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PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of )  
the Joint Application of the )  
City of Falmouth, Kentucky )  
and the East Pendleton )  
Water District for an Order )  
Approving Transfer of a )  
Sewer Utility )

No. 2010 - 00313

**JOINT VERIFIED APPLICATION FOR LEAVE TO TRANSFER**

1. Comes now the City of Falmouth, Kentucky, a municipal corporation of the Commonwealth of Kentucky of the Fourth Class in Pendleton County, Kentucky, by counsel, ("City") the Verified Petition of which respectfully shows:

a. City is engaged in the business of owning and operating sewage treatment facilities serving its City residents, as well as those of Pendleton County where adjacent to the City, KPDES No. KY0106267;

b. The post office address of the City is: 230 Main Street, Falmouth, Kentucky 41040;

c. The City has recently constructed a Regional Wastewater Treatment Facility which has the capacity to treat a peak flow of one million six hundred and fifty thousand (1.65m) gallons per day of sewage and a design flow of one-half (0.5mm) million gallons per day, and which plant is operating currently on a average of three hundred and fifty (350m) thousand gallons per day;

d. The City has planned for an extension of its collecting sewers south from its existing sewage collection and treatment facilities to a package treatment

plant currently owned and operated by the East Pendleton Water District, which extension is included in City's current 201 Facilities Plan;

e. As stated further herein by co-applicant, East Pendleton desires to transfer its ownership and operation of the sewage utility owned and operated by East Pendleton serving the Oak Haven Subdivision in Pendleton County, Kentucky to City;

f. City is ready, willing, and able to accept such transfer, at nominal consideration, and which plans and specifications provide for the closing of the package treatment plant, its conversion into a lift station, further construction of a gravity line to serve the area in between, and ultimate transport and treatment of the sewage from Oak Haven Subdivision, and any areas in between which attach to the gravity line, by force main transmission to City's collecting sewers, and the ultimate treatment of said sewage by City's Regional Wastewater Treatment Plant, all in compliance with the statutes and regulations of the Commonwealth of Kentucky pertaining thereto.

2. Comes now the East Pendleton County Water District, by counsel, ("East Pendleton"), a statutory water district pursuant to the provisions of KRS Chapter 74, the Verified Petition of which respectfully shows:

a. That East Pendleton is engaged in the business of ownership and operation of a sewage utility, KPDES KY 0075311 AI 3402, as a part of its overall provision of water services to customers in Pendleton County, Kentucky.

b. The post office address of East Pendleton is 601 Woodson Road, Falmouth, Kentucky 41040.

c. There is no debt on the facilities to be transferred pursuant to this Petition.

d. That the matters stated above by City are agreed to and incorporated herein by reference by East Pendleton.

3. As a non-regulated municipal utility, the City states that it is not required to obtain a certificate of public convenience and necessity.

4. Attached hereto as Exhibit 1 is a certified audit of the City of Falmouth, Kentucky financial statement as of June 30, 2009, its most recently completed fiscal year.

5. Attached hereto as Exhibit 2 is a copy of a preliminary approval issued by the Division of Water of the Kentucky Cabinet for Natural Resources and Environmental Protection, approving the plans and specifications of the proposed construction of collection lines, as well as conversion of the existing package treatment plant to a lift station.

6. Attached hereto as Exhibits 3A, and 3B are detailed maps of the sewage treatment facilities.

7. Attached hereto as Exhibit 4 is a detailed estimate of the costs of construction for the proposed project.

8. Attached hereto as Exhibit 1 is the most recent audit of City, showing an income statement and balance sheet required in 807 KAR 5:001, §6. This is no stock issued by the City Wastewater System.

9. Attached hereto as Exhibit 5 is the financing proposal for the construction of the sewer facilities.

10. Attached hereto as Exhibit 6 is the estimated cost of operation of the facility.

11. Total number of customers currently attached to the Oak Haven sewer facility is forty-six (46), and an estimate of total number of customers to be attached is ninety (90); at present, all of the customers will be residential, single family units, the average monthly water consumption for this subdivision is four thousand (4,000) gallons per day.

12. Attached hereto as Exhibit 7 is a detailed depreciation schedule of the proposed facilities.

13. The proposed rates to be charged for each class of customer shall be those in effect pursuant to the current tariff of the East Pendleton Water District, effective March 25, 1999 and June 15, 2009, attached hereto as Exhibit 9, including an estimate of the annual revenues to be derived from the customers using the existing rate schedule, Exhibit 9.

14. Attached hereto as Exhibit 10 is the City's existing sewer rate ordinance. The differential in rates will be applied to reduce the cost of the Project.



15. City agrees it will make available to its customers the information set forth in 807 KAR 5:071, §4.

16. City agrees to maintain and operate its sewage treatment facilities in accordance with its KPDES Permit, and all other regulatory agencies having jurisdiction over such matters.

17. Attached hereto as Exhibit 11 is the Sanitary Sewer User Ordinance of the City, which Ordinance will govern the introduction of sewage into its system by the proposed construction.

18. City agrees to operate its sewage facilities so as to provide continuity of services required in 807 KAR 5:071, §6.

19. City agrees to design, construct, and operate its sewage treatment facilities in accordance with the requirements of 807 KAR 5:071, §7.

20. City agrees to provide and maintain all service pipe connections in accordance with the requirements of 807 KAR 5:071, §8.

21. Attached hereto as Exhibits 12, 12A, and 12B are the proposed deeds for transfer of the real property of East Pendleton to City.

22. Attached as Exhibits 13 and 14 are Resolutions of the Joint Applicants authorizing and directing the preparation and filing of the Application.

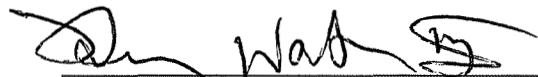
**WHEREFORE**, the Joint Applicants respectfully request as follows:

1. That the Public Service Commission approve the Joint Application and issue an Order authorizing and directing transfer as contained herein.

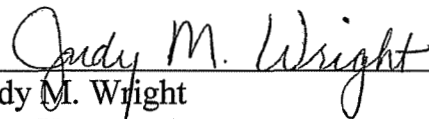
2. That in the Order the Public Service Commission approves the request by the City to institute the current sewer rates in effect for the Water District in its current tariff.

3. For any and all other relief to which the Joint Applicants, or either of them, may be entitled.

Respectfully submitted,



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jwrightlawoffice@zoomtown.com  
Counsel for East Pendleton  
Water District

**IN WITNESS WHEREOF**, the City of Falmouth, Kentucky, has caused its Chief Executive officer, Mayor April K. DeFalco, to execute under oath, and its City Clerk, Terry England, to attest, respectively, this Verified Application, pursuant to Resolution 4-13-1-2010 of the City of Falmouth.

CITY OF FALMOUTH, KENTUCKY

April K. DeFalco  
April K. DeFalco, Mayor

ATTEST:

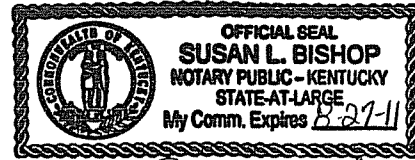
Terry England  
Terry England, City Clerk

COMMONWEALTH OF KENTUCKY  
COUNTY OF PENDLETON

The foregoing instrument was subscribed, sworn to and acknowledged before me by April K. DeFalco, Mayor of the City of Falmouth, Kentucky, a Kentucky Municipal Corporation, as attested by Terry England, City Clerk/Treasurer, on behalf of the City of Falmouth, Kentucky, this the 22 day of July, 2010.

My commission expires:

8-27-11



Notary Public Susan L. Bishop

IN WITNESS WHEREOF, the East Pendleton Water District, has caused its Chairman, Leslie Herbst, to execute under oath, and its Secretary, William Thompson, to attest, respectively, this Verified Application, pursuant to Resolution of April 6, 2010 of East Pendleton Water District.

EAST PENDLETON WATER DISTRICT

Leslie Herbst  
Leslie Herbst, Chairman

ATTEST:

William Thompson  
William Thompson, Secretary

**COMMONWEALTH OF KENTUCKY  
COUNTY OF PENDLETON**

The foregoing instrument was subscribed, sworn to and acknowledged before me by Leslie Herbst, Chairman of the East Pendleton Water District, as attested by William Thompson, Secretary on behalf of the East Pendleton Water District, this the 28 day of July, 2010.

My commission expires:

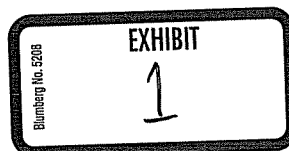
Nov 19, 2011

Kenneth W. Dorn  
Notary Public

CITY OF FALMOUTH, KENTUCKY  
FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2009



Maddox & Associates CPAs Inc  
Certified Public Accountants



CITY OF FALMOUTH, KENTUCKY  
FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT  
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Maddox & Associates CPAs Inc  
Certified Public Accountants

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513-481-7727

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council  
City of Falmouth, Kentucky

We have audited the accompanying financial statements of governmental activities and business-type activities, and each major fund of the City of Falmouth, Kentucky as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Falmouth, Kentucky's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities, and each major fund of the City of Falmouth, Kentucky as of June 30, 2009, and respective changes in financial position and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 9, 2010 on our consideration of the City of Falmouth, Kentucky's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Falmouth, Kentucky's basic financial statements. The other supplemental data as listed in the table of contents is presented for purposes of additional analysis, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplemental information and required regulatory information as noted on the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.

Maddox & Associates CPAs Inc.

Ft. Thomas, Kentucky  
March 9, 2010

**CITY OF FALMOUTH, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

Our discussion and analysis of the City of Falmouth, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the City's basic financial statements, which begin on page 7.

**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on page 7 and 8) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 9. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

**Financial Highlights**

The City carries very little general fund debt. The only general fund debt as of June 30, 2009 is a 5 year capital lease for a used fire truck.

The City incurred \$1,610,447 in new debt in fy 2009 from the KIA Revolving Loan fund, to be used for construction of a new wastewater treatment plant.

The assets of the City exceeded its liabilities at the close of the most recent year by \$11.8 million. (net assets).

At the close of the current fiscal year, the City's governmental activities reported combined ending net assets of \$3.3 million.

Falmouth is a Silver-Designated Renaissance Kentucky city.

**Reporting the City as a Whole**

**The Statement of Net Assets and the Statement of Activities**

One of the most important questions asked about the City's finances is "is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer that question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets, the difference between assets, what the citizens own and liabilities, what the citizens owe, as one way to measure the City's financial health, or *financial position*. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial, however, such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets (roads, buildings, and equipment) to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, information is presented as follows:

- Government activities: most of the City's basic services are reported here, including the general government, public works, waste collection, and cemetery. Property taxes, bank deposit taxes, and franchise fees finance these activities.
- Business type activities: The City's services provided in the Utility Fund are reported here, including Electric, Water and Sewer, and Garbage Collection services. These services are funded by charges to users, and by grants.

## Reporting the City's Most Significant Funds

### Fund Financial Statements

The fund financial statements begin on page 9 and provide detailed information about the most significant funds. Some funds are required to be established by State law. However, the City Commission established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for grant funds. The City's has two types of funds, governmental funds and proprietary funds. There are no component units

Governmental funds: The City's basic services are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The government fund statements provided a detailed short-term view of the City's general government operations and the basis services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in reconciliation beside the fund financial statements.

### Government-Wide Statement of Net Assets Summary

#### ASSETS

Current & Other	1,706	1,771
Capital Assets, net	<u>12,434</u>	<u>13,824</u>
Total Assets	<u>14,140</u>	<u>15,595</u>

#### LIABILITIES

Current & Other	847	927
Long-Term Deb	<u>1,224</u>	<u>2,822</u>
Total Liabilities	<u>2,071</u>	<u>3,749</u>

#### Net Assets

Invested in Capital Assets		
Net of related debt	11,199	10,990
Unreserved	<u>870</u>	<u>856</u>
Total Net Assets	<u>12,069</u>	<u>11,846</u>

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expense, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The following schedule presents a summary of general revenues and expenditures for the fiscal year ended June 30, 2009, with comparative data for 2008

	2008	2009
<b>PROGRAM REVENUES</b>		
Charges for Services	2,465	2,538
Grants & Contributions	2,713	259
Total Program Revenues	<u>5,178</u>	<u>2,797</u>
 <b>GENERAL REVENUES</b>		
Property taxes	576	620
Licenses & permits	53	90
Other revenues	54	15
Total General Revenues	<u>683</u>	<u>725</u>
 Total Revenues	 <u>5,861</u>	 <u>3,522</u>

The decrease in grant revenues is a result of a one-time CDBG Grant in 2008, to partially fund the construction costs of the new wastewater treatment plant.

	2008	2009
<b>PROGRAM EXPENSES</b>		
General Government	110	162
Police	515	531
Fire	89	153
Public Works	15	202
Utility Operation	2,474	2,671
Total Program Expenses	<u>3,203</u>	<u>3,719</u>

### General fund Budgetary Highlights

The City Commission approved the original budget for the year, and did not subsequently revise it. Actual revenues and appropriations for Governmental funds were \$78,367 less than budget, and expenses were \$145,119 less than budget.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City is experiencing increasing revenues and rising operating costs. The General Fund budget has anticipated growth in certain revenue areas. The expenditures for the General Fund include above average increases in fuel, utilities, insurance, and retirement costs. These increases are driven by outside economic factors beyond the City's control.

The budget for infrastructure projects includes expenditures on a Regional Sewer Project, with an anticipated budget of \$5,457,245. The City continues to annually invest in its infrastructure. The City does have adequate contingency funds to address any non-catastrophic unforeseen conditions and events. The fiscal year 2009 budget provides adequate resources for the continuation of services and programs at the present levels.

