart I, as may be amended from time to time and all other applicable Federal and State regulations and laws and assurances signed by Recipient at the time the Recipient's Application was submitted.

(4) "Commonwealth" when not used to designate the territory of the Commonwealth of Kentucky shall mean the Department for Local Government, its Commissioner, or any other person to whom the Commissioner has delegated authority to act with respect to matters covered by this Agreement.

(5) "Default" means any default set forth in Section 6-A to this Agreement.

(6) "Eligible Costs" means costs for the activities specified in Exhibit B of this Agreement for which grant funds are budgeted as specified in Exhibit C of this Agreement, provided that such costs (i) are incurred in connection with any activity which is eligible under Section 105A of Title I of the Act, and (ii) conform to the requirements of Attachment B of Office of Management and Budget Circular Omni Circular (Cost Principles Applicable to Grants and

Contracts with State and Local Government), as may be amended from time to time. For purposes of determining the conformity of costs to said Attachment B, all costs set forth in Section C thereof may be considered eligible without prior approval of the Commonwealth.

(7) "Environmental Conditions" means the condition imposed by law, particularly 24 CFR Part 58; and the provisions of the Agreement which prohibit or limit the commitment and use of grant funds until certain procedural requirements have been completed.

(8) "Environmental Requirements" means the requirements described in 24 CFR Part 58.

(9) "Environmental Studies" means all eligible activities necessary to produce an "environmental document", as that term is defined at Section 1508.10 of 40 CFR Part 1508, or to comply with the requirements of 24 CFR Part 58.

(10) "Grant Funds" means those funds to be provided by the Commonwealth to Recipient pursuant to the terms of this Agreement, as specified in Exhibit A of this Agreement.

(11) "HUD" means the United States Department of Housing and Urban Development.

(12) "Participating Party" means any person, entity, firm, corporation or funding source identified as such in Exhibit A and/or B to this Agreement.

(13) "Program Income" means the CDBG portion of: (i) any income earned by Recipient, or an agent or agency of Recipient, from the disposition of real or personal property acquired in whole or in part with grant funds; (ii) the repayment proceeds (including principal and interest) of any loan made in whole or part with grant funds; (iii) any other revenues defined as program income in 24 CFR Part 570, Subpart J. The "CDBG portion" means an amount computed by applying the percentage of participation of CDBG funds (i) in the acquisition cost of the property to the total income from the disposition of such property, (ii) in the amount of the loan to the total repayment proceeds of such loan, or, (iii) in the cost of an activity to the total income from such activity.

(14) "Project" means the activities described in the Application and in Exhibits B and C of this Agreement, which are to be carried out to meet the objectives of the CDBG Program.

(15) "Recipient" means the local governmental entity receiving grant funds pursuant to this Agreement, as more particularly identified on the cover page of this Agreement.

(16) "Recipient Activities" means those activities of the Project to be carried out by the Recipient, its agent or agency, which activities are described in Exhibit B of this Agreement and further defined in the Application.

(17) "Subrecipient" means governmental or private nonprofit organizations chosen by the Recipient to undertake certain eligible CDBG activities identified as such in Exhibit A and/or B to this Agreement.

2. AMOUNT AND AUTHORIZED USES OF GRANT FUNDS

A. Grant Assistance Provided

In consideration of the various obligations undertaken by the Recipient pursuant to this Agreement, as represented by the Recipient in the Application, the Commonwealth agrees, subject to the terms and conditions set forth herein, to provide the Recipient with grant funds in the amount specified in Exhibit A of this Agreement.

B. Authorized Uses of Grant Funds

The grant funds provided to the Recipient pursuant to this Agreement shall be used only for the specific purposes described in Exhibit B of this Agreement and in the amounts budgeted in Exhibit C of this Agreement, subject to the project amendments provisions of the Commonwealth CDBG program.

C. Adjustments to Grant Funds

(1) The amount of grant funds which the Commonwealth has agreed to provide to the Recipient under this Agreement has been determined by the Commonwealth in reliance upon the cost estimates of the Recipient with respect to the activities set forth in the Application. The Commonwealth reserves the right to reduce the grant amount (i) to conform to any revision to which the Recipient and the Commonwealth may agree with respect to Exhibits B or C of this Agreement, (ii) if the actual costs for activities are lower than those set forth in Exhibits B or C of this Agreement, or (iii) if the investment by Participating Parties is less than the amount specified in Exhibits B, C or D.

(2) The parties understand that funding pursuant to this Agreement may be discontinued by the General Assembly in subsequent budgets.

D. Recipient's Use of Program Income

(1) All Program Income which is received by the Recipient, prior to completion of all Recipient Activities shall be used prior to, and in place of, any draw of grant funds to the extent adequate to pay costs so incurred.

(2) Unless otherwise specifically stated in Exhibit B of this Agreement, all Program Income received by the Recipient, after completion of all Recipient Activities shall be used by the Recipient, for community or economic development activities eligible for assistance

under Title I of the Act as specified in the Guide to National Objectives and Eligible Activities for State CDBG Programs.

3. DISBURSEMENT OF GRANT FUNDS

A. Authorization

(1) Promptly after the Commonwealth has received from the Recipient two (2) fully executed copies of this Agreement and has approved evidentiary materials required by Exhibit D of this Agreement that would allow a draw of grant funds pursuant to the terms of Exhibits B and C of this Agreement, the Commonwealth shall authorize the amount of grant funds specified in Exhibit A of this Agreement.