## CAPITAL ASSETS

At June 30, 2009, the amounts investment in capital assets follows:

	Balance June 30, 2008	Additions	Disposals	Balance June 30, 2009
<b>Governmental Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 362,839			\$ 362,839
<b>Depreciable Capital Assets</b>				
Building & Improvements	1,531,793			1,531,793
Vehicles	728,312	20,044		748,356
Other Equipment	144,566			144,566
Parks	160,063	40,718		200,781
Streets	1,789,406			1,789,406
Total Depreciable Capital Assets	4,354,140	60,762	-	4,414,902
Total Capital Assets	4,716,979	60,762	-	4,777,741
Less: Accumulated Depreciation	1,130,383	97,403		1,227,786
Depreciable Capital Assets, Net	3,223,757	(36,641)	-	3,187,116
Governmental Activities Capital Assets, Net	\$ 3,586,596	\$ (36,641)	\$ -	\$ 3,549,955
<b>Business-Type Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Construction in Progress	\$ 3,764,848	\$ 1,647,856		\$ 5,412,704
<b>Depreciable Capital Assets</b>				
Building & Improvements	348,569			348,569
Water & Sewer System	7,960,062			7,960,062
Electric System	789,083	13,794		802,877
Vehicles	499,180			499,180
Other Equipment	217,502			217,502
	9,814,396	13,794	-	9,828,190
	13,579,244	1,661,650	-	15,240,894
Less: Accumulated Depreciation	4,731,535	234,894		4,966,429
Depreciable Capital Assets, Net	5,082,861	(221,100)	-	4,861,761
Governmental Activities Capital Assets, Net	\$ 8,847,709	\$ 1,426,756	\$ -	\$ 10,274,465

## REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 230 Main St., Falmouth, KY 41040.

City of Falmouth, Kentucky  
Statement of Net Assets  
June 30, 2009

	Primary Government		
	Governmental Activities	BusinessType Activities	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash & cash equivalents	\$ 348,470	\$ 603,447	\$ 951,917
Accounts receivable-net	562	231,910	232,472
Taxes receivable	42,742	-	42,742
Receivable from Governmental agencies	2,677	-	2,677
Due from other funds	-	541,618	541,618
Total current assets	<u>394,451</u>	<u>1,376,975</u>	<u>1,771,426</u>
<b>Noncurrent Assets:</b>			
<b>Capital Assets:</b>			
Land	362,839	-	362,839
Construction in progress	-	5,412,704	5,412,704
Buildings	1,531,793	348,569	1,880,362
Water and sewer system	-	7,960,062	7,960,062
Electric system	-	802,877	802,877
Vehicles	748,356	499,180	1,247,536
Other equipment	144,566	217,502	362,068
Parks	200,781	-	200,781
Streets	1,789,406	-	1,789,406
less accumulated depreciation	(1,227,786)	(4,966,429)	(6,194,215)
Total capital assets, net of depreciation	<u>3,549,955</u>	<u>10,274,465</u>	<u>13,824,420</u>
Total noncurrent assets	<u>3,549,955</u>	<u>10,274,465</u>	<u>13,824,420</u>
Total assets	<u>\$ 3,944,406</u>	<u>\$ 11,651,440</u>	<u>\$ 15,595,846</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable & other current liabilities	33,228	241,933	275,161
Due to Other funds	541,618	-	541,618
Deferred revenues	42,742	-	42,742
Customer deposits	822	54,988	55,810
Current portion of Notes Payable	12,310	-	12,310
Total current liabilities	<u>630,720</u>	<u>296,921</u>	<u>927,641</u>
<b>Noncurrent Liabilities:</b>			
KIA Loan	-	2,809,281	2,809,281
Leases payable, due in less than one year	13,019	-	13,019
Total noncurrent liabilities	<u>13,019</u>	<u>2,809,281</u>	<u>2,822,300</u>
Total liabilities	<u>\$ 643,739</u>	<u>\$ 3,106,202</u>	<u>\$ 3,749,941</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,524,626	7,465,184	10,989,810
Restricted for other purposes	-	222,357	222,357
Unrestricted	(223,959)	857,697	633,738
Total net assets	<u>\$ 3,300,667</u>	<u>8,545,238</u>	<u>\$ 11,845,905</u>

The accompanying footnotes are an integral part of these financial statements

City of Falmouth, Kentucky  
Statement of Activities  
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary government</b>							
<u>Governmental activities</u>							
General Government	\$ 161,171	\$ -	\$ -	\$ -	\$ (161,171)	\$ -	\$ (161,171)
Public Safety							
Police	531,283	-	53,178	-	(478,105)	-	(478,105)
Fire	153,336	51,990	16,000	-	(85,346)	-	(85,346)
Public Works	202,437	-	86,511	41,044	(74,882)	-	(74,882)
Total governmental activities	1,048,227	51,990	155,689	41,044	(799,504)	-	(799,504)
<u>Business-type activities</u>							
Utilities	2,670,857	2,486,210	62,635	-	-	(122,012)	(122,012)
Total business-type activities	2,670,857	2,486,210	62,635	-	-	(122,012)	(122,012)
<b>Total primary government</b>	<b>\$ 3,719,084</b>	<b>\$ 2,538,200</b>	<b>\$ 218,324</b>	<b>\$ 41,044</b>	<b>\$ (799,504)</b>	<b>\$ (122,012)</b>	<b>\$ (921,516)</b>

General Revenues:

Taxes:

Property taxes	284,680	-	284,680
Bank shares tax	21,661	-	21,661
Motor vehicle tax	15,816	-	15,816
Insurance premium tax	298,186	-	298,186
Licenses & permits	90,404	-	90,404
Miscellaneous	15,222	835	16,057
Total General Revenues	725,969	835	726,804

Change in net assets	(73,535)	(121,177)	(194,712)
Net assets - beginning	3,374,202	8,666,415	12,040,617
Net assets - ending	\$ 3,300,667	\$ 8,545,238	\$ 11,845,905

The accompanying footnotes are an integral part of these financial statements

City of Falmouth, Kentucky  
 Balance Sheet  
 Governmental Funds  
 June 30, 2007

	Primary Government	
	General Fund	Total Governmental Funds
<b>ASSETS</b>		
Cash & cash equivalents	\$ 348,470	\$ 348,470
Grants receivable	2,677	2,677
Other assets	562	562
Total assets	<u>351,709</u>	<u>351,709</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable & other current liabilities	34,050	34,050
Total liabilities	<u>34,050</u>	<u>34,050</u>
<b>FUND BALANCES</b>		
Reserved for:		
Other purposes	-	-
Unreserved, reported in:		
Governmental funds	317,659	317,659
Total fund balances	<u>317,659</u>	<u>317,659</u>
Total liabilities & fund balances	<u>351,709</u>	<u>351,709</u>

**Reconciliation of the Balance Sheet - Governmental fund  
 to the State of Net Assets**

Total fund balances - governmental funds \$ 317,659

Amounts reported for governmental activities in the statement  
 of net assets are different because:

Capital assets used in governmental activities are not financial resources  
 and therefore are not reported in the funds. These assets consist of:

Land	362,839	
Buildings	1,531,793	
Vehicles	748,356	
Other Equipment	144,566	
Parks	200,781	
Streets	1,789,406	
Accumulated depreciation	(1,227,786)	
Total capital assets	<u>3,549,955</u>	3,549,955

Other long-term assets are not available to pay for current  
 period expenditures and therefore, are deferred in the funds

Taxes receivable 42,742

Some liabilities are not due and payable in the current period and  
 therefore are not reported in the funds. Those liabilities consist of:

Due from other funds	541,618	
Deferred revenues	42,742	
Leases payable-due in more than one year	25,329	
Total long-term liabilities	<u>609,689</u>	(609,689)

Net assets of governmental activities \$ 3,300,667

The accompanying footnotes are an integral part of these financial statements



City of Falmouth, Kentucky  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund  
For the Year Ended June 30, 2009

	General Fund
<u>Revenues</u>	
Taxes	\$ 620,343
Licenses and permits	90,404
Intergovernmental revenues	139,689
Charges for services	51,990
Grant revenues	57,044
Proceeds of long-term debt	-
Other revenue	15,222
Total revenues	<u>974,692</u>
 <u>Expenditures</u>	
General government	138,779
Public safety - police	542,709
Public safety - fire	139,415
Public works	202,243
Total expenditures	<u>1,023,146</u>
Excess (deficiency) of revenues over expenditures	(48,454)
Other financing sources (uses)	
Transfers (to) from other funds	-
Total other financing sources (uses)	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>(48,454)</u>
Fund balances, beginning	(175,505)
Fund balances, ending	<u>\$ (223,959)</u>

The accompanying footnotes are an integral part of these financial statements

City of Falmouth, Kentucky

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities

For the Year Ended June 30, 2009

**Net change in fund balances - total governmental funds** **\$ (48,454)**  
 Amounts reported for *governmental activities* in the statement of  
 activities are difference because:

Governmental funds report capital outlays as expenditures.  
 However, in the statement of activities, the cost of those assets  
 is allocated over their estimated useful lives and reported as  
 depreciation expense.

Expenditures for capital outlays	60,762	
Depreciation expense	<u>(97,403)</u>	
Net difference	<u>(36,641)</u>	(36,641)

Repayment of debt principal is an expenditure in the governmental  
 funds, but the repayment reduces long-term liabilities in the statement  
 of net assets.

Repayments of principal on capital lease	11,560	
Proceeds of long term debt	<u>-</u>	
Net	<u>11,560</u>	11,560

**Change in net assets of governmental activities** **\$ (73,535)**

The accompanying footnotes are an integral part of these financial statements

City of Falmouth, Kentucky  
Statement of Fund Net Assets  
Proprietary Funds  
June 30, 2007

	<u>Utility Fund</u>
<u>Assets and Other Debits</u>	
Cash - unrestricted	\$ 198,993
Cash - restricted	182,097
Cash - unrestricted - Council Designated	222,357
Receivables	
Customers (less allowance for doubtful accounts of \$ 10,000)	231,910
Governmental agencies	-
Due from other funds	541,618
Land	-
Construction in progress	5,412,704
Buildings	348,569
Water and sewer system	7,960,062
Electric system	802,877
Vehicles	499,180
Other equipment	217,502
Accumulated depreciation	(4,966,429)
Loan fees, net of amortization	-
Total assets and other debits	<u>\$ 11,651,440</u>
 <u>Liabilities, Fund Equity, and Other Credits</u>	
Liabilities	
Accounts payable-trade	\$ 221,075
School tax payable	2,863
Sales tax payable	2,212
Wages and payroll taxes withheld and accrued	15,783
Customer deposits	54,988
KIA Loan	2,809,281
Total liabilities	<u>3,106,202</u>
 Fund equity	
Retained earnings - unreserved	8,322,881
Depreciation reserve-electric & garbage	112,278
Depreciation reserve-water & sewer	110,079
Total fund equity	<u>8,545,238</u>
Total liabilities and fund equity	<u>\$ 11,651,440</u>

The accompanying footnotes are an integral part of these financial statements

City of Falmouth, Kentucky  
Statement of Revenues and Expenses and Changes in Fund Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2009

Operating revenues		
Charges for services	\$	2,435,678
Late fees & penalties		45,169
Other revenues		5,363
Total operating revenues		<u>2,486,210</u>
Operating expenses		
Electricity purchased		997,338
Waste collection contract		43,803
Salaries		565,816
Employee benefits		127,086
Payroll taxes & workers comp		65,875
Bank fees		3,906
Chemicals		76,751
Consulting & analysis		41,098
Advertising		1,074
Printing		1,687
Legal		10,036
Accounting		11,040
Insurance		92,417
Repairs & maintenance		77,961
Travel		1,963
Education & training		1,741
Postage		6,323
Utilities		2,995
Telephone		8,079
Safety		2,751
Supplies		37,770
Uniforms		12,185
Gasoline		25,500
Interest		85,155
Bad debts		2,139
Dues & subscriptions		614
Equipment expense		54,860
Depreciation reserve expenses		78,000
Depreciation		234,894
Total operating expenses		<u>2,670,857</u>
Operating Income (Loss)		(184,647)
Non-Operating Revenues		
Interest Income		835
Grant revenues		62,635
Change in Net Assets		<u>(121,177)</u>
Fund Equity - Beginning of Year		8,666,415
Fund Equity - End of Year	\$	<u>8,545,238</u>

The accompanying footnotes are an integral part of these financial statements

City of Falmouth, Kentucky  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2009

Cash flows from operating activities	
Net Income	\$ (121,177)
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Amortization and depreciation	234,894
(Increase) Decrease in:	
Accounts receivable, net	38,581
Due from other funds	655
Increase (Decrease) in:	
Accounts payable & other current liabilities	29,189
Meter deposits	596
Accrued interest	-
Net cash provided (used) by operating activities	<u>182,738</u>
Cash flows from investing activities	
(Increase) in restricted reserves	-
Net cash provided (used) by investing activities	<u>-</u>
Cash flows from capital financing activities	
Purchase of fixed assets	(1,661,650)
Increase in KIA on notes payable	1,610,447
Net cash provided (used) by financing activities	<u>(51,203)</u>
Net increase in cash and cash equivalents	131,535
Cash and cash equivalents, beginning of year	471,912
Cash and cash equivalents, end of year	<u>\$ 603,447</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest expense	<u>\$ -</u>

The accompanying footnotes are an integral part of these financial statements

CITY OF FALMOUTH, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

Kentucky Revised Statutes and Ordinances of the City Council of the City of Falmouth, Kentucky (the "City") designate the purpose, function and restrictions of the various funds. The financial statements included herein consist of the General and Utility Enterprise Funds.

**Reporting Entity**

The financial statements of the City include the funds over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of GASB Codification of Governmental Accounting and Financial Reporting Standards was determined on the basis of the City's ability to significantly influence operation, select the governing body, participate in fiscal management and the scope of public service. The only entity included in the financial statements is the City of Falmouth, Kentucky.

The accounting and reporting framework and the more significant accounting principles and practices of the City of Falmouth, Kentucky (the City) are discussed in subsequent sections of these Notes. The City is a municipality governed by a mayor and city council. As required by generally accepted accounting principles, the accompanying financial statements present the City's primary government. The City has no discretely presented component units or entities for which the government is considered to be financially accountable. The City of Falmouth, Kentucky is a Charter City, in which citizens elect the mayor at large, and six council members.

**Use of Estimates**

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Basis of Presentation**

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the City are discussed below.

CITY OF FALMOUTH, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

**Basic Financial Statements—Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's public safety, public works and general administrative services are classified as governmental activities. The City's utility services are classified as business-type activities.

In the government-wide Statement of Net Assets, governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs by function are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc). The City does not allocate indirect costs. This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

**Basic Financial Statements—Fund Financial Statements**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

**1. Governmental Activities:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports the following major governmental funds

- a. General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF FALMOUTH, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

2. Proprietary Funds

The City reports the following major enterprise funds:

- a. The Utility Fund is an enterprise fund that accounts for the operating activities of the City's water, sewer, electric, and garbage collection services.

**Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The General Fund uses a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. Deferred revenue represents grant revenues received but not earned. Revenues are recognized when eligible expenditures are incurred. Allocations of costs, such as depreciation, are not recognized in governmental funds.

The Proprietary Fund uses the accrual basis of accounting. The accrual basis of accounting recognizes revenues when earned. Expenses are recorded when incurred.

**Budgets**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annually appropriated budgets are adopted for all government funds. All annual appropriations continue in effect until a new budget is adopted.

**Stewardship, Compliance and Accountability**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with City code, prior to June 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
5. Appropriations continue in effect until a new budget is adopted.
6. The City Council may authorize supplemental appropriations during the year.



CITY OF FALMOUTH, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

**Property Tax Calendar**

The City levies property taxes on qualifying property. Property taxes are the City's primary source of general fund revenue. Property taxes attach as an enforceable lien of property as of October 15 and are payable December 31. Property tax revenues are recognized when they become levied. No allowance for uncollectible receivable is considered necessary.

**Income Taxes**

The City is a political sub-division of the State of Kentucky and is not subject to federal and state income taxes.

**Council Designated Assets**

Certain cash accounts have been classified as designated assets to indicate that they have been earmarked for a specific use.

**Fund Equity**

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**Interfund Transactions**

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**NOTE B - CASH, CASH EQUIVALENTS AND DEPOSITS**

Cash consists of deposits with banks. These deposits are carried at cost, which approximates market. Fair value approximates carrying value. Kentucky Revised Statutes authorize municipalities to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies and deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States government and its agencies.

CITY OF FALMOUTH, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

It is the policy of the City to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City and conforming to all state statutes and city regulations governing the investments of public funds.

As of June 30, 2009 the carrying amount of the City's deposits is \$951,917, which is covered by federal depository insurance or by collateral held by the City's agents in the City's name.

**NOTE C – CAPITAL ASSETS**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in fund financial statements. Capital assets utilized by the proprietary funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Estimated Lives</u>
Building & Improvements	15-50 years
Vehicles	8-15 years
Other Equipment	5-10 years
Parks	50 years
Streets	50 years
Electric System	5-50 years
Water & Sewer System	5-50 years

CITY OF FALMOUTH, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems acquired after June 30, 2003 are capitalized and depreciated over their estimated useful lives, in compliance with the guidelines of GASB 34. Infrastructure acquired prior to July 1, 2003 was not capitalized. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset life are not capitalized. A summary of changes in general fixed assets is as follows.

	Balance			Balance
	June 30, 2008	Additions	Disposals	June 30, 2009
<b>Governmental Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 362,839			\$ 362,839
<b>Depreciable Capital Assets</b>				
Building & Improvements	1,531,793			1,531,793
Vehicles	728,312	20,044		748,356
Other Equipment	144,566			144,566
Parks	160,063	40,718		200,781
Streets	1,789,406			1,789,406
Total Depreciable Capital Assets	4,354,140	60,762	-	4,414,902
Total Capital Assets	4,716,979	60,762	-	4,777,741
Less: Accumulated Depreciation	1,130,383	97,403		1,227,786
Depreciable Capital Assets, Net	3,223,757	(36,641)	-	3,187,116
Governmental Activities Capital Assets, Net	\$ 3,586,596	\$ (36,641)	\$ -	\$ 3,549,955
<b>Business-Type Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Construction in Progress	\$ 3,764,848	\$ 1,647,856		\$ 5,412,704
<b>Depreciable Capital Assets</b>				
Building & Improvements	348,569			348,569
Water & Sewer System	7,960,062			7,960,062
Electric System	789,083	13,794		802,877
Vehicles	499,180			499,180
Other Equipment	217,502			217,502
	9,814,396	13,794	-	9,828,190
	13,579,244	1,661,650	-	15,240,894
Less: Accumulated Depreciation	4,731,535	234,894		4,966,429
Depreciable Capital Assets, Net	5,082,861	(221,100)	-	4,861,761
Governmental Activities Capital Assets, Net	\$ 8,847,709	\$ 1,426,756	\$ -	\$ 10,274,465

CITY OF FALMOUTH, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

Depreciation expense was charged to functions of the primary government as follows:

General Government	22,391
Police	8,618
Fire	25,482
Public Works	40,912
Utility Fund	234,894

**NOTE D- BUDGETING**

The City is required by state law to adopt annual budgets. The General Fund budget is prepared on the modified accrual basis of accounting. The Proprietary Fund budget is prepared on the accrual basis of accounting. This is consistent with generally accepted accounting principles. Budgets are prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by class as follows: general government, police, fire, dispatch, public works, and other. Section 91A.030 and Section 424.24 of the Kentucky Revised Statutes prohibits expenditure in excess of budgeted amounts and prohibits budgeting of appropriations in excess of revenues. For the year ended June 30, 2009, the City exceeded, on a line item basis and on a class basis, some approved appropriations for expenditures in the general fund and special revenue fund.

**NOTE E – CONTINGENT LIABILITIES**

The City is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures or revenue sources of the City. In the opinion of City management, these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of this and similar cases has been made in the accompanying financial statements.

**NOTE F – PROPERTY TAXES RECEIVABLE**

Property taxes attached as an enforceable lien on property as of October 15, 2008. Taxes were levied in October 2007 and were due and payable December 31, 2008. All unpaid taxes levied in October become delinquent January 1 of the following year. A deferred revenue account is established for delinquent taxes to the extent that their collectability is improbable.

CITY OF FALMOUTH, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

**NOTE G – ACCOUNTS RECEIVABLE**

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. The City begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the City's collection history, the financial stability and recent payment history of the customer, and other pertinent factors. Based on these criteria, the City has estimated an allowance for doubtful accounts of \$10,000 at June 30, 2009.

**NOTE H – CONTINGENCIES**

The City receives funding from federal, state, and local government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the fund have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the city for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**NOTE I – INSURANCE AND RELATED ACTIVITIES**

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The City has purchased certain policies that are retrospectively rated which include worker's compensation insurance.

**NOTE J - EMPLOYEE RETIREMENT**

*County Employees Retirement System (CERS)*

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

CITY OF FALMOUTH, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Non-hazardous Contributions - For the year ended June 30, 2008, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2008, participating employers contributed 13.5% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2009 was 13.5% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings. The rate for new hires is 1% more than the 13.5% actuarially determined rate.

Hazardous Contributions - For the year ended June 30, 2008, plan members were required to contribute 8% of their annual creditable compensation. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2009, participating employers contributed 29.5% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2009 was 29.5% of creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings. The rate for new hires is 1% more than the 29.5% actuarially determined rate.

The City contributed 100% of the required annual contribution of \$126,144 for the current fiscal year.

CITY OF FALMOUTH, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

**NOTE K – NOTES PAYABLE**

**Fire Truck Note Payable**

Vehicle leases consists of a capital lease for the purchase of a fire truck; with initial principal of \$61,000 and an interest rate of 6.50%. This agreement requires annual payments of \$13,954 expiring September 2010. Interest expense for this loan was \$2,395 for the year ended June 30, 2009.

Future minimum lease payments are as follows:

2010	12,310
2011	13,019
	<u>25,329</u>

**Kentucky Infrastructure Authority Note Payable**

The City has an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement note payable for the cost of constructing a new wastewater treatment plan and pumping station. The full amount of allowable funds is \$2,812,255 at an interest rate of 1%, maturing in December 2029. As of June 30, \$2,809,281 of funds have been received. There was no interest expense for this loan for the year ended June 30, 2009. The remaining maturity on the note payable is as follows:

2010	63,684
2011	128,328
2012	129,613
2013	130,913
2014-2018	674,514
2019-2023	709,009
2024-2028	745,268
2029-2030	<u>230,926</u>
	2,812,255
Less Proceeds not Received at June 30, 2009	(2,974)
	<u>Total 2,809,281</u>

Changes in long-term debt are as follows:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Fire Truck Loan	\$ 36,888	\$ -	\$ (11,559)	\$ 25,329
KIA Loan	1,198,834	1,610,447		2,809,281
Total Long-term Debt	<u>\$ 1,235,722</u>	<u>\$ 1,610,447</u>	<u>\$ (11,559)</u>	<u>\$ 2,834,610</u>
Less Current Portion	\$ (11,559)			\$ (12,310)
Long-term Debt less Current Portion	<u>1,224,163</u>	<u>1,610,447</u>	<u>(11,559)</u>	<u>2,822,300</u>

CITY OF FALMOUTH, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

**NOTE L – REGIONAL SEWER PROJECT**

The City is in the process of constructing a new Wastewater Treatment Plant, a new Wastewater Pump Station, and approximately 6,500 linear feet of force main. The entire project is funded with a combination of state and federal grants and the KIA Revolving Loan fund. As of June 30, 2009, the City had expended \$5,412,704 for this project.



**SUPPLEMENTAL DATA**

City of Falmouth, Kentucky  
Statement of Revenues and Expenditures and Changes in Fund Balances  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Taxes	\$ 515,985	\$ 515,985	\$ 620,343	\$ 104,358
Licenses and permits	70,710	70,710	90,404	19,694
Intergovernmental revenues	137,595	137,595	139,689	2,094
Charges for services	52,000	52,000	51,990	(10)
Grant revenues	108,135	108,135	57,044	(51,091)
Other revenue	11,900	11,900	15,222	3,322
Total Revenues	<u>896,325</u>	<u>896,325</u>	<u>974,692</u>	<u>78,367</u>
<u>Expenditures</u>				
General government	137,930	137,930	138,779	(849)
Public safety - police	614,610	614,610	542,709	71,901
Public safety - fire	153,135	153,135	139,415	13,720
Public works	262,590	262,590	202,243	60,347
Total Expenditures	<u>1,168,265</u>	<u>1,168,265</u>	<u>1,023,146</u>	<u>145,119</u>
Deficit of Revenues over Expenditures	(271,940)	(271,940)	(48,454)	223,486
Transfers (to) from other funds	-	-	-	-
Budgetary fund balances, beginning of year	\$ 368,005	\$ 368,005	\$ (175,505)	\$ (543,510)
Budgetary fund balance - end of year	<u>\$ 96,065</u>	<u>\$ 96,065</u>	<u>\$ (223,959)</u>	<u>\$ (320,024)</u>

The accompanying footnotes are an integral part of these financial statements

City of Falmouth, Kentucky  
 Schedule of Cash, Investments, and Reserves  
 June 30, 2009

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
	<u>General Fund</u>	<u>Utility Fund</u>
<u>Cash - unrestricted</u>		
General checking	\$ 294,723	\$ 198,813
Cash in drawer	-	180
	<u>\$ 294,723</u>	<u>\$ 198,993</u>
<u>Cash - restricted</u>		
Municipal road aid	\$ 16,284	\$ -
Equitable Sharing funds	2,114	
ABC 2% Tax account	26,137	-
LGEA checking	7,066	-
Fire truck acquisition savings	1,602	-
Renaissance Grant checking	544	-
Regional Sewer project checking	-	111,013
Meter deposits	-	71,084
	<u>\$ 53,747</u>	<u>\$ 182,097</u>
<u>Designated by Council for Capital Outlay</u>		
Depreciation reserve-Electric & Garbage	-	112,278
Depreciation reserve-Water & Sewer	-	110,079
	<u>\$ -</u>	<u>\$ 222,357</u>
<b>Total Cash, Investments, and Reserves</b>	<u><b>\$ 348,470</b></u>	<u><b>\$ 603,447</b></u>

The accompanying footnotes are an integral part of these financial statements

City of Falmouth, Kentucky  
 Schedule of Revenues - Budget and Actual  
 General Fund  
 Non-GAAP Budgetary Basis  
 For the Year Ended June 30, 2009

	Original & Final Budget	Actual	Variance
<b>Taxes</b>			
Property taxes	\$ 231,000	\$ 284,680	\$ 53,680
Bank shares tax	17,485	21,661	4,176
Motor vehicle taxes	17,500	15,816	(1,684)
Insurance premium taxes	250,000	298,186	48,186
<b>Total taxes</b>	<b>515,985</b>	<b>620,343</b>	<b>104,358</b>
<b>Licenses and permits</b>			
Occupational	9,000	10,128	1,128
Building permits & inspection fees	1,000	2,446	1,446
Liquor licenses/Gross receipts	24,010	33,969	9,959
Franchise fees	36,700	43,861	7,161
<b>Total licenses and permits</b>	<b>70,710</b>	<b>90,404</b>	<b>19,694</b>
<b>Intergovernmental revenues</b>			
LGEA program	33,280	32,051	(1,229)
Police incentive & grants	42,500	37,592	(4,908)
Land & Water project	20,000	20,000	-
Base court revenue	15,900	15,586	(314)
Municipal Road aid	25,915	34,460	8,545
<b>Total intergovernmental revenues</b>	<b>137,595</b>	<b>139,689</b>	<b>2,094</b>
<b>Charges for services</b>			
Fire runs	22,000	19,840	(2,160)
Fire contract	30,000	32,150	2,150
<b>Total charges for services</b>	<b>52,000</b>	<b>51,990</b>	<b>(10)</b>
<b>Grant Revenues</b>			
State fire grant	15,500	16,000	500
Renaissance/Streetscape grant	92,635	41,044	(51,591)
Other grants	-	-	-
<b>Total Grant Revenues</b>	<b>108,135</b>	<b>57,044</b>	<b>(51,091)</b>
<b>Other revenues</b>			
Proceeds of long-term debt	-	-	-
Miscellaneous	100	160	60
Proceeds - sale of surplus property	-	-	-
Rental income	10,300	14,729	4,429
Interest income	1,500	333	(1,167)
<b>Total other revenues</b>	<b>11,900</b>	<b>15,222</b>	<b>3,322</b>
<b>Total revenues</b>	<b>\$ 896,325</b>	<b>\$ 974,692</b>	<b>\$ 78,367</b>

The accompanying footnotes are an integral part of these financial statements

City of Falmouth, Kentucky  
 Schedule of Expenditures - Budget and Actual  
 General Fund  
 Non-GAAP Budgetary Basis  
 For the Year Ended June 30, 2009

	Original & Final		
	Budget	Actual	Variance
<b>General government</b>			
Salaries	\$ 42,500	\$ 42,500	\$ -
Payroll taxes & benefits	3,305	3,267	38
Bank fees	325	292	33
Community Activities	4,000	5,650	(1,650)
Airport Board	5,000	-	5,000
Animal control	2,500	-	2,500
Consulting	2,000	-	2,000
Advertising	4,000	2,379	1,621
Meals	1,000	701	299
Printing	1,000	974	26
Legal	12,500	4,717	7,783
Accounting	2,500	3,833	(1,333)
Insurance	12,000	35,369	(23,369)
Repairs and maintenance	4,500	6,057	(1,557)
Travel	2,000	818	1,182
Education and training	1,000	1,160	(160)
Postage	1,000	477	523
Telephone	2,000	2,137	(137)
Office supplies	1,000	1,863	(863)
Uniforms	1,250	1,297	(47)
Safety	750	-	750
Planning & zoning	5,000	17,546	(12,546)
Dues & subscriptions	6,000	5,382	618
Miscellaneous	1,000	560	440
ABC 2% Tax expenses	15,800	1,800	14,000
Capital Outlay	4,000	-	4,000
<b>Total general government</b>	<b>137,930</b>	<b>138,779</b>	<b>(849)</b>
<b>Police</b>			
Salaries	314,235	282,091	32,144
Employee benefits	129,340	106,101	23,239
Payroll taxes and workers comp	35,020	33,627	1,393
Bank fees	2,100	2,012	88
Advertising	500	-	500
Printing	300	180	120
Legal	3,000	450	2,550
Accounting	2,500	2,208	292
Consulting	4,000	4,000	-
Insurance	30,000	31,245	(1,245)
Repairs & maintenance	12,000	10,674	1,326
Travel	1,000	1,071	(71)
Education & training	2,000	1,656	344
Postage	250	4	246
Utilities	500	393	107
Telephone	6,000	5,325	675
Safety	750	470	280
Supplies	4,500	5,233	(733)
Uniforms	3,000	2,391	609
Gasoline	22,500	17,808	4,692
Dues & subscriptions	500	191	309
Miscellaneous	300	265	35
Equitable Sharing/Drug Activities	1,815	4,313	(2,498)
COPS Grant	500	4,255	(3,755)
Capital outlay	38,000	26,746	11,254
<b>Total police</b>	<b>\$ 614,610</b>	<b>\$ 542,709</b>	<b>\$ 71,901</b>

The accompanying footnotes are an integral part of these financial statements

City of Falmouth, Kentucky  
Schedule of Expenditures - Budget and Actual (continued...)  
General Fund  
Non-GAAP Budgetary Basis  
For the Year Ended June 30, 2009