(2) The Recipient is authorized to draw grant funds only in accordance with the provisions of this Agreement and the procedures established by the Commonwealth. No payment by the Commonwealth of an improper or unauthorized draw to the Recipient shall constitute a waiver of the right of the Commonwealth to challenge the validity of said draw, to enforce all rights and remedies set forth in the Agreement, or take corrective or remedial administrative action, which action may include, without limitation, suspension or termination of the Recipient's funding under this Agreement.

(3) The disposition of any grant funds that remain available following completion of the Project, termination of this Agreement by the Commonwealth, or termination of the Project for any cause, shall be in accordance with closeout procedures then in effect or established by the Commonwealth including provisions of OMB Omni Circular and the Recipient shall not have any rights to such grant funds.

B. Incurring Costs for Project Activities

(1) The use of grant funds is conditioned upon the Recipient incurring costs to be paid in accordance with this Agreement or as otherwise approved by the Commonwealth in writing. Except as permitted by 24 CFR Part 58, no costs to be paid out of project funds may be incurred by the Recipient until all Environmental Conditions of 24 CFR Part 58 have been fully satisfied and the Commonwealth has issued the environmental clearance required by 24 CFR Part 58.

(2) The authorization to incur costs in subsection (1) above is not an authorization to reimburse those costs and does not mean or imply that such costs will be reimbursed out of grant funds. The Recipient may voluntarily, at his or her own risk, and upon his or her own credit and expense, incur costs as authorized in subsection (1) above, but his or her authority to reimburse or to be reimbursed out of grant funds shall be governed by the provisions of this Agreement applicable to the payment of costs and the release of funds by the Commonwealth.

(3) Prior to the issuance by the Commonwealth of the environmental releases required by 24 CFR Part 58, the Recipient may not use any funds, including local funds, to take any action with respect to the Project where such action might have an adverse environmental effect, would limit choices among competing alternatives, or might alter the environmental premises on which the pending clearance is based in such a fashion that the validity of the conclusions to be reached would be affected.

C. Authorization by the Commonwealth for the Recipient to Draw Grant Funds

Recipient's draw of grant funds can occur only after the following has occurred:

(1) The Commonwealth has issued the environmental clearance required by 24 CFR Part 58,

(2) The Commonwealth has approved the required evidentiary materials specified in Exhibit D of the Agreement,

(3) The Commonwealth has authorized, per the executed Notice of Approval of Evidentiary Materials and Release of Funds, the Recipient's ability to draw grant funds,

(4) Recipient shall have submitted all certifications and materials required as conditions precedent to Recipient's authority to pay costs out of grant funds,

(5) If authorized by Exhibit D herein and if the Commonwealth finds Recipient has timely and acceptably submitted the evidentiary materials in Exhibit D herein, approved same, and if no default has occurred, as defined in Section 6-A herein, and

(6) Recipient has not been served by the Commonwealth with notice of Recipient's suspension of authority to so draw the grant funds nor is in breach of its obligation to report a default.

4. REPRESENTATIONS, WARRANTIES, AND OBLIGATIONS

A. Recipient's Representations and Warranties

The Recipient has, by and through consultations among all appropriate members of the Recipient's governing body and its officers, examined each of the following and by its execution of this Agreement the Recipient does, upon information and belief, represent and warrant to the Commonwealth that:

(1) The Recipient is duly organized and validly existing under the laws of the Commonwealth, and has all the requisite power and authority to enter into this Agreement and to assume the responsibilities for compliance with all Federal and State laws and regulations.

(2) A resolution, motion, order or ordinance has been duly adopted, passed or enacted as an official act of the Recipient's governing body, authorizing the execution and delivery of this Agreement by the Recipient and authorizing and directing the person executing this Agreement to do so for and on behalf of the Recipient, said acts being done in such manner and form as to comply with all applicable laws to make this Agreement the valid and legally binding act and agreement of the Recipient.

(3) There is no action, proceeding, or investigation now pending, nor any basis therefore, known or believed by the Recipient to exist, which (i) questions the validity of this Agreement, or any action taken or to be taken under it, or (ii) is likely to result in any material adverse changes in the authorities, properties, assets, liabilities, or conditions (financial or otherwise) of the Recipient which would materially and substantially impair the Recipient's ability to perform any of the obligations imposed upon the Recipient by this Agreement.

(4) The representations, statements, and other matters contained in the Application were true and complete in all material respects as of the date of filing. The Recipient is aware of no event which would require any amendment to the Application (other than an amendment which has been filed with and approved by the Commonwealth) which would make such representations, statements, and other matters true and complete in all material respects and not misleading in any material respect. The Recipient is aware of no event or other fact, which should have been, and has not been, reported in the Application as material information.

(5) The Recipient has obtained or has reasonable assurances that it will obtain all Federal, State and local government approvals and reviews required by law to be obtained by the Recipient for the Project.

(6) Insofar as the capacity of the Recipient to carry out any obligation under this Agreement is concerned, (i) the Recipient is not in material violation of its Charter, or any mortgage, indenture, agreement, instrument, judgment, decree, order, statute, rule or regulation and (ii) the execution and performance of this Agreement will not result in any such violation.