	Original & Final Budget	Actual	Variance
<b>Fire</b>			
Lease payments	15,000	13,954	1,046
Salaries	13,200	13,200	-
Employee benefits	1,620	1,517	103
Payroll taxes and workers comp	1,765	1,906	(141)
Donations	400	-	400
Advertising	200	-	200
Fire runs	31,750	24,445	7,305
Meals	600	471	129
Printing	250	180	70
Legal	1,000	442	558
Accounting	2,500	2,208	292
Consulting	500	-	500
Insurance	17,500	24,988	(7,488)
Repairs & maintenance	24,000	23,418	582
Travel	500	206	294
Education & training	1,000	640	360
Postage	150	11	139
Utilities	3,200	3,112	88
Telephone	1,500	1,737	(237)
Safety	750	89	661
Supplies	7,000	4,452	2,548
Uniforms	5,000	893	4,107
Gasoline	2,000	2,914	(914)
Dues & subscriptions	250	125	125
Miscellaneous	500	-	500
Capital outlay	21,000	18,507	2,493
<b>Total fire</b>	<b>153,135</b>	<b>139,415</b>	<b>13,720</b>
<b>Public works</b>			
Repairs & maintenance			-
Streets & sidewalks	67,500	70,945	(3,445)
Parks	50,600	50,906	(306)
Renaissance/Streetscape project	102,635	51,062	51,573
LGEA expenses	41,855	29,330	12,525
<b>Total public works</b>	<b>262,590</b>	<b>202,243</b>	<b>60,347</b>
<b>Total expenditures</b>	<b>\$ 1,168,265</b>	<b>\$ 1,023,146</b>	<b>\$ 145,119</b>

The accompanying footnotes are an integral part of these financial statements

City of Falmouth, Kentucky  
Combining Statement of Revenues and Expenses and changes in Net Assets  
Utility Fund  
For the Year Ended June 30, 2009

	Office	Electric System	Water System	Sewer System	Waste Collection	Total
<b>Operating revenues</b>						
Charges for services	\$ -	\$ 1,194,555	\$ 743,254	\$ 323,714	\$ 174,155	\$ 2,435,678
Late fees & penalties	45,169					45,169
Other revenues	5,363					5,363
<b>Total operating revenues</b>	<b>50,532</b>	<b>1,194,555</b>	<b>743,254</b>	<b>323,714</b>	<b>174,155</b>	<b>2,486,210</b>
<b>Operating expenses</b>						
Electricity purchased		968,871		28,467		997,338
Waste collection contract					43,803	43,803
Salaries	114,074	77,217	234,161	87,965	52,399	565,816
Employee benefits	15,609	18,808	56,229	22,382	14,058	127,086
Payroll taxes & workers comp	8,338	8,669	30,921	9,726	8,221	65,875
Bank fees	883	504	1,597	586	336	3,906
Chemicals			76,001	750		76,751
Consulting & analysis		15	21,509	19,559	15	41,098
Advertising	44	16	841	17	156	1,074
Printing	219	367	367	367	367	1,687
Legal	412	5,245	412	3,555	412	10,036
Accounting	2,208	2,208	2,208	2,208	2,208	11,040
Insurance	2,733	12,322	36,438	21,623	19,301	92,417
Repairs & maintenance	933	6,734	39,932	21,085	9,277	77,961
Travel	144	435	556	828	-	1,963
Education & training	495	107	643	461	35	1,741
Postage	4	1,658	1,663	1,516	1,482	6,323
Utilities	-	1,468	1,527			2,995
Telephone	2,467	1,699	3,913			8,079
Safety		750	539	731	731	2,751
Supplies	1,739	7,989	18,605	7,745	1,692	37,770
Uniforms		2,639	5,965	942	2,639	12,185
Gasoline		4,465	6,798	4,730	9,507	25,500
Interest				85,155		85,155
Bad debts		2,139	-			2,139
Dues & subscriptions	45		569			614
Equipment expense	1,355	4,596	19,959	27,100	1,850	54,860
Depreciation reserve expenses		36,356	38,117	27	3,500	78,000
Depreciation	23,430	19,958	128,144	53,101	10,261	234,894
<b>Total operating expenses</b>	<b>175,132</b>	<b>1,185,235</b>	<b>727,614</b>	<b>400,626</b>	<b>182,250</b>	<b>2,670,857</b>
<b>Operating income (loss)</b>	<b>\$ (124,600)</b>	<b>\$ 9,320</b>	<b>\$ 15,640</b>	<b>\$ (76,912)</b>	<b>\$ (8,095)</b>	<b>\$ (184,647)</b>
<b>Non-Operating Revenues</b>						
Interest income	835					835
Grant revenues				62,635		62,635
<b>Change in Net Assets</b>	<b>\$ (123,765)</b>	<b>\$ 9,320</b>	<b>\$ 15,640</b>	<b>\$ (14,277)</b>	<b>\$ (8,095)</b>	<b>\$ (121,177)</b>

The accompanying footnotes are an integral part of these financial statements

**SUPPLEMENTAL REPORTS**



CITY OF FALMOUTH, KENTUCKY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2009

Federal Grants/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Disbursements
Environmental Protection Agency Passed Through State of Kentucky Infrastructure Authority Capitalization Grant for Clean Water State Revolving Funds	66.458	\$1,298,074

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Falmouth, Kentucky and is presented on the basis of accounting described in Note 1 of the financial statements. The information in this schedule is presented in accordance with the requirements of OMB circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



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Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and Members of the City Council  
City of Falmouth, Kentucky

We have audited the financial statements of the City of Falmouth as of and for the year ended June 30, 2009, and have issued our report thereon dated March 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, records, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

Finding 2009-1

Management has requested that we prepare the City's financial statements including footnotes. Although we have prepared the financial statements, the financial statements still remain the responsibility of management. A proper system of internal controls over financial reporting is essential in order to prevent, detect, and correct misstatements. We noted that the City does not have the necessary expertise in order to prepare the financial statements, including footnotes in accordance with the complex requirements of the U.S. generally accepted accounting principles. Our firm has implemented the appropriate controls over the financial statement preparation; however, our controls cannot be considered as the City's internal controls. Accordingly, a significant deficiency in the City's internal controls exists in regards to the financial statement reporting function.

Management's Response

We realize there is a new requirement that a City must have a responsible person to review financial statements and footnotes and determine if they are correct. Since the City does not have a CPA on staff, it would be difficult to meet this requirement. The City is committed to a strong internal control environment; however it would not be cost effective at this time to add employees with the accounting expertise needed to comply to this requirement.

We consider the following deficiencies to not be considered significant deficiencies in internal control over financial reporting.

Finding 2009-2

When performing reconciliations of taxes receivable along with reviewing the reasonableness of the allowance for doubtful accounts, it was noted that the City is not currently placing liens on delinquent individuals. We recommend that the City determine an appropriate time-frame to allow individuals to submit their payments and at any time in excess of those dates, a lien be placed on the property.

Managements Response

The City has considered this in the past, but has determined that the legal fees, filing fees and publication costs associated with a tax lien would be more costly than the benefits.

Finding 2009-3

The City currently has not implemented a proper purchase order policy. The City does sometimes have invoices approved for payment, however, we recommend that a policy be install for purchase orders for all expenditures over a certain amount.

Management's Response

The City agrees, and does have a purchase order policy in place but it is not always adhered to due to extenuating circumstances. The City is working to enforce the policy in place and will establish a minimum limit.

Finding 2009-4

The City has a utility billing software system that is fully capable of tracking meter deposits and other customer accounts. Currently, the City is using an older, manual system to track customer deposits. We recommend that the City fully utilize the software capabilities to better track customer deposits.

Management's Response

The City agrees with this recommendation. The City is planning to implement it as soon as staff time allows.

Finding 2009-5

During review of the cash accounts, it was noted that several smaller, special purpose accounts have manual checks. This limits the controls over these accounts. We recommend that the City either computerizes this function, or continue to require that the checkbooks remain locked at all times and begin requiring two signatures for all checks.

Management's Response

The City will begin requiring two signatures on all manual checks, and continue to keep these checkbooks locked up.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Falmouth's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described below. We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Falmouth.

KRS 91A.030 & 424.240 require cities to adopt a budget for all governmental, and proprietary funds. Budgeted appropriations may not exceed revenues in any one fiscal year, and may not exceed available appropriations. The City's expenditures exceeded budgeted appropriations in some areas. However, the expenditures did not exceed the available resources.

The City's responses to the findings identified in our audit are described above. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

**Maddox & Associates CPAs Inc.**

Ft. Thomas, Kentucky  
March 9, 2010



Maddox & Associates CPAs Inc  
Certified Public Accountants

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Members of the City Council  
City of Falmouth, Kentucky

Compliance

We have audited the compliance of City of Falmouth, Kentucky (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2009.

### Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course or performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Maddox & Associates CPAs Inc.

Ft. Thomas, Kentucky  
March 9, 2010

**CITY OF FALMOUTH, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**SUMMARY OF AUDIT RESULTS**

**FINANCIAL STATEMENTS**

Type of Financial Statement Opinion Unqualified

Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS) ? Yes

Were there any material weaknesses reported at the financial Statement level (GAGAS)? No

Was there any reported material noncompliance at the Financial statement level (GAGAS)? No

**FEDERAL AWARDS**

Were there any material internal control weakness conditions Reported for major federal programs No

Were there any other reportable conditions identified, not considered to be material weaknesses reported for major programs. No

Type of Major Programs Compliance Opinion Unqualified

Is there any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510? No

Major Programs Clean Water State Revolving Fund CFDA 66,458

Dollar Threshold: Type A/B Programs Type A: > \$300,000      Type B: all others

Low Risk Auditee No

**FINDINGS - FINANCIAL STATEMENT AUDIT**

No matters to be reports

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

No matters to be reports





STEVEN L. BESHEAR  
GOVERNOR

LEONARD K. PETERS  
SECRETARY

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

March 19, 2010

April DeFalco  
City of Falmouth  
230 Main St  
Falmouth, KY 41040

Re: Oak Haven Extension  
Pendleton County, Kentucky  
Project ID: 10-0032 (80)  
Falmouth WWTP (New) -- 74522  
Activity ID: APE20100001

Dear Ms. DeFalco:

In accordance with KRS Chapter 224.10-100 (19), the Environmental and Public Protection Cabinet approves the Construction Permit Application for Sewer Line Construction dated January 19, 2010.

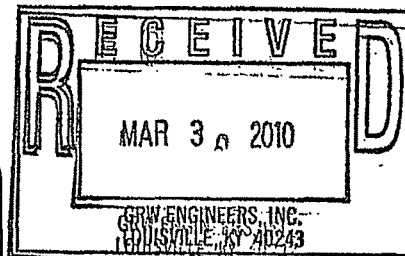
If we can be of any further assistance or should you wish to discuss this correspondence, please do not hesitate to contact William Wright at 502/564-3410, extension 4829.

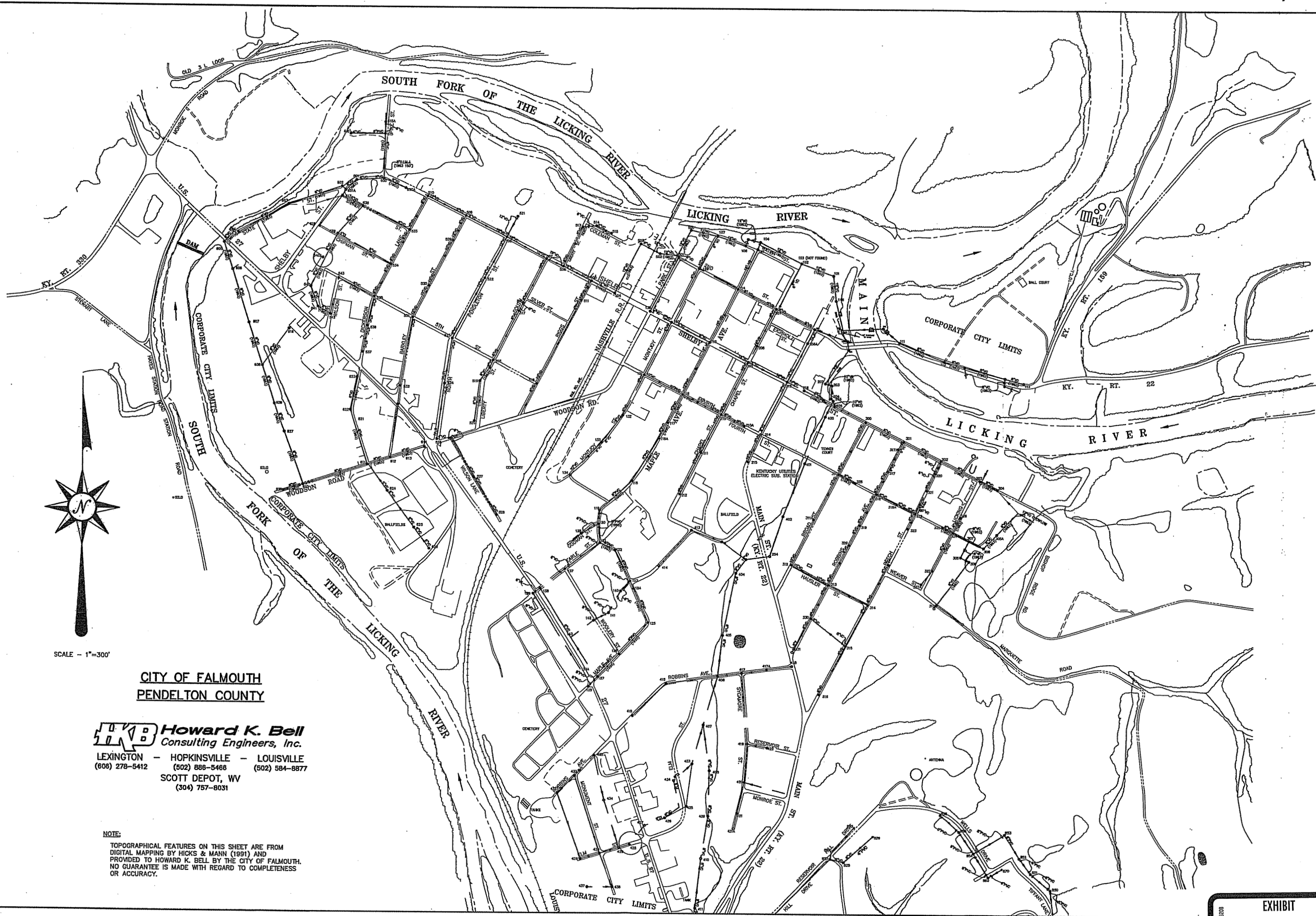
Sincerely,

Solitha Dharman, P.E.  
Engineering Section  
Water Infrastructure Branch  
Division of Water

SD/WLW

c: Pendleton County Health Department  
Scarlet Perry, Div of Plumbing  
John Well, GRW Engineers  
Attachment



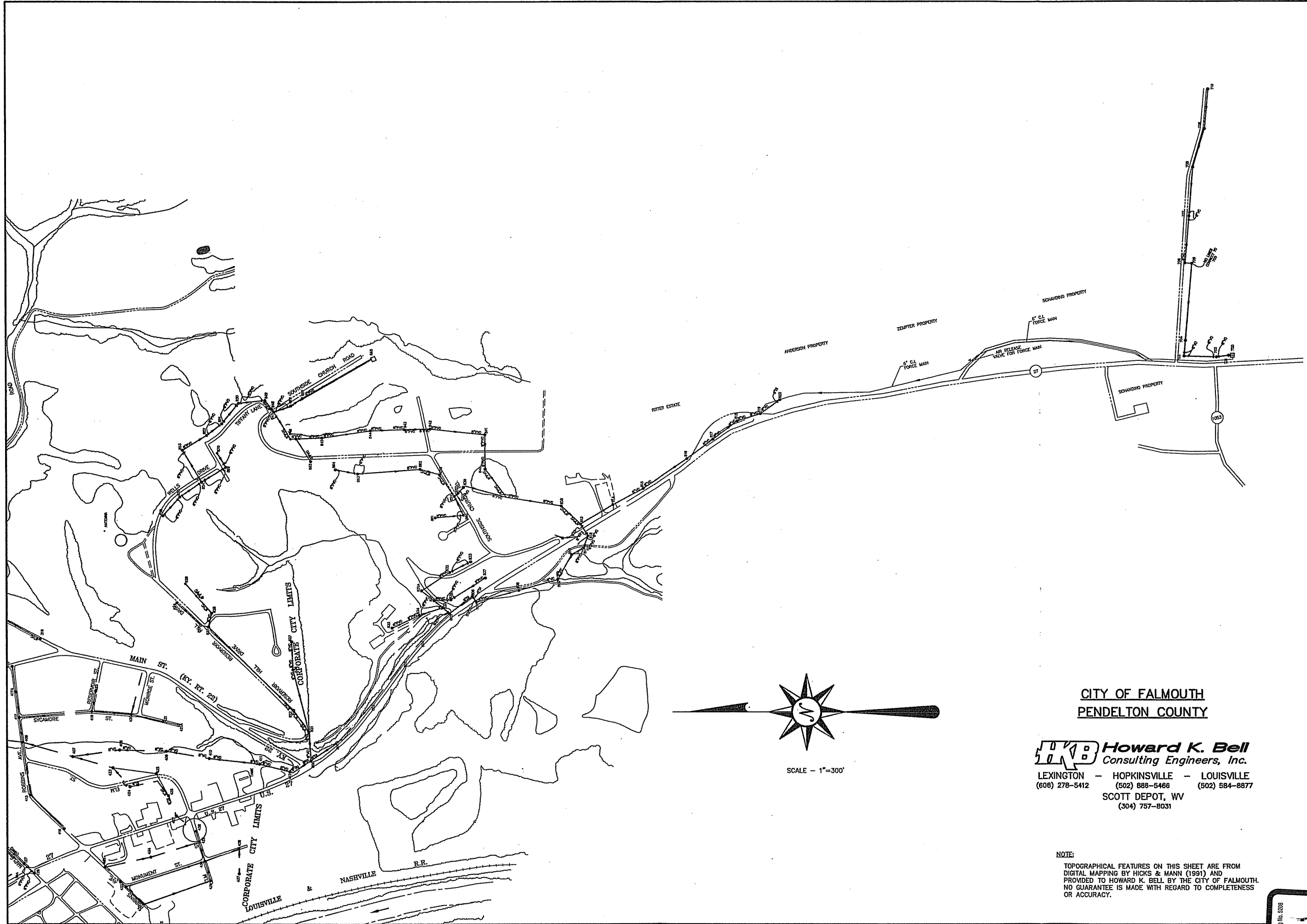


SCALE - 1"=300'

**CITY OF FALMOUTH  
PENDLETON COUNTY**

**HKD** **Howard K. Bell**  
Consulting Engineers, Inc.  
LEXINGTON - HOPKINSVILLE - LOUISVILLE  
(608) 278-5412 (502) 886-5466 (502) 584-8877  
SCOTT DEPOT, WV  
(304) 757-8031

**NOTE:**  
TOPOGRAPHICAL FEATURES ON THIS SHEET ARE FROM  
DIGITAL MAPPING BY HICKS & MANN (1991) AND  
PROVIDED TO HOWARD K. BELL BY THE CITY OF FALMOUTH.  
NO GUARANTEE IS MADE WITH REGARD TO COMPLETENESS  
OR ACCURACY.



**CITY OF FALMOUTH  
PENDELTON COUNTY**

**Howard K. Bell**  
Consulting Engineers, Inc.  
LEXINGTON - HOPKINSVILLE - LOUISVILLE  
(606) 278-5412 (502) 888-5466 (502) 584-8877  
SCOTT DEPOT, WV  
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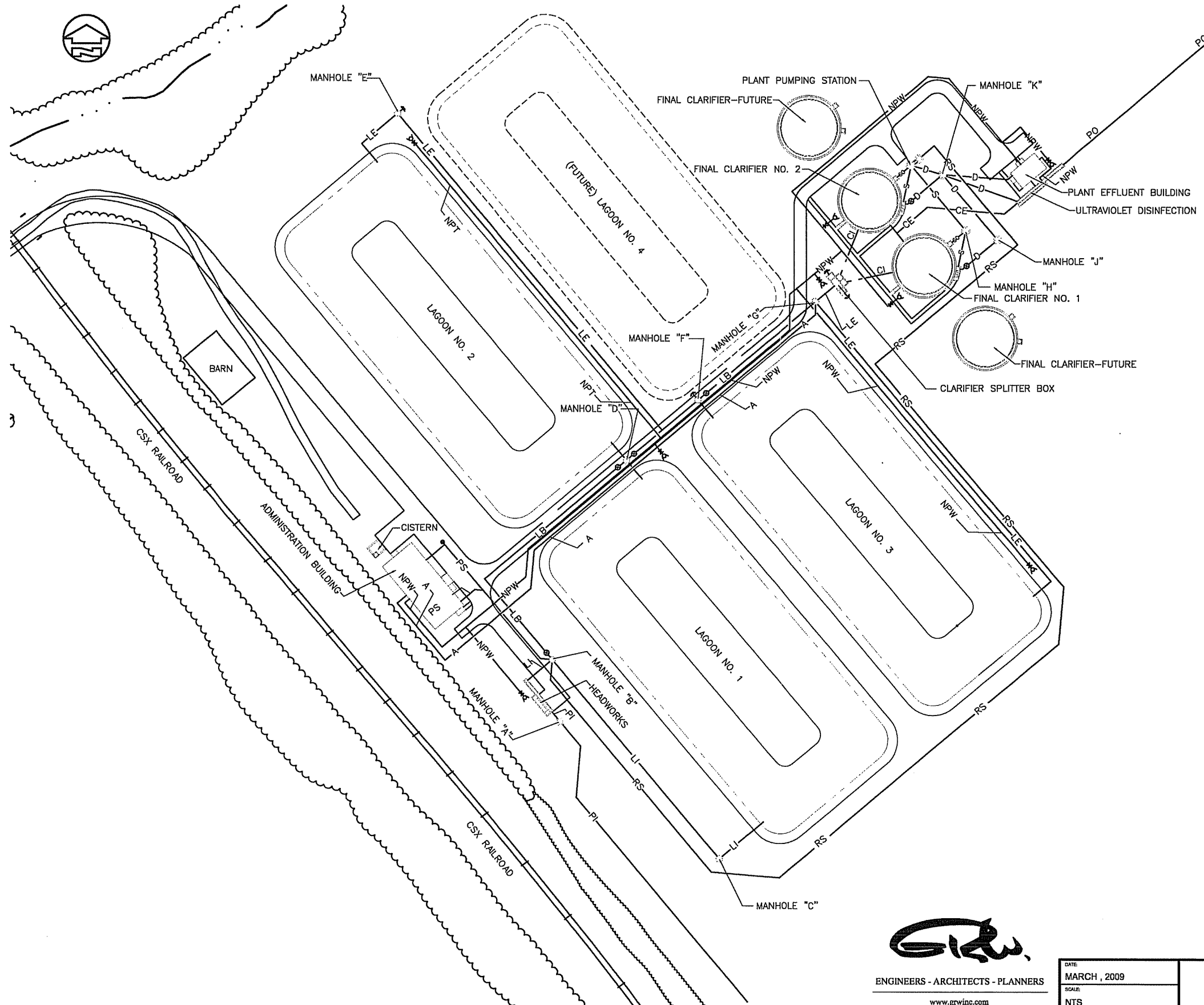
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PROVIDED TO HOWARD K. BELL BY THE CITY OF FALMOUTH.  
NO GUARANTEE IS MADE WITH REGARD TO COMPLETENESS  
OR ACCURACY.

EXHIBIT  
**3A**



**LEGEND**

- PIPING
- ⊕ YARD HYDRANT
- ⊞ GATE VALVE & BOX
- ⊗ PLUG VALVE & BOX
- ⊙ MANHOLE
- A ALUM SOLUTION PIPING
- CI CLARIFIER INFLUENT PIPING
- CE CLARIFIER EFFLUENT PIPING
- D DRAIN PIPING
- LB LAGOON BYPASS PIPING
- LI LAGOON INFLUENT PIPING
- LE LAGOON EFFLUENT PIPING
- NPW NON-POTABLE WATER PIPING
- PI PLANT INFLUENT PIPING
- PO PLANT OUTFALL PIPING
- PS PLANT SEWER PIPING
- RS RETURN SLUDGE/SCUM PIPING
- S SLUDGE PIPING
- SC SCUM PIPING



PRINTED: 3/19/2009 @ 2:11PM

FILE NAME: I:\3176-Falmouth WWTP\04M Manual\EXHIBITS\3176-EX04-1.dwg

**GRW**  
 ENGINEERS - ARCHITECTS - PLANNERS  
 www.grwinc.com

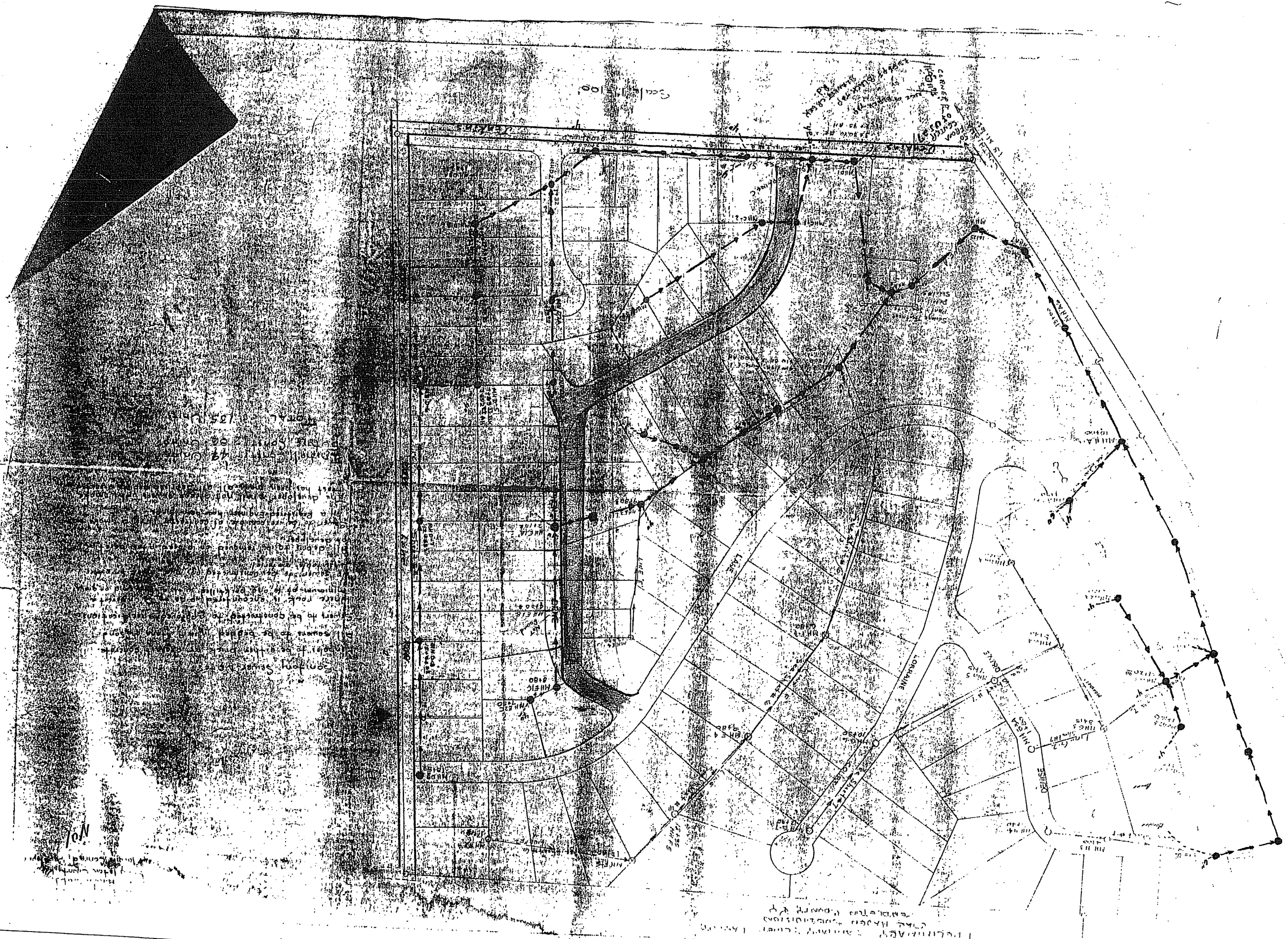
DATE: MARCH, 2009  
 SCALE: NTS

FALMOUTH WWTP  
 LAYOUT DIAGRAM

EXHIBIT  
 3A

EXHIBIT 04-1





<i>GRW Engineers, Inc.</i>	<b>Exhibit 4: Oak Haven Extension</b>			
	<b>Owner:</b> City of Falmouth			
<b>Construction Estimate</b>	<b>Project No.</b> 3178-02			
	<b>Date:</b> 03/30/09	<b>Dwg. No.</b>		
	<b>Estimator:</b> ADH/JBW	<b>Type:</b> Preliminary		
Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Sewer Extension Serving Oak Haven Subdivision</b>				
8" PVC Gravity Sewer, installed	4,800	LF	30.00	\$144,000
4" PVC Force Main, installed	4,800	LF	10.00	\$48,000
Lift Stations (duplex, 200 gpm @ 80 ft TDH)	1	EA	120,000.00	\$120,000
Rock Excavation (30%, at 2-ft depth, 3-ft wide)	320	CY	125.00	\$40,000
Manhole Assembly (Base, Barrel, Cone, Frame & Lid)	14	EA	2,600.00	\$36,400
Air Relief Valve Assemblies (w/ MH's)	1	EA	5,000.00	\$5,000
Connection to Wet Well	1	EA	2,200.00	\$2,200
Connection to Existing 8" PVC	1	EA	1,800.00	\$1,800
Connection to Existing 4" PVC Force Main	1	EA	1,800.00	\$1,800
				\$399,200
<b>20% Contingency</b>				\$79,840
<b>Construction Costs</b>				<b>\$479,040</b>
<b>Engineering (Design, Bidding &amp; CA) @ 10.384%</b>				\$49,744
<b>Inspection Services, @ 7.526%</b>				\$ 36,053
<b>Total Costs</b>				<b>\$564,836</b>





**Steven L. Beshear**  
Governor

**KENTUCKY INFRASTRUCTURE AUTHORITY**

1024 Capital Center Drive, Suite 340  
Frankfort, Kentucky 40601  
Phone (502) 573-0260  
Fax (502) 573-0157  
<http://kia.ky.gov>

**John E. Covington III**  
Executive Director

October 7, 2009

Honorable April DeFalco, Mayor  
City of Falmouth  
230 Main Street  
Falmouth, KY 41040

**KENTUCKY INFRASTRUCTURE AUTHORITY  
INFRASTRUCTURE REVOLVING LOAN FUND  
CONDITIONAL COMMITMENT LETTER (B09-03)**

Dear Mayor DeFalco:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On October 1, 2009, the Authority approved your loan for the Oak Haven Sewer Extension project subject to the conditions stated below. The total cost of the project shall not exceed \$564,835 of which the Authority loan shall provide \$564,835 of the funding. 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 City of Falmouth upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (October 7, 2010) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. 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 \$564,835.
2. The loan shall bear interest at the rate of 1.0% per annum commencing with the first draw of funds.