(7) Except for approved eligible administrative and personnel costs, none of the recipient's designees, agents, members, officers, employees, consultants or members of its governing body in which the program is situated, and no other public official of the recipients of such locality or localities who exercises or who has exercised any functions or responsibilities with respect to the project during his or her tenure, or who is in a position to participate in a decision-making process or gain inside information with regard to the project, has or shall have any interest, direct or indirect, in any contract or subcontract or the proceeds thereof for work performed in connection with the project or in any activity, or benefit there from, which is part of this project at anytime during or after such person's tenure unless all procedures for an exception have been documented and submitted in writing to the Department for Local Government and the Department for Local Government has approved such exception.

(8) Anti-Lobbying – The recipient certifies that;

(a) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(b) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(c) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

(9) Conflicts of Interest - The procedures for requesting, documenting, and submitting a request for an exception from the Conflict of Interest provisions shall include the applicable procedures delineated in 24 CFR 570.489(h)(4); KRS 99.350(8); KRS 61.252(1); KRS 65.003; and the local community ethics code. This Conflict of Interest provision shall be in addition to the requirements in the "Common Rule," 24 CFR Part 85, 24 CFR 570.489(h), A-110, KRS 45A.340, KRS 61.210, KRS 61.220 and KRS 61.250 et. seq.

B. Obligation to Complete Recipient Activities as Scheduled

(1) The Recipient shall use its best efforts to assure the completion of the Recipient Activities described in Exhibit B of the Agreement and further defined in the Application.

(2) The Recipient agrees that the foregoing undertaking and assurance means that Recipient shall, to the maximum extent permitted by law, use and apply all of its governmental and proprietary powers for such completion, including but not limited to those powers governing taxes, other revenues, credit, eminent domain and appropriations, if necessary, for the purpose of providing any shortfall between funds available under the grant and funds necessary to complete all of the Recipient Activities described in Exhibit B of this Agreement.

C. Commonwealth Approval of Amendments

The Commonwealth will consider program amendments initiated by the Recipient or by the Commonwealth. The Commonwealth defines a program amendment as a request for change in an approved program which (i) is a new activity in the program, (ii) significantly alters the scope, location, or objective of the approved activities or beneficiaries, and/or (iii) results in a change or cumulative changes of the approved budget. Any amendments will be made in accordance with the procedures set forth in the Kentucky Community Development Block Grant Handbook established by the Commonwealth.

D. Notification and Action upon Default

(1) The Recipient shall promptly give written notice to the Commonwealth upon the discovery by the Recipient of any default involving any Participating Party or Subrecipient, as defined in Section 6-A of this Agreement.

(2) Promptly, upon the discovery of any default involving any Participating Party or Subrecipient, the Recipient shall vigorously pursue, to the fullest extent possible, all remedies available to Recipient to remove or cure such default, or to seek redress or relief from its effects, including reimbursement for any grant funds expended on the Project, and to prevent or mitigate any adverse effects on the Project. Recipient shall keep the Commonwealth fully informed as to the status of such actions.

5. INSPECTION AND REVIEW

A. Duty to Maintain and Rights to Inspect and Copy, Books, Records and Documents

(1) The Recipient shall keep and maintain such books, records and other documents as shall be required under rules and regulations now or hereafter applicable to grants made under the CDBG Program, and as may be reasonably necessary to reflect and fully disclose the amount and disposition of the grant funds, the total cost of the activities paid for in whole or in part with grant funds, and the amount and nature of all investments relative to such activities which are supplied or to be supplied by other sources.

(2) All such books, records and other documents shall be available at the office of the Recipient for inspection, copying, audit and examination at all reasonable times by any duly authorized representative of the Commonwealth, HUD, the General Accounting Office and the Inspector General of the United States.

B. Site Visits

Any duly authorized representative of the Commonwealth or HUD shall, at all reasonable times, have access to all portions of the Project until completion of all closeout procedures and final settlement and conclusion of all issues arising from this grant.

C. Reports

The Recipient shall promptly furnish to the Commonwealth all reports required to be filed in accordance with any directives of the Commonwealth or any statute, rule or regulation of HUD.

6. DEFAULTS AND REMEDIES

A. Defaults

A default shall consist of any use of grant funds for any purpose other than as authorized in Exhibits B and C of this Agreement; or any breach of any covenant, agreement, provision, or warranty (i) the Recipient made in the Agreement; (ii) the Recipient made in any agreement entered into between the Recipient and any Participating Party or Subrecipient, relating to the Project; (iii) any Participating Party or Subrecipient, made in any agreement specified in Exhibit D of this Agreement, or; (iv) of the time frame specified in Exhibit B of the Agreement.

B. Remedies Upon Default

(1) Upon occurrence of any default as described in Section 6-A, the Commonwealth may suspend the Recipient's authority to draw grant funds at any time by notice to the Recipient. If a default is not cured within thirty (30) consecutive days from notice of such default by the Commonwealth to the Recipient, the Commonwealth may continue such suspension or by delivery of notice terminate this Agreement. In the event of a termination, the Recipient's authority to draw funds shall have terminated at the date of the notice of termination and the Recipient shall have no right, title or interest in or to any grant funds remaining.

(2) In addition to any other rights or remedies, if a default consists of the Recipient's failure to submit the evidentiary materials described in Exhibit D of this Agreement or in other official written notification, the Commonwealth shall have the right to terminate this Agreement and the award of grant funds to which this Agreement relates by delivery of written notice to the Recipient. Upon such termination, all obligations of the Commonwealth pursuant to this Agreement and such award shall cease and the Recipient shall neither have nor retain any rights whatsoever with respect to the grant funds provided under this Agreement.