3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
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 June 1 or December 1 immediately succeeding the date of the last draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1 or December 1 which is at least six months from the date of the last draw of funds. Full payments will be due each six months thereafter until the loan is repaid.
6. 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.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. 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. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. 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.



3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding or any new sources of funding not reflected in Attachment A shall be immediately reported and may cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.
5. Based on the final "as bid" project budget, the community must provide satisfactory proof, based on then existing conditions, that the revenue 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 your consultant engineer
6. 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.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Authority.
8. 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. At this time we know of no further submission required for their review; however, they may request information as needed.
9. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.
10. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
11. 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.

12. Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). If there is a significant deviation from the Final Design Plan during construction, As-built plans shall also be provided to the Authority in the same format.

Any special conditions listed below and/or stated in Attachment A must be resolved.

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

Sincerely,



Sandy Williams  
Financial Analyst

Attachments

cc: Bill Mitchell, Pendleton County Economic Development Office  
John B. Weil, P.E., GRW Engineers, Inc.  
Dirk Bedarff, Peck, Shaffer & Williams LLP  
State and Local Debt Office, GOLD  
Borrower File - City of Falmouth - B09-03

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

10/13/09  
\_\_\_\_\_  
Date

AUTHORIZATION FOR ELECTRONIC DEPOSIT  
OF BORROWER PAYMENT  
KENTUCKY INFRASTRUCTURE AUTHORITY  
(FUND B09-03)

Borrower Information:

Name: CITY OF FALMOUTH

Address: 230 MAIN ST

City: FALMOUTH State: KY Zip: 41040

Telephone: 859-654-6937 Contact: TERRY ENGLAND

Federal I.D. # 61-6001822 CITY CLERK / TREASURER

Financial Institution Information:

Bank Name: FIFTH THIRD

Branch: 230 US 27 Phone No: @ 859-654-6914

City: FALMOUTH State: KY Zip: 41040

Transit / ABA No.: 042100230

Account Name: UTILITY FUND

Account Number: 0073823323

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: Terry England Date: 10-14-2009

Name Printed: TERRY ENGLAND Job Title: CITY CLERK / TREASURER

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

**ATTACHMENT A**

**City of Falmouth  
B09-03**

<b>EXECUTIVE SUMMARY</b>		Reviewer:	Sandy Williams	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date:	October 1, 2009	
<b>FUND B, INFRASTRUCTURE</b>		KIA Loan Number:	<b>B09-03</b>	
<b>REVOLVING LOAN FUND</b>		WRIS Number	<b>SX21191102</b>	
<b>BORROWER:</b>	<b>City of Falmouth</b>			
	Pendleton County			
<b>BRIEF DESCRIPTION:</b>	The City of Falmouth is requesting a Fund B loan in the amount of \$564,835 for the Oak Haven Sewer Extension project. The project involves construction of a pumping station, forcemain and gravity sewer to serve the Oak Haven Subdivision. The pumping station will replace an existing package wastewater treatment and convey sewage to the new Falmouth Wastewater Treatment Plant.			
<b>PROJECT FINANCING:</b>			<b>PROJECT BUDGET</b>	
Fund B Loan	\$	564,835	Engineering Fees	80,821
			Construction	279,200
			Equipment	120,000
			Contingency	79,840
			Other	4,974
<b>TOTAL</b>	<b>\$</b>	<b>564,835</b>	<b>TOTAL</b>	<b>\$ 564,835</b>
<b>REPAYMENT</b>			Est. Annual	
	Rate	1.00%	Payment	\$32,360
	Term	20 years	1st Payment	6 Mo. after first draw
<b>PROFESSIONAL SERVICES</b>	Engineer	GRW Engineers, Inc.		
	Bond Counsel	Peck, Shaffer, & Williams		
<b>PROJECT SCHEDULE</b>	Bid Opening:		November 29, 2009	
	Construction Start:		January 2, 2010	
	Construction Stop:		April 30, 2010	
<b>DEBT PER CUSTOMER</b>	Existing:	\$	1,165	
	Proposed:	\$	3,356	
<b>OTHER DEBT</b>	See Attached			
<b>OTHER STATE-FUNDED PROJECTS LAST 5 YRS</b>	See Attached			
<b>RESIDENTIAL RATES</b>			<u>Users</u>	<u>Avg. Bill</u>
	Current	1,029	\$	24.23 (for 4,000 gallons)
	Additional	46	\$	24.23 (for 4,000 gallons)
<b>REGIONAL COORDINATION</b>	This project is consistent with regional planning recommendations.			
<b>CASHFLOW</b>	<b>Cash Available for</b>		<b>Income after Debt</b>	
	<b>Debt Service</b>	<b>Debt Service</b>	<b>Service</b>	<b>Coverage Ratio</b>
Audited 2006	638,740	188,144	450,596	3.39
Audited 2007	140,607	0	140,607	n/a
Audited 2008	220,564	0	220,564	n/a
Projected 2009	284,524	11,559	272,965	24.61
Projected 2010	254,797	75,995	178,802	3.35
Projected 2011	238,249	200,193	38,056	1.19
Projected 2012	231,901	206,909	24,991	1.12
Projected 2013	224,929	206,909	18,020	1.09

Reviewer: Sandy Williams  
Date: October 1, 2009  
Loan Number: B09-03

**KENTUCKY INFRASTRUCTURE AUTHORITY  
INFRASTRUCTURE REVOLVING LOAN FUND (FUND "B")  
CITY OF FALMOUTH, PENDLETON COUNTY  
PROJECT REVIEW  
SX21191102**

**I. PROJECT DESCRIPTION**

The City of Falmouth is requesting a Fund B loan in the amount of \$564,835 for the Oak Haven Sewer Extension project. The project involves construction of a pumping station, force main and gravity sewer to serve the Oak Haven Subdivision. The pumping station will replace an existing package wastewater treatment plant and convey sewage to the new Falmouth Wastewater Treatment Plant.

**II. PROJECT BUDGET**

	<u>Total</u>
Engineering Fees	80,821
Construction	279,200
Equipment	120,000
Contingency	79,840
Other	4,974
<b>TOTAL</b>	<b>\$ 564,835</b>

**III. PROJECT FUNDING**

<b>Funding Sources</b>	<b>Amount</b>	<b>%</b>
Fund B Loan	564,835	100%
<b>Total</b>	<b>564,835</b>	<b>100%</b>

**IV. KIA DEBT SERVICE**

<b>KIA Debt Service</b>		
Construction Loan	\$	564,835
Interest Rate		1.00%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	31,230
Administrative Fee (0.20%)		1,130
<b>Total Estimated Annual Debt Service</b>	<b>\$</b>	<b>32,360</b>

## V. PROJECT SCHEDULE

Bid Opening:	November 1, 2009
Construction Start:	November 29, 2009
Construction Stop:	April 30, 2010

## VI. RATE STRUCTURE

Customers	Current	Proposed	Total
Residential	1,008	46	1,054
Commercial	20	0	20
Industrial	1	0	1
	1,029	46	1,075

### RATE STRUCTURE

The monthly charge for sewer utility service is:

	City
Date of Last Rate Increase	6/1/2008
First 2,000 Gallons	27.33 <del>\$16.15</del>
Each Additional 1,000 Gallons	7.15 <del>\$4.04</del>
Cost for 4,000 gallons	41.63 <del>\$24.23</del>
Affordability Index (Rate/MHI)	1.2%

## VII. DEMOGRAPHICS

In 2000, the City's population was 2,058 with a Median Household Income (MHI) level of \$25,114, which is 74.6% of the MHI for the Commonwealth (\$33,672). Based on median household income, the project will qualify for the 1% interest rate.

## VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the Utility Fund of the City of Falmouth was obtained from the audited financial statements for the years ended June 30, 2006 through 2008. The Utility Fund is used to account for utility service activities and is considered a major fund of the city. The City of Falmouth provides electric, water, wastewater and waste collection services for the city.

### HISTORICAL

In 2008, total revenue increased by 3.0% (from \$2,381,419 in 2007 to \$2,448,738 in 2008) while total expenses decreased by 1%. However, net operating income remained negative for the second year in a row. Interest on investments also fell as a result of the declining interest rate market and the city earned less on investments. After including depreciation however, cash available for debt service was \$220,564 but the Utility fund paid no debt service in 2008.

In 2007, total revenue decreased 11% (from \$2,684,834 in 2006 to \$2,381,419 in 2007) and total expenses increased 9%. This resulted in a 129% decrease in net operating income for the utility fund. After including depreciation however, cash available for debt service was \$140,607 but the Utility fund paid no debt service in 2007. At year-end 2008, the Utility fund had \$1.2 million in outstanding short and long-term debt.

## PROFORMA

Projections are based on the following assumptions:

- Service revenues are projected to grow 2% per year.
- Sewer revenue for 2009 was increased by \$96,000 as a result of a 50% rate increase that was enacted in April 2009 and went into effect in June 2009.
- Sewer revenue for 2011 was increased by the anticipated revenue from the additional flow from Pendleton County High School, approximately 5,000 gallons per day and by the additional 46 new customers from the Oak Haven Sewer Extension project.
- Expenses are projected to increase 3.5% annually.
- Existing debt service payments were provided from the audited financial statements.
- A replacement reserve of \$2,630 will be funded annually (\$1,220 for A2 09-38 and \$1,410 for B09-03).
- Debt service for A2 09-38 is estimated to be \$13,432 annually.
- Debt service for B09-03 is estimated to be \$32,360 annually.
- The two new loans will increase overall debt service to \$206,909 in 2012.

Debt service coverage is 1.19 in 2011 when principal and interest repayments begin. Based on the proforma assumptions, the utility shows adequate cashflow to repay the KIA Fund B loan.

## REPLACEMENT RESERVE

The annual replacement cost is \$1,410. This amount should be added to the replacement account each December 1 until the balance reaches \$14,100 and maintained for the life of the loan.

## IX. DEBT OBLIGATIONS (June 30, 2008)

<u>Debt Issue</u>	<u>Outstanding</u>	<u>Maturity</u>
KIA (A7 02) (approved for \$2,812,255)	\$ 1,198,834	2029

## X. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
Regional Sewer System Project	HB267	\$645,000	Grant



## **XI. CONTACTS**

### **Applicant**

Name City of Falmouth  
Address 230 Main Street  
Falmouth, KY 41040  
County Pendleton  
Contact April DeFalco  
Phone (859) 654-6937  
Email falmouthch@fuse.net

### **Engineer**

Name John B. Weil, P.E.  
Firm GRW Engineers, Inc.  
Address 11909 Shelbyville Road, Suite 100  
Louisville, KY 40243  
Phone (502) 489-8484  
Email Jweil@GRWInc.com

### **Applicant Contact**

Name Economic Development Officer, Pendleton  
County Economic Development Office  
Address P.O. Box 171  
Falmouth, KY 41040  
Contact Bill Mitchell  
Phone (859) 654-4567  
Email Bill.Mitchell@NKADD.org

## **XII. RECOMMENDATIONS**

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

**EXHIBIT 1**  
**City of Falmouth**  
**CASH FLOW ANALYSIS**

	Audited 2006	% Change	Audited 2007	% Change	Audited 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
<b>Operating Revenues</b>										
Services	2,613,486	-11%	2,332,994	3%	2,406,859	2,551,001	2,602,021	2,671,676	2,751,827	2,834,381
Other	71,348	-32%	48,425	-14%	41,879	39,785	39,785	39,785	39,785	39,785
<b>Total Revenues</b>	<b>2,684,834</b>	<b>-11%</b>	<b>2,381,419</b>	<b>3%</b>	<b>2,448,738</b>	<b>2,590,786</b>	<b>2,641,806</b>	<b>2,711,461</b>	<b>2,791,612</b>	<b>2,874,166</b>
<b>Operating Expenses</b>										
Operating Expenses	2,052,062	9%	2,244,357	-1%	2,229,054	2,307,071	2,387,818	2,471,392	2,557,891	2,647,417
Depreciation	239,196	6%	253,008	-3%	245,028	245,028	245,028	261,344	261,344	261,344
Replacement Reserve						0	0	2,630	2,630	2,630
<b>Total Expenses</b>	<b>2,291,258</b>	<b>9%</b>	<b>2,497,365</b>	<b>-1%</b>	<b>2,474,082</b>	<b>2,552,099</b>	<b>2,632,846</b>	<b>2,735,366</b>	<b>2,821,864</b>	<b>2,911,391</b>
<b>Net Operating Income</b>	<b>393,576</b>	<b>-129%</b>	<b>(115,946)</b>	<b>78%</b>	<b>(25,344)</b>	<b>38,687</b>	<b>-8,959</b>	<b>(23,904)</b>	<b>(30,253)</b>	<b>(37,224)</b>
<b>Non-Operating Income and Expenses</b>										
Interest on Investments	5,968	-41%	3,545	-75%	880	810	810	810	810	810
<b>Total Non-Operating Income &amp; Expenses</b>	<b>5,968</b>	<b>-41%</b>	<b>3,545</b>	<b>-75%</b>	<b>880</b>	<b>810</b>	<b>810</b>	<b>810</b>	<b>810</b>	<b>810</b>
<b>Add Non-Cash Expenses</b>										
Depreciation	239,196	6%	253,008	-3%	245,028	245,028	245,028	261,344	261,344	261,344
<b>Cash Available for Debt Service</b>	<b>638,740</b>	<b>-78%</b>	<b>140,607</b>	<b>57%</b>	<b>220,564</b>	<b>284,524</b>	<b>254,797</b>	<b>238,249</b>	<b>231,901</b>	<b>224,929</b>
<b>Debt Service</b>										
Existing Debt	188,144		0		0	11,559	75,995	161,117	161,117	161,117
Proposed KIA Loan (A2 09-38)								6,716	13,432	13,432
Proposed KIA Loan (B09-03)								32,360	32,360	32,360
<b>Total Debt Service</b>	<b>188,144</b>		<b>0</b>		<b>0</b>	<b>11,559</b>	<b>75,995</b>	<b>200,193</b>	<b>206,909</b>	<b>206,909</b>
<b>Income After Debt Service</b>	<b>450,596</b>		<b>140,607</b>		<b>220,564</b>	<b>272,965</b>	<b>178,802</b>	<b>38,056</b>	<b>24,991</b>	<b>18,020</b>
<b>Debt Coverage Ratio</b>	<b>3.39</b>		<b>N/A</b>		<b>N/A</b>	<b>24.61</b>	<b>3.35</b>	<b>1.19</b>	<b>1.12</b>	<b>1.09</b>