(3) The rights and remedies of the Commonwealth shall be deemed to be cumulative and shall be in addition to all those rights afforded the Commonwealth by law or equity. Any election of any right or remedy shall not be deemed to be an election of that right or remedy to the exclusion of any other right or remedy.

(4) The rights and remedies available to the Commonwealth in the event of a suspension or termination of the Agreement shall survive such suspension or termination.

7. EVIDENTIARY MATERIALS

A. Commitments of Participating Parties and Subrecipients

(1) In selecting the Recipient for the award of this grant, the Commonwealth has relied, in material part, upon the representations of the Recipient and Participating Parties or Subrecipients, that the Recipient and the Participating Parties or Subrecipients (i) will carry out certain activities connected with the Project; (ii) will complete those activities; (iii) have, or will have, the financial capability to assure the carrying out of the activities to the completion; and (iv) will invest, or cause to be invested, a specific value amount in the Project.

(2) Evidentiary materials submitted by the Recipient as Exhibit D which have been submitted to and approved by the Commonwealth shall not be amended in any material respect without prior written approval of the Commonwealth.

B. Form of Documentary Evidence

All documentary evidence of commitments submitted to the Commonwealth for approval shall be in the form of either (i) a duplicate original, or (ii) a photographic copy of the fully executed original, of the documents.

8. MISCELLANEOUS

A. Notice

(1) All amendments, notices, requests, objections, waivers, rejections, agreements, approvals, disclosures and consents of any kind made pursuant to this Agreement shall be in writing.

(2) Any such communication shall be deemed effective for all purposes as of the date such communication is mailed, postage prepaid, by first class, registered or certified mail, return receipt requested, to be delivered only to the office of the addressee, addressed as follows:

(a) Communications to the Commonwealth shall be mailed to: Office of Federal Grants, Department for Local Government, 1024 Capital Center Drive, Suite 340, Frankfort, Kentucky 40601.

(b) Communications to the Recipient shall be addressed to the Recipient, at the address set forth in Exhibit A of this Agreement, or such other address or representative as may be furnished by the Recipient to the Commonwealth.

B. Assignment

No right, benefit, or advantage inuring to the Recipient under this Agreement and no burden imposed on the Recipient hereunder may be assigned without the prior written approval of the Commonwealth. An authorization by the Commonwealth for the transfer of grant funds by Recipient to a Participating Party or Subrecipient, shall not be deemed an authorization for an assignment, and such Participating Party or Subrecipient shall not succeed to any rights, benefits or advantages of the Recipient hereunder.

C. Successors Bounds

This Agreement shall bind, and the rights, benefits and advantages shall inure to, the Recipient's successors.

D. Remedies Not Impaired

No delay or omission of the Commonwealth in exercising any right or remedy available under this Agreement shall impair any such right or remedy or constitute a waiver of any default, or an acquiescence therein.

E. Cumulative Remedies

All rights and remedies of the Commonwealth under this Agreement shall be cumulative.

F. Severability

If any article, subsection, clause or provision of this Agreement is held by any court to be unenforceable or prohibited by any law applicable to this Agreement, the rights and obligations of the parties shall be construed and enforced with that part, term or provision limited so as to make it enforceable to the greatest extent allowed by law, or, if it is totally unenforceable, as if this Agreement did not contain that particular part, term or provision.

G. Entire Agreement

This Agreement constitutes the entire agreement between the Commonwealth and the Recipient and supersedes all prior oral and written agreements between the parties hereto with respect to the subject grant. Notwithstanding the provisions of Section 1-A of this Agreement and anything contained in the Application, the provisions of this Agreement shall prevail.

H. Table of Contents: Titles and Headings

Any table of contents and the headings of the sections and subsections set forth herein are not a part of this Agreement and shall not be deemed to affect the meaning or construction of any of its provisions.

I. Amendment of this Agreement

This Agreement, or any part hereof, may be amended as previously described in Section 4-C from time to time hereafter only in writing executed by the Commonwealth and the Recipient.

J. Governing Law

This Agreement as it may affect the rights, remedies, duties, and obligations of the Commonwealth shall be governed by and construed in accordance with Federal and State law. Insofar as Federal law does not apply, the provisions of this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth.

K. Waiver by the Commonwealth

The Commonwealth reserves and shall have the exclusive right to waive, at the sole discretion of the Commonwealth, and to the extent permitted by law, any requirement or provision under this Agreement. No act by or on behalf of the Commonwealth shall be, or be deemed or construed to be, any waiver of any such requirement or provision, unless the same be in writing, signed by the Commonwealth, and expressly stated to constitute such waiver.

L. Termination of Agreement

This Agreement shall terminate upon the completion of all closeout procedures respecting this grant including provisions of the Single Audit Act, OMB Omni Circular and the final settlement and conclusion between Recipient and the Commonwealth of all issues arising out of this grant. Either party may cancel the contract upon written notice in accordance with Section 9 below. This notice, if tendered by the Commonwealth, may also include the notice to cure provided for in Section 6 B. (1). Upon termination of the agreement pursuant to this provision, the Recipient shall have no right to grant funds remaining to be disbursed. This provision shall in no way impair and shall be in addition to any additional remedies the Commonwealth may have upon a finding of default or other non-compliance according to the terms of this Agreement. Upon termination of this Agreement by either party with or without cause, the Commonwealth may declare this Agreement void from the beginning without further obligation to the recipient. Further, if the Agreement is terminated by the recipient with or without cause or by the Commonwealth with cause, the Commonwealth may recover all funds paid to the recipient hereunder.