City of Falmouth  
BALANCE SHEETS

ASSETS	2006	2007	2008	Upon Project Completion
<b>Current Assets</b>				
Cash	300,171	242,342	471,915	744,880
Accounts Receivable	229,706	262,712	270,491	265,187
Due from Other Funds	455,210	454,049	542,270	542,270
<b>Total Current Assets</b>	<u>985,087</u>	<u>959,103</u>	<u>1,284,676</u>	<u>1,552,338</u>
<b>Restricted Assets</b>				
Investments	79,858	81,349	0	0
<b>Total Restricted Assets</b>	<u>79,858</u>	<u>81,349</u>	<u>0</u>	<u>0</u>
<b>Utility Plant</b>				
Land, System, Building and Equipment (Net)	9,695,367	9,797,977	13,579,244	16,004,973
<b>Total</b>	<u>9,695,367</u>	<u>9,797,977</u>	<u>13,579,244</u>	<u>16,004,973</u>
<b>Less Accumulated Depreciation ( )</b>	<u>(4,233,500)</u>	<u>(4,486,507)</u>	<u>(4,731,535)</u>	<u>(4,747,851)</u>
<b>Net Fixed Assets</b>	<u>5,461,867</u>	<u>5,311,470</u>	<u>8,847,709</u>	<u>11,257,122</u>
<b>Total Assets</b>	<u><u>6,526,812</u></u>	<u><u>6,351,922</u></u>	<u><u>10,132,385</u></u>	<u><u>12,809,460</u></u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	161,329	173,467	190,616	197,288
Customer Deposits	53,578	52,602	54,392	56,296
Other	20,017	17,392	22,128	22,902
<b>Total Current Liabilities</b>	<u>234,924</u>	<u>243,461</u>	<u>267,136</u>	<u>276,486</u>
<b>Long Term Liabilities</b>				
Notes Payable			1,198,834	3,611,546
<b>Total Long Term Liabilities</b>	<u>0</u>	<u>0</u>	<u>1,198,834</u>	<u>3,611,546</u>
<b>Total Liabilities</b>	<u>234,924</u>	<u>243,461</u>	<u>1,465,970</u>	<u>3,888,031</u>
<b>Retained Earnings:</b>				
Invested in Capital Assets Net of Related Debt	6,046,424	6,013,653	7,648,875	7,903,888
Restricted	245,464	94,808	0	0
Unrestricted	0	0	1,017,540	1,017,540
<b>Total Retained Earnings</b>	<u>6,291,888</u>	<u>6,108,461</u>	<u>8,666,415</u>	<u>8,921,428</u>
<b>Total Liabilities and Equities</b>	<u><u>6,526,812</u></u>	<u><u>6,351,922</u></u>	<u><u>10,132,385</u></u>	<u><u>12,809,460</u></u>
<b>Balance Sheet Analysis</b>				
Current Ratio	4.19	3.94	4.81	5.61
Debt to Equity	0.04	0.04	0.17	0.44
Working Capital	750,163	715,642	1,017,540	1,275,852
Percent of Total Assets in Working Capital	11.49%	11.27%	10.04%	9.96%

**Exhibit 7: Oak Haven Extension  
Oak Haven Pump Station Operational Costs**

Dry Weather (low flow):

Small Pump Only (24 hrs/day, 6 months out of the year)

Pump Run Time (hrs/day)*	Pump HP	Required KWH/day (KWH)	KWH Cost (\$)	Cost per Day (\$)	Cost per Month (\$)	Cost per Six Months (\$)
5.0	15	55.95	0.1	5.6	168	1,008

Wet Weather (high flow):

Large Pump Only (12 hrs/day, 6 months out of the year)

Pump Run Time (hrs/day)**	Pump HP	Required KWH/day (KWH)	KWH Cost (\$)	Cost per Day (\$)	Cost per Month (\$)	Cost per Six Months (\$)
11.4	40	340.176	0.1	34.1	1,023	6,138

Small Pump Only (12 hrs/day, 6 months out of the year)

Pump Run Time (hrs/day)*	Pump HP	Required KWH/day (KWH)	KWH Cost (\$)	Cost per Day (\$)	Cost per Month (\$)	Cost per Six Months (\$)
2.4	15	26.856	0.1	2.7	81	486
<b>Total Cost during Wet Weather (\$)</b>				36.8	1,104	6,624

**Total Annual Cost of Operation (\$)** 7,632

\* During dry weather (low flow conditions) only the small pump runs for roughly 6 minutes every 30 minutes

\*\* During wet weather (high flow conditions), hauled waste is discharged roughly 12 hours each day, which causes the large pump to run 67 minutes every 71 minutes. The small pump runs alone for the remaining 12 hours.



**Exhibit 8: Oak Haven Extension  
Depreciation Schedule**

<b>Year</b>	<b>Equipment Value (20 year life) (\$)</b>	<b>Structure* Value (50 year life) (\$)</b>
2010	\$70,000	\$330,000
2011	\$66,500	\$323,400
2012	\$63,000	\$316,800
2013	\$59,500	\$310,200
2014	\$56,000	\$303,600
2015	\$52,500	\$297,000
2016	\$49,000	\$290,400
2017	\$45,500	\$283,800
2018	\$42,000	\$277,200
2019	\$38,500	\$270,600
2020	\$35,000	\$264,000
2021	\$31,500	\$257,400
2022	\$28,000	\$250,800
2023	\$24,500	\$244,200
2024	\$21,000	\$237,600
2025	\$17,500	\$231,000
2026	\$14,000	\$224,400
2027	\$10,500	\$217,800
2028	\$7,000	\$211,200
2029	\$3,500	\$204,600
2030	\$0	\$198,000

\* Structures include wet well, valve vault, pipe, manholes, valves, etc.



Form for filing Rate Schedules

NORTHEAST PORTION OF  
For PENDLETON COUNTY  
Community, Town or City

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

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

EAST PENDLETON WATER DISTRICT  
Name of Issuing Corporation

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

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

CLASSIFICATION OF SERVICE

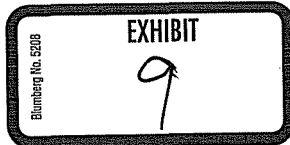
	RATE PER UNIT
RESIDENTIAL - SEWER	
STEP ONE-EFFECTIVE DATE OF PSC ORDER	
FIRST 1,000 GALLONS	\$7.50 MINIMUM BILL
OVER 1,000 GALLONS	\$3.14 PER 1,000 GALLONS
STEP TWO-EFFECTIVE APRIL 15, 1998	
FIRST 1,000 GALLONS	\$16.15 MINIMUM BILL
OVER 1,000 GALLONS	\$5.73 PER 1,000 GALLONS
STEP THREE-EFFECTIVE MARCH 15, 1999	
FIRST 1,000 GALLONS	\$20.18 MINIMUM BILL
OVER 1,000 GALLONS	\$7.15 PER 1,000 GALLONS

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

MAR 25 1999

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

BY: Stephen D. Bell  
SECRETARY OF THE COMMISSION



DATE OF ISSUE MAY 7, 1997

DATE EFFECTIVE MARCH 2, 1998

ISSUED BY Bessie Herbst  
Name of Officer

TITLE CHAIRMAN

Issued by authority of an Order of the Public Service Commission of  
Kentucky in Case No. 97-243 dated MARCH 2, 1998

FOR NORTHEAST PORTION OF PENDLETON COUNTY  
Community, Town or City

P.S.C. KY. NO. 1

2nd Revised SHEET NO. 1

East Pendleton Water District  
(Name of Utility)

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

1st Revised SHEET NO. 1

RATES AND CHARGES

SPECIAL NON-RECURRING CHARGES:

Meter Connection	747.91
Customer Meter Deposit	85.00 (I)
Meter Testing Charge (One time per year)	30.00
Returned Check Charge	25.00
Service Re-connection Charge	40.00
Service Re-connection Charge (After Hours)	55.00
Field Collection Charge	30.00

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

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

ISSUED BY Leslie Herbert \_\_\_\_\_  
Month / Date / Year  
(Signature of Officer)

TITLE Commissioner

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

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
6/15/2009  
PURSUANT TO 807 KAR 5:011  
SECTION 9 (1)

By [Signature] \_\_\_\_\_  
Executive Director

FOR NORTHEAST PORTION OF PENDLETON COUNTY  
Community, Town or City

P.S.C. KY. NO. 1

1st Revised SHEET NO. 5.1

East Pendleton Water District  
(Name of Utility)

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

Original SHEET NO. 5

CONTENTS

DISCONTINUANCE OF SERVICE BY UTILITY

The Utility may refuse or discontinue service to an applicant or customer, after proper notice, for failure to comply with its rules and regulations or state and municipal rules and regulations, when a customer or applicant refuses or neglects to provide reasonable access to the premises, for fraudulent or illegal use of service, or for non-payment of bills. If discontinuance is for non-payment of bills, the customer shall be given at least five (5) days written notice, separate from the original bill, and cut-off shall be effected not less than twenty (20) days after the mailing date of the original bill, unless, prior to discontinuance, a residential customer presents to the utility a written certificate, signed by a physician, registered nurse, or public health officer, that such discontinuance will aggravate an existing illness or infirmity on the affected premises, in which case discontinuance may not be effected until the affected resident can make other living arrangements or until not less than thirty (30) days elapse from the date of the Utility's notification. When a dangerous condition is found to exist on the customer's or applicant's premises, the service shall be cut off without notice or refused.

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

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

ISSUED BY Leslie Hubst  
Month / Date / Year  
(Signature of Officer)

TITLE Commissioner

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

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
6/15/2009  
PURSUANT TO 807 KAR 5:011  
SECTION 9 (1)  
By [Signature]  
Executive Director



## SECTION 13—MONTHLY SEWER RATES

Effective with the August 2006 billing (received September 2006) and for every reading thereafter, the water rates charged to users of water provided by the city shall be as follows.

A. Monthly sewer rates.

1. Effective for the June 2008 bill (received July 2008) and for every reading thereafter, the rates and charges for sewer service shall be as follows, based upon the quantity of water supplied in gallons:

All Customers

First 2,000	\$16.15
Next 2,000	\$4.04 per 1,000 gallons
Next 2,000	\$4.04 per 1,000 gallons
Over 6,000	\$4.04 per 1,000 gallons

2. Water customers outside the City limits not utilizing the POTW shall not be charged for sewer service.

- B. All users required to submit information pursuant to Section 4.1 above, including all users required to obtain individual wastewater discharges permits, exceeding the maximum allowable concentration without surcharge listed in Section 2.8 B are required to adjust their sewer rate (to cover the cost of additional treatment):

BOD	\$0.07 per pound treated
COD	\$0.12 per pound treated
TSS	---
NH <sub>3</sub> -N	\$0.22 per pound treated
TKN	\$0.36 per pound treated



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## SECTION 1—GENERAL PROVISIONS

### 1.1 Purpose and Policy

This Ordinance sets forth uniform requirements for Users of the Publicly Owned Treatment Works for the City of Falmouth and enables the City to comply with all applicable State and Federal laws, including the Clean Water Act (33 United States Code [U.S.C.] § 1251 et seq.) and the General Pretreatment Regulations (Title 40 of the *Code of Federal Regulations* [CFR] Part 403). The objectives of this Ordinance are:

- A. To prevent the introduction of pollutants into the Falmouth Wastewater Treatment Plant that will interfere with its operation;
- B. To prevent the introduction of pollutants into the Falmouth Wastewater Treatment Plant that will pass through the Treatment Plant, inadequately treated, into receiving waters, or otherwise be incompatible with the Treatment Plant;
- C. To protect both Falmouth Wastewater Treatment Plant personnel who may be affected by wastewater and sludge in the course of their employment and the general public;
- D. To promote reuse and recycling of industrial wastewater and sludge from the Falmouth Wastewater Treatment Plant;
- E. To provide for fees for the equitable distribution of the cost of operation, maintenance, and improvement of the Falmouth Wastewater Treatment Plant; and
- F. To enable the City to comply with its Kentucky Pollutant Discharge Elimination System permit conditions, sludge use and disposal requirements, and any other Federal or State laws to which the Falmouth Wastewater Treatment Plant is subject.

This Ordinance shall apply to all Users of the Falmouth Wastewater Treatment Plant. The Ordinance authorizes the issuance of individual wastewater discharge permits; provides for monitoring, compliance, and enforcement activities; establishes administrative review procedures; requires User reporting; and provides for the setting of fees for the equitable distribution of costs resulting from the program established herein.

### 1.2 Administration

Except as otherwise provided herein, the Superintendent shall administer, implement, and enforce the provisions of this Ordinance. Any powers granted to or duties imposed upon the Superintendent may be delegated by the Superintendent to a duly authorized City employee.

### 1.3 Abbreviations

The following abbreviations, when used in this Ordinance, shall have the designated meanings:

BOD – Biochemical Oxygen Demand  
BMP – Best Management Practice  
BMR – Baseline Monitoring Report  
CFR – *Code of Federal Regulations*  
CIU – Categorical Industrial User  
COD – Chemical Oxygen Demand  
EPA – U.S. Environmental Protection Agency  
gpd – gallons per day  
IU – Industrial User  
mg/l – milligrams per liter  
KPDES – Kentucky Pollutant Discharge Elimination System  
NSCIU – Non-Significant Categorical Industrial User  
POTW – Publicly Owned Treatment Works  
RCRA – Resource Conservation and Recovery Act  
SIU – Significant Industrial User  
SNC – Significant Noncompliance  
TKN – Total Kjehldahl Nitrogen  
TSS – Total Suspended Solids  
U.S.C. – United States Code

### 1.4 Definitions

Unless a provision explicitly states otherwise, the following terms and phrases, as used in this Ordinance, shall have the meanings hereinafter designated.

- A. Act or “the Act.” The Federal Water Pollution Control Act, also known as the Clean Water Act, as amended, 33 U.S.C. section 1251 et seq.
- B. Approval Authority. The Commonwealth of Kentucky.
- C. Authorized or Duly Authorized Representative of the User.
  - 1. If the User is a corporation:
    - a. The president, secretary, treasurer, or a vice-president of the corporation in charge of a principal business function, or any other person who performs similar policy or decision-making functions for the corporation; or
    - b. The manager of one or more manufacturing, production, or operating facilities, provided the manager is authorized to make management

decisions that govern the operation of the regulated facility including having the explicit or implicit duty of making major capital investment recommendations, and initiate and direct other comprehensive measures to assure long-term environmental compliance with environmental laws and regulations; can ensure that the necessary systems are established or actions taken to gather complete and accurate information for individual wastewater discharge permit requirements; and where authority to sign documents has been assigned or delegated to the manager in accordance with corporate procedures.

2. If the User is a partnership or sole proprietorship: a general partner or proprietor, respectively.
  3. If the User is a Federal, State, or local governmental facility: a director or highest official appointed or designated to oversee the operation and performance of the activities of the government facility, or their designee.
  4. If the User is any other legal entity: a manager or managing member of the entity.
  5. The individuals described in paragraphs 1 through 3, above, may designate a Duly Authorized Representative if the authorization is in writing, the authorization specifies the individual or position responsible for the overall operation of the facility from which the discharge originates or having overall responsibility for environmental matters for the company, and the written authorization is submitted to the City.
- D. Biochemical Oxygen Demand or BOD. The quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory procedures for five (5) days at 20 degrees centigrade, usually expressed as a concentration (e.g., mg/l).
- E. Best Management Practices or BMPs means schedules of activities, prohibitions of practices, maintenance procedures, and other management practices to implement the prohibitions listed in Section 2.5 A and B [40 CFR 403.5(a)(1) and (b)]. BMPs include treatment requirements, operating procedures, and practices to control plant site runoff, spillage or leaks, sludge or waste disposal, or drainage from raw materials storage.
- F. Categorical Pretreatment Standard or Categorical Standard. Any regulation containing pollutant discharge limits promulgated by EPA in accordance with Sections 307(b) and (c) of the Act (33 U.S.C. section 1317) that apply to a specific category of Users and that appear in 40 CFR Chapter I, Subchapter N, Parts 405-471.
- G. Categorical Industrial User. An Industrial User subject to a categorical Pretreatment Standard or categorical Standard.
- H. City. The City of Falmouth or the City Council of Falmouth.