M. Anti-Speculation Provisions-Sale of Real Property

(1) When, in Exhibit D of this Agreement, a document is required to contain a provision for the prevention or discouragement of speculation in the purchase and sale of property by a beneficiary of grant funds, then, unless otherwise specified, such provision shall comply with this Section.

(2) The document shall prohibit the beneficiary of grant funds from selling or otherwise disposing of the property within a period specified in Exhibit D of this Agreement after the date of the purchase, for an amount in excess of the purchase price paid, plus the actual costs of any improvements to the property by the beneficiary. The prohibition against sale shall have the same force and effect as a lis pendens, and shall specify that in the event of any attempted sale in violation of the provision; the Recipient shall be entitled to the ex-parte issuance of an injunction restraining such sale. The document shall be executed and authenticated in such manner and form as may be required under State law to authorize its recordation at the place of recordation of deeds, as if a lis pendens and the document shall be so recorded.

(3) The document may, in conjunction with the foregoing or in lieu thereof, describe a procedure where under, in the event of any sale of the property within the period specified in Exhibit D of the Agreement, the amount of grant funds which benefited the beneficiary shall be repaid by the beneficiary to the Recipient. Such procedure may include a pro-rata reduction of the amount to be repaid, based upon the time elapsing between the date of the initial purchase of the property and its disposition by the beneficiary. The document must either specify the amount of the grant funds which benefited the beneficiary, or set forth a formula or agreed method for determining such amount. The document shall be executed and authenticated in such manner and form as may be required to authorize its recordation, as if a lis pendens and the document shall be so recorded.

9. MOA STANDARD TERMS AND CONDITIONS

Cancellation clause:

Either party may cancel the contract at any time for cause or may cancel without cause on 30 days' written notice.

Funding Out Provision:

The state agency may terminate this contract if funds are not appropriated to the contracting agency or are not otherwise available for the purpose of making payments without incurring any obligation for payment after the date of termination, regardless of the terms of the contract. The state agency shall provide the contractor thirty (30) calendar days written notice of termination of the contract.

Reduction in Contract Worker Hours

The Kentucky General Assembly may allow for a reduction in contract worker hours in conjunction with a budget balancing measure for some professional and non-professional service contracts. If under such authority the agency is required by Executive Order or otherwise to reduce contract hours, the contract will be reduced by the amount specified in that document.

Access to Records

The state agency certifies that it is in compliance with the provisions of KRS 45A.695. "Access to contractor's books, documents, papers, records, or other evidence directly pertinent to the contract." The contractor, as defined in KRS 45A.030 (9) agrees that the contracting agency, the Finance and Administration Cabinet, the Auditor of Public Accounts, and the Legislative Research Commission, or their duly authorized representatives, shall have access to any books, documents, papers, records, or other evidence, which are directly pertinent to this contract for the purpose of financial audit or program review. Records and other prequalification information confidentially disclosed as part of the bid process shall not be deemed as directly pertinent to the contract and shall be exempt from disclosure as provided in KRS 61.878(1) (c). The contractor also recognizes that any books, documents, papers, records, or other evidence, received during a financial audit or program review shall be subject to the Kentucky Open Records Act, KRS 61.870 to 61.884

Effective Date:

All Memorandum of Agreements are not effective until the secretary of the Finance and Administration Cabinet or his authorized designee has approved the contract and until the contract has been submitted to the government contract review committee. However, Memoranda of Agreements \$50,000 or less are exempt from review by the committee and need only be filed with the committee within 30 days of their effective date for informational purposes only as provided under KRS 45A.700.

KRS 45A.695(7) Payments on personal service contracts and memoranda of agreements shall not be authorized for services rendered after government contract review committee disapproval, unless the decision of the committee is overridden by the secretary of the Finance and Administration cabinet or agency head, if the agency has been granted delegation authority by the secretary.

Violation of tax and employment laws

KRS 45A.485 requires the contractor to reveal to the Commonwealth, prior to the award of a contract, any final determination of a violation by the contractor within the previous five (5) year period of the provisions of KRS chapters 136, 139, 141, 337, 338, 341, and 342. These statutes relate to the state sales and use tax, corporate and utility tax, income tax, wages and hours laws, occupational safety and health laws, unemployment insurance laws, and workers compensation insurance laws, respectively.

To comply with the provisions of KRS 45A.485, the contractor shall report any such final determination(s) of violation(s) to the Commonwealth by providing the following information regarding the final determination(s): the KRS violated, the date of the final determination, and the state agency which issued the final determination.

KRS 45A.485 also provides that, for the duration of any contract, the contractor shall be in continuous compliance with the provisions of those statutes which apply to the contractor's

operations, and that the contractor's failure to reveal a final determination as described above or failure to comply with the above statutes for the duration of the contract, shall be grounds for the Commonwealth's cancellation of the contract and the contractor's disqualification from eligibility for future state contracts for a period of two (2) years.

Contractor must check one:

The contractor has not violated any of the provisions of the above statutes within the previous five (5) year period.

The contractor has violated the provisions of one or more of the above statutes within the previous five (5) year period and has revealed such final determination(s) of violation(s). A list of such determination(s) is attached

Discrimination:

Discrimination (because of race, religion, color, national origin, sex, sexual orientation, gender identity, age, or disability) is prohibited. This section applies only to contracts utilizing federal funds, in whole or in part. During the performance of this contract, the contractor agrees as follows:

1. The contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, sexual orientation, gender identity, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, sexual orientation, gender identity, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.
2. The contractor will, in all solicitations or advancements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, sexual orientation, gender identity, or national origin.
3. The contractor will not discharge or in any other manner discriminate against any employee or applicant for employment because such employee or applicant has inquired about, discussed, or disclosed the compensation of the employee or applicant or another employee or applicant. This provision shall not apply to instances in which an employee who has access to the compensation information of other employees or applicants as a part of such employee's essential job functions discloses the compensation of such other employees or applicants to individuals who do not otherwise have access to such information, unless such disclosure is in response to a formal complaint or charge, in furtherance of an investigation, proceeding, hearing, or action, including an investigation conducted by the employer, or is consistent with the contractor's legal duty to furnish information.

4. The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the contractor's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
5. The contractor will comply with all provisions of Executive Order No. 11246 of Sept. 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.
6. The contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
7. In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of Sept. 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.
8. The contractor will include the provisions of paragraphs (1) through (8) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

IN WITNESS WHEREOF, the Parties have executed this Agreement.

**Department for
Local Government**

Mercer County

Sandra K. Dunahoo
Sandra K. Dunahoo
Commissioner

Milward Dedman
Milward Dedman
Chief Executive Officer

Examined as to form and legality:

Bill
Attorney – Department for
Local Government

W. S. H.
County Attorney

RECEIVED
JUN 29 2016
BY _____

EXHIBIT B

DESCRIPTION OF RECIPIENT ACTIVITIES

Rider to Section 1-B (16). "Recipient Activities" for this Project shall consist of the following:

1. The Recipient agrees to perform activities as stated in the CDBG Application and given preliminary approval on November 24, 2015 as summarized below:
 - a. This project consists of the design and construction of new sanitary sewer collection mains in a densely populated area of the Herrington Lake watershed and replacement of a 20,000 gallon concrete package treatment plant. Collection system improvements will include 1350 LF of 8 inch gravity sewer main, 450 LF of 4 inch sewer force main, 650 LF of 3 inch sewer force main, 2,600 LF of 4 inch lateral sewer, 3,500 LF of 1.5 inch force main lateral, 23 grinder pump stations, 9 4-ft manholes, 4 weeks of pumping and hauling and pavement replacement. The old plant will be demolished.
 - b. The Recipient will provide the necessary engineering design, surveying, inspection services and start-up services.
 - c. The Recipient/Subrecipient will own and ensure the maintenance of the facilities for the benefit of at least 51 percent low and moderate-income persons, thereby meeting the National Objective of low and moderate-income (LMI) benefit. The project shall provide improved service to approximately 53 customers.
2. The Recipient will provide necessary administration of the project by a certified CDBG grant administrator to assure compliance with all applicable state, federal and local statutes, as set forth in the KCDBG Statement of Assurances signed by County Judge/Executive Milward Dedman on July 29, 2015 and submitted on or about that date as part of the project Application.
3. The Recipient will expend no more than \$21,200 in CDBG funds to cover the planning and administrative costs of the project.
4. The Recipient/Subrecipient will have the project advertised for bid within six (6) months of the date of the fully executed grant agreement and completed by December 31, 2017.
5. The Recipient/Subrecipient must provide assurance that Davis-Bacon and state wage rates will be incorporated into all construction contracts where they are applicable.
6. The Recipient/Subrecipient will include in the bid document a requirement that the contractor erect a project sign according to CDBG specifications.

7. The Recipient must be currently using or adopt an accounting system that meets the requirements of the Kentucky Uniform System of Accounting.
8. The Recipient must provide other funds for the project as listed below:

KIA Fund A	\$ 451,000
Over Income tap Fees	\$ 5,000
9. The Recipient will be responsible for determining the objectives of each activity and measuring the outcomes of each activity funded with CDBG funds utilizing a performance measurement system provided by DLG. This data shall be reported to DLG on an annual basis until the project is closed.
10. The Recipient ensures compliance with Title I of the Housing and Community Development Act of 1974, Title VI of the Civil Rights Act of 1964, Equal Employment Opportunity, Section 504, Drug Free Workplace requirements, and the furthering of Fair Housing and promoting nondiscrimination. In addition, the applicant ensures compliance with all other State and Federal laws.
11. When applicable: The Recipient must adhere to the Uniform Relocation Act (URA) regulations when acquiring the proposed properties.
12. The Recipient must provide documentation from Northside Estates to the effect the amount of the sewer bill will be deducted from the lot rentals with an explanation of how that will be monitored.
13. The Recipient must provide documentation of meeting the conditions established by KIA including (a) HCSD ownership of Cedarbrook package wastewater treatment plant; (b) Agreement with Water Association to enforce sewer rate payment and (c) Rate Analysis to support affordability.

EXHIBIT C

PROJECT BUDGET – SUMMARY OF PROPOSED EXPENDITURES

Attached (as marked Exhibit C containing one page)

COST SUMMARY

DLG USE ONLY
Exhibit C
Project # 15-045

Applicant: Mercer County

Activity Code	Activity Description	CDBG Funds		OTHER FUNDS	TOTAL	SOURCE
		LMI	Slum/Blight			
1	ACQUISITION			5,000	5,000	tap fees
2	CLEARANCE					
3	RELOCATION					
	a owner					
	b renter					
	c other					
	TOTAL RELOCATION					
4	REHABILITATION					
	a code enforcement					
	b grants					
	c loans					
	d public housing modernization					
	e non-residential-historic preservation					
	f acquisition for rehabilitation					
	g multi-unit residential rehabilitation					
	h rehabilitation administration					
	i other					
	TOTAL REHABILITATION					
5	PUBLIC FACILITIES					
	a parks & recreation facilities					
	b street improvements					
	c water lines					
	d water treatment facilities					
	e sewer lines	212,800		277,533	490,333	KIA
	f sewage treatment facilities	190,000		98,197	288,197	KIA
	g flood & drainage facilities					
	h senior centers					
	i centers for the disabled/handicap					
	j child care centers					
	k Other- Legal					
	TOTAL PUBLIC FACILITIES	402,800		375,730	778,530	
6	PUBLIC SERVICES					
7	ED ON-SITE DEVELOPMENT					
	a clearing and grading					
	b street improvements					
	c water lines					
	d water treatment facilities					
	e wastewater collection					
7	f wastewater treatment					
	g drainage facilities					
	h other					
	TOTAL ED On-Site Develop.					
8	ED OFF-SITE DEVELOPMENT					
	a clearing and grading					
	b street improvements					
	c water lines					
	d water treatment facilities					
	e wastewater collection					
	f wastewater treatment					
	g drainage facilities					
	h other					
	TOTAL ED Off-Site Develop.					
9	COMMERCIAL/INDUSTRIAL FACILITIES					
	a land acquisition/disposition					
	b building acquisition/construction/rehabilitation					
	c other improvements					
	TOTAL Commercial/Industrial Facilities					
10	Commercial/Industrial Equipment					
11	Inventory/Working Capital					
12	Microenterprise Technical Assistance					
13	Other					
	Subtotal	402,800		380,730	783,530	
14	PLANNING	4,000			4,000	
15	ADMINISTRATION	17,200			17,200	
	CONTINGENCIES			75,270	75,270	KIA
	TOTAL PROJECT COSTS	424,000		456,000	880,000	

Architectural/Engineering Costs must also be shown in a line item above (do not show as "other")

Architectural/Engineering Design			65,740	65,740	KIA
Architectural/Engineering Inspection			44,590	44,590	KIA
Architectural/Engineering Other			36,000	36,000	KIA
Total Architectural/Engineering			146,330	146,330	

EXHIBIT D

REQUIRED EVIDENTIARY MATERIALS

Recipient agrees to submit the following evidentiary materials for the approval of the Commonwealth in the manner and form described by the applicable provisions of Section 7 of this Agreement:

- Environmental Certification per 24 CFR, Part 58
 - Request for Release of Funds
 - Environmental Review Status Sheet
 - Tear sheet(s) from advertisement of environmental notices
 - Copy of the clearance from the State Historic Preservation Officer
 - Copy of endorsement from the Clearinghouse Review
- Copy of and evidence that a Residential Anti-displacement and Relocation Assistance Plan has been adopted
- Evidence of adoption of a fully executed agreement between the Recipient and the Subrecipient setting forth the responsibilities of each for: a) administration of the grant according to the legal Statement of Assurances included in the Application and signed by County Judge/Executive Milward Dedman on July 30, 2015. and b) for the Subrecipient ownership and maintenance of the Project
- Evidence of budget ordinance/amendment indicating inclusion of CDBG funds into the Recipient's budget
- Evidence of commitment that all other funds are readily available:

KIA Fund A	\$ 451,000
Over Income tap Fees	\$ 5,000
- Copy of and evidence of adoption of a procurement code meeting the CDBG requirements
- Evidence of Clearinghouse review and assurance that all conditions will be met
- Resolution that cost overruns will be borne by the Recipient
- Written assurance that the utility system of the Recipient has adopted the Kentucky Uniform System of Accounts for Class A, B and C Water Utilities and/or Sewer Utilities or an accounting system deemed comparable to the Kentucky Uniform System of Accounts by a Certified Public Accountant
- Authorized Signature Form
- Electronic Transfer of Funds Form

- Fair Housing/Equal Opportunity Requirements:
 - Fair Housing Resolution or Ordinance
 - Policy of Non-Discrimination on the Basis of Disability Status (for grantees with 15 or more employees)
 - Section 504 Accessibility Self-Evaluation and Transition Plan (if applicable)
 - Drug Free Workplace Statement
 - Title VI Self Survey and Statement of Assurance **or** Title VI Implementation Plan

MERCER COUNTY
SANITATION DISTRICT

RECEIVED

APR 7 2017

BOARD MEETING
February 9, 2017
2:00 pm

Public Service
Commission

MINUTES

CALL:

Vice Chairman Dunn called the meeting to order at 2:00 p.m. in the Lake Village Water Association board room. Present were James Dunn and Drew Rice. Also present were Liz Dienst, Larry Catlett, Mike Sanford and Rita Monson.

MINUTES:

Rice moved to approve the December 8, 2016 minutes as presented. Dunn seconded. Motion carried.

Rice moved to approve the January 12, 2017 minutes as presented. Dunn seconded. Motion carried.

FINANCIAL STATEMENTS:

Sanford presented the Financial Statements for January 2017. Rice moved to accept the reports as presented. Dunn seconded. Motion carried.

APPROVAL OF INVOICES:

Dunn moved and Rice seconded to approve and pay invoices. Motion carried.

Deposits:	\$			User & Tap Fee Payments
Date	Check #	Amount:	To:	For:
1/12	2310	\$213.76	Christopher Tucker	Cosby Warning Order
2/1	2311	\$7,856.74	City of Harrodsburg	Treatment Fees
2/2	2312	\$23.94	Eugene McGuire	Reimburse Water Bill
2/7	2313	\$405.93	KLC	6026-2017
2/7	2314	\$497.66	Inter County Energy	PS Power
2/7	2315	\$2,916.67	Lake Village WA	Management Fee
2/7	2316	\$2,000.00	MCSD	Debt Service
2/7	2317	\$280.00	MCSD	Reserve
2/7	2318	\$300.00	James W. Carpenter	Director Fee

2/7	2319	\$300.00	James W. Dunn	Director Fee
2/7	2320	\$300.00	Drew Rice	Director Fee
2/7	2321	\$2,639.88	Strand Associates	KBR Fees
2/7	2322	\$320.00	Larry D. Catlett	Legal Fees
2/7	2323	\$67.78	Dennis Lester	Reimburse Water Bill
2/8	2324	\$393.75	Harrodsburg Herald	MCSD D86453

Burgin Project

2/7	1038	\$27,047.00	Strand Associates
2/7	1039	\$187,218.01	Grants Excavating
2/7	1040	\$61,028.65	Salmon Construction
2/7	1041	\$299,670.21	Todd Johnson Contracting

MANAGEMENT REPORT:

Financial Information

Revenue

January Sewer Charges \$12,687.75
Due 2/15/17

Treatment Expense

Bright Leaf:

December \$3,437.22
January \$3,015.67
February \$2,941.86

Scenic Drive, Warwick Rd., Beaumont Ave, Bellows Mill Rd:

December \$1,287.18
January \$1,008.34
February \$1,539.57

I/I Invoice Bright Leaf Collection System

December \$206.92
January \$858.16
February \$3,375.31

I&I Information

January Precipitation

4.9" (9 events) Range: Trace to 1.5 in/day

Flow Data

	<u>December</u>	<u>January</u>
Low	22,952 gal	27,420 gal
High	202,188 gal	274,796 gal
Mean	54,061 gal	73,535 gal
Total	1,675,904 gal	2,279,600 gal

BURGIN SANITARY SEWER IMPROVEMENTS PROJECT: SX21167012

Project Update: Dienst stated that the contracts continue to be on schedule with the exception of Contract 4, Todd Johnson Contracting. It is clear that efforts are being made get back on schedule, but the project is still behind and it is too soon to tell if any progress has been made to catch up. The Kennedy Bridge Road pump station wet well has been set and back filled. The Pleasant Hill Pump Station is being excavated out for delivery of the wet well in the coming days. The pumps and control panels will follow in the coming weeks.

RD Interim Financing Draw No. 4: Draw No. 4 in the amount of \$609,232.38 is prepared and will be submitted to Regions Bank for payment upon approval. Dunn moved to approve as presented. Rice seconded. Motion carried.

Project Budget Review: Sanford presented a review of the project budget and stated that \$2,973,949 has been expended to date. Sanford noted that the \$740,000 KIA grant was depleted and that funds had been drawn to the 80% mark on the \$1,000,000 CDBG grant. Invoices are currently being paid from RD loan funds through the interim financing at Regions Bank. Sanford also noted that \$28,349.79 has been expended from the contingency budget.

The next series of Construction Progress Meetings are scheduled for February 2nd at 9:30, 11:00 and 1:30.

Edwards Property: Catlett that David Patrick is frustrated with the contractor and adjustor. Catlett will continue to monitor the issue. Patrick did state that he will file a lawsuit against the contractor and the District if there is no resolution in a timely manner.

EPA Visit: Dunn noted that the EPA will be visiting the utility on January 18th at 3:30 to meet Sanford and discuss the operations at Lake Village and the District. Sanford invited the board to attend.

Project Information Letter: Dunn inquired about the timing of an information letter to property owners concerning connection to the public sewer system and septic tank system abandonment. After discussing the matter, the group determined that we are approximately 3 months out from completion of the pump stations and force main. At that time, customers will be able to connect to gravity sewer that has passed inspection. The letter will be drafted by Sanford in the coming months.

KENNEDY BRIDGE SANITARY SEWER PROJECT

LG&E Agreement: Nothing to report.

KDOW Approval: Sanford stated that the District received approval from KDOW on the plans and specifications for the project, but at this time has not received authorization to bid.

PSC Transfer Application: Rice moved to submit the Transfer Application to the Public Service Commission for approval once environmental clearance has been received from DLG. Dunn seconded. Motion carried. Sanford noted that environmental clearance is expected anytime.

Red Barn Waste Management Agreement: Waiting on Environmental Clearance to execute the agreement.

Project Easements: Sanford stated that easements are in progress.

OTHER BUSINESS

Sanford stated that two property owners located in the Bright Leaf South area have contacted the District for sewer service. Don Alford inquired about installing a grinder pump system on the neighboring lot for a new home that is planned. Sanford is providing a cost estimate from Wascon for residential grinder pump system and noted that the property owner is responsible for all costs associated with the connection. Sanford also mentioned that Larry Moore contacted the District about service to 4 lots located on Hurst Drive. Mr. Moore may be interested in installing a line that the District can assume ownership of in the future, if hydraulically the structures planned to be built can be served off of a 3" main. Dienst will take a look and report her findings to Sanford.

Rice moved to adjourn the meeting at 3:30 pm.



Mike D. Sanford, General Manager