- I. Chemical Oxygen Demand or COD. A measure of the oxygen required to oxidize all compounds, both organic and inorganic, in water.
- J. Control Authority. The Commonwealth of Kentucky
- K. Daily Maximum. The arithmetic average of all effluent samples for a pollutant collected during a calendar day.
- L. Daily Maximum Limit. The maximum allowable discharge limit of a pollutant during a calendar day. Where Daily Maximum Limits are expressed in units of mass, the daily discharge is the total mass discharged over the course of the day. Where Daily Maximum Limits are expressed in terms of a concentration, the daily discharge is the arithmetic average measurement of the pollutant concentration derived from all measurements taken that day.
- M. Environmental Protection Agency or EPA. The U.S. Environmental Protection Agency or, where appropriate, the Regional Water Management Division Director, the Regional Administrator, or other duly authorized official of said agency.
- N. Existing Source. Any source of discharge that is not a “New Source.”
- O. Grab Sample. A sample that is taken from a wastestream without regard to the flow in the wastestream and over a period of time not to exceed fifteen (15) minutes.
- P. Indirect Discharge or Discharge. The introduction of pollutants into the POTW from any nondomestic source.
- Q. Instantaneous Limit. The maximum concentration of a pollutant allowed to be discharged at any time, determined from the analysis of any discrete or composited sample collected, independent of the industrial flow rate and the duration of the sampling event.
- R. Interference. A discharge that, alone or in conjunction with a discharge or discharges from other sources, inhibits or disrupts the POTW, its treatment processes or operations or its sludge processes, use or disposal; and therefore, is a cause of a violation of the City’s KPDES permit or of the prevention of sewage sludge use or disposal in compliance with any of the following statutory/regulatory provisions or permits issued thereunder, or any more stringent State or local regulations: section 405 of the Act; the Solid Waste Disposal Act, including Title II commonly referred to as the Resource Conservation and Recovery Act (RCRA); any State regulations contained in any State sludge management plan prepared pursuant to Subtitle D of the Solid Waste Disposal Act; the Clean Air Act; the Toxic Substances Control Act; and the Marine Protection, Research, and Sanctuaries Act.

- S. Local Limit. Specific discharge limits developed and enforced by the City upon industrial or commercial facilities to implement the general and specific discharge prohibitions listed in 40 CFR 403.5(a)(1) and (b).
- T. Medical Waste. Isolation wastes, infectious agents, human blood and blood products, pathological wastes, sharps, body parts, contaminated bedding, surgical wastes, potentially contaminated laboratory wastes, and dialysis wastes.
- U. Monthly Average. The sum of all “daily discharges” measured during a calendar month divided by the number of “daily discharges” measured during that month.
- V. Monthly Average Limit. The highest allowable average of “daily discharges” over a calendar month, calculated as the sum of all “daily discharges” measured during a calendar month divided by the number of “daily discharges” measured during that month.
- W. Natural Outlet. Any outlet, including storm sewers, into a watercourse, pond, ditch, lake, or other body of surface or groundwater.
- X. New Source.
1. Any building, structure, facility, or installation from which there is (or may be) a discharge of pollutants, the construction of which commenced after the publication of proposed Pretreatment Standards under section 307(c) of the Act that will be applicable to such source if such Standards are thereafter promulgated in accordance with that section, provided that:
    - a. The building, structure, facility, or installation is constructed at a site at which no other source is located; or
    - b. The building, structure, facility, or installation totally replaces the process or production equipment that causes the discharge of pollutants at an Existing Source; or
    - c. The production or wastewater generating processes of the building, structure, facility, or installation are substantially independent of an Existing Source at the same site. In determining whether these are substantially independent, factors such as the extent to which the new facility is integrated with the existing plant, and the extent to which the new facility is engaged in the same general type of activity as the Existing Source, should be considered.
  2. Construction on a site at which an Existing Source is located results in a modification rather than a New Source if the construction does not create a new building, structure, facility, or installation meeting the criteria of Section (1)(b) or (c) above but otherwise alters, replaces, or adds to existing process or production equipment.
  3. Construction of a New Source as defined under this paragraph has commenced if the owner or operator has:

- a. Begun, or caused to begin, as part of a continuous onsite construction program:
    - 1. any placement, assembly, or installation of facilities or equipment; or
    - 2. significant site preparation work including clearing, excavation, or removal of existing buildings, structures, or facilities which is necessary for the placement, assembly, or installation of new source facilities or equipment; or
  - b. Entered into a binding contractual obligation for the purchase of facilities or equipment which are intended to be used in its operation within a reasonable time. Options to purchase or contracts which can be terminated or modified without substantial loss, and contracts for feasibility, engineering, and design studies do not constitute a contractual obligation under this paragraph.
  
- Y. Noncontact Cooling Water. Water used for cooling that does not come into direct contact with any raw material, intermediate product, waste product, or finished product.
  
- Z. Pass Through. A discharge which exits the POTW into waters of the United States in quantities or concentrations which, alone or in conjunction with a discharge or discharges from other sources, is a cause of a violation of any requirement of the City's KPDES permit, including an increase in the magnitude or duration of a violation.
  
- AA. Person. Any individual, partnership, copartnership, firm, company, corporation, association, joint stock company, trust, estate, governmental entity, or any other legal entity; or their legal representatives, agents, or assigns. This definition includes all Federal, State, and local governmental entities.
  
- BB. pH. A measure of the acidity or alkalinity of a solution, expressed in standard units.
  
- CC. Pollutant. Dredged spoil, solid waste, incinerator residue, filter backwash, sewage, garbage, sewage sludge, munitions, Medical Wastes, chemical wastes, biological materials, radioactive materials, heat, wrecked or discarded equipment, rock, sand, cellar dirt, municipal, agricultural and industrial wastes, and certain characteristics of wastewater (e.g., pH, temperature, TSS, turbidity, color, BOD, COD, toxicity, or odor).
  
- DD. Pretreatment. The reduction of the amount of pollutants, the elimination of pollutants, or the alteration of the nature of pollutant properties in wastewater prior to, or in lieu of, introducing such pollutants into the POTW. This reduction or alteration can be obtained by physical, chemical, or biological processes; by process changes; or

by other means, except by diluting the concentration of the pollutants unless allowed by an applicable Pretreatment Standard.

- EE. Pretreatment Requirements. Any substantive or procedural requirement related to pretreatment imposed on a User, other than a Pretreatment Standard.
- FF. Pretreatment Standards or Standards. Pretreatment Standards shall mean prohibited discharge standards, categorical Pretreatment Standards, and Local Limits.
- GG. Prohibited Discharge Standards or Prohibited Discharges. Absolute prohibitions against the discharge of certain substances; these prohibitions appear in Section 2.1 of this Ordinance.
- HH. Publicly Owned Treatment Works or POTW. A treatment works, as defined by § 212 of the Act (33 U.S.C. § 1292), which is owned by the City. This definition includes any devices or systems used in the collection, storage, treatment, recycling, and reclamation of sewage or industrial wastes of a liquid nature and any conveyances, which convey wastewater to a treatment plant.
- II. Septic Tank Waste. Any sewage from holding tanks such as vessels, chemical toilets, campers, trailers, and septic tanks.
- JJ. Sewage. Human excrement and gray water (household showers, dishwashing operations, etc.).
- KK. Significant Industrial User (SIU). Except as provided in paragraph (3) of this Section, a Significant Industrial User is:
  - 1. An Industrial User subject to Categorical Pretreatment Standards; or
  - 2. An Industrial User that:
    - a. Discharges an average of twenty-five thousand (25,000) gpd or more of process wastewater to the POTW (excluding sanitary, noncontact cooling and boiler blowdown wastewater);
    - b. Contributes a process wastestream which makes up five (5) percent or more of the average dry weather hydraulic or organic capacity of the POTW treatment plant; or
    - c. Is designated as such by the City on the basis that it has a reasonable potential for adversely affecting the POTW's operation or for violating any Pretreatment Standard or Requirement.
  - 3. Upon a finding that a User meeting the criteria in Subsection (2) of this part has no reasonable potential for adversely affecting the POTW's operation or for violating any Pretreatment Standard or Requirement, the City may at any time, on its own initiative or in response to a petition received from an Industrial User, and in accordance with procedures in 40 CFR 403.8(f)(6),

determine that such User should not be considered a Significant Industrial User.

- LL. Slug Load or Slug Discharge. Any discharge at a flow rate or concentration, which could cause a violation of the prohibited discharge standards in Section 2.5 of this Ordinance. A Slug Discharge is any Discharge of a non-routine, episodic nature, including but not limited to an accidental spill or a non-customary batch Discharge, which has a reasonable potential to cause Interference or Pass Through, or in any other way violate the POTW's regulations, Local Limits or Permit conditions.
- MM. Storm Water. Any flow occurring during or following any form of natural precipitation, and resulting from such precipitation, including snowmelt.
- NN. Superintendent. The person designated by the City of Falmouth to supervise the operation of the POTW, and who is charged with certain duties and responsibilities by this Ordinance. The term also means a Duly Authorized Representative of the Superintendent.
- OO. Total Suspended Solids or Suspended Solids. The total suspended matter that floats on the surface of, or is suspended in, water, wastewater, or other liquid, and that is removable by laboratory filtering.
- PP. Unpolluted Water. Water of quality equal to or better than the treatment works effluent criteria in effect or water that would not cause violation of receiving water quality standards and would not be benefited by discharge to the sanitary sewers and wastewater treatment facilities provided.
- QQ. User or Industrial User. A source of indirect discharge.
- RR. Wastewater. Liquid and water-carried industrial wastes and sewage from residential dwellings, commercial buildings, industrial and manufacturing facilities, and institutions, whether treated or untreated, which are contributed to the POTW.
- SS. Wastewater Treatment Plant or Treatment Plant. That portion of the POTW which is designed to provide treatment of municipal sewage and industrial waste.

#### 1.5 Damaging, destroying, sewage works facilities prohibited

No person shall intentionally or wantonly break, damage, destroy, uncover, deface, or tamper with any structure, appurtenance, or equipment which is a part of the POTW. Any person violating this provision shall be subject to immediate arrest under a charge of criminal mischief.

## 1.6 Providing of water and sewer service outside the City Limits

- A. The city is prohibited from furnishing water and sewer services on lines maintained by the city outside the city limits to any party not already served by the city, who will not first sign a statement that he will not object to the city annexing his property into the city limits.
- B. The city is further prohibited from furnishing water and sewer services on lines maintained by the city to any subdivision outside the city limits unless the subdivider first places in the restrictions of the subdivision that all future buyers of lots in the subdivision will not object to the city annexing their lots into the city limits.

## SECTION 2—GENERAL SEWER USE REQUIREMENTS

### 2.1. Mandatory Sewer Connection

- A. The owner(s) of all houses, buildings or properties used for human occupancy, employment, recreation or other purposes situated within the City and abutting on any street, alley or right-of-way in which there is now located, or may in the future be located, a public sanitary sewer of the City, is hereby required at the owners expense to install suitable toilet facilities therein and to connect such facilities directly with the POTW, in accordance with the provisions of this Ordinance, within ninety (90) days after date of official notice to do so, provided that said POTW is within one hundred (100) feet (30.5 meters) of the property line.
- B. It shall be unlawful to construct or maintain any privy, privy vault, septic tank, cesspool, or other facility intended or used for the disposal of wastewater where POTW service is available, as defined in Subsection A, except as provided for in "Private Sewage Disposal" (Section 2.3). The existence within the City, wherever the services of the POTW are available or may hereafter be made available (as the term "available" is hereinbefore defined), of septic tanks, seepage laterals, privys, earthpits, cesspools, sanitary waste vaults, sewage drainage fields, private sewage disposal systems, or any other such facilities or works for the disposition of sanitary sewage wastes, other than the POTW, is hereby declared to be a menace to the public health, safety and general welfare of the citizens and inhabitants of the City and is hereby determined and declared to constitute a public nuisance. The existence of such facilities as toilets, sinks, wash basins, showerbaths, bathtubs, any commercial or industrial machinery or device producing a liquid waste product, etc., in or upon any improved property or premises in the City where POTW facilities are available, or may hereafter be made available, is similarly declared to be a menace to the public health and general welfare of the City and its inhabitants unless such facilities are connected to the POTW. The Superintendent may prescribe the type and manner of connection to said facilities and may require that each connection be supervised and inspected by an authorized and qualified agent of the City.

- C. At such time as the POTW becomes available to a property served by a private wastewater disposal system, a direct connection shall be made to the POTW in compliance with this Ordinance within ninety (90) days after such line is placed into service or within ninety (90) days of official notice to do so. Any septic tanks, cesspools and similar private wastewater disposal facilities shall be cleaned of sludge and filled with suitable material or salvaged and removed.

## 2.2 Unlawful Discharge to Natural Outlets

It shall be unlawful to discharge, to any natural outlet within the City or in any area under the jurisdiction of the City, any wastewater or other polluted waters except where suitable treatment has been provided in accordance with subsequent provisions of this Ordinance. No provision of this Ordinance shall be construed to relieve the owner of a discharge to any natural outlet of the responsibility for complying with applicable State and Federal Regulations governing such discharge.

## 2.3 Private Sewage Disposal

- A. Where the POTW is not available under the provisions of Section 2.1, the building sewer shall be connected to a private sewage disposal system complying with the provisions of this section.
- B. Before commencement of construction of a private sewage disposal system the owner shall first obtain a written permit issued by the City after approval of the system by the Pendleton County Health Department, and the State Water Pollution Control Commission if required. The application for the permit shall be made on a form furnished by the County Health Department, which the applicant shall supplement by any plans, specifications, and other information as are deemed necessary by the city.
- C. A permit for a private sewage disposal system shall not become effective until the installation is completed to the satisfaction of the City, the State Department of Health, the County Health Department, and the State Water Pollution Control Commission, if required. They shall be allowed to inspect the work at any stage of construction, and in any event the applicant for the permit shall notify the Superintendent when the work is ready for final inspection and before any underground portions are covered. The inspection shall be made within forty-eight (48) hours of the receipt of notice by the Superintendent, Saturdays, Sundays, and holidays excepted.
- D. The type, capacities, location, and layout of a private sewage disposal system must comply with all regulations of the State Department of Health, the County Health Department, and the State Water Pollution Control Commission, if required.
- E. At such time as a public sewer becomes available to a property served by a

private sewage disposal system, the provisions of Section 2.1(C) apply.

- F. The owner shall operate and maintain the private sewage disposal facilities in a sanitary manner at all times, at no expense to the City.
- G. No statement contained in this section shall be construed to interfere with any additional requirements that may be imposed by the State Department of Health, the County Health Department, or the State Water Pollution Control Commission.

## 2.4 Building Sewers and Connections

### A. Permits

1. There shall be two (2) classes of building sewer permits required; (a) for residential and (b) for service to commercial and industrial establishments. In either case, the owner (s) or his agent shall make application on a special form furnished by the City. Applicants for service to commercial and industrial establishments shall be required to furnish information about all waste producing activities, wastewater characteristics and constituents. The permit application shall be supplemented by any plans, specifications or other information considered pertinent in the judgment of the Superintendent. Details regarding commercial and industrial permits include but are not limited to those required by this Ordinance. A permit and inspection fee of \$150.00 shall be paid to the City at the time the application is filed.
2. Users shall notify the Superintendent of any proposed new introduction of wastewater constituents or any proposed substantial change in the volume or character of the wastewater constituents being introduced into the POTW a minimum of thirty (30) days prior to the change. The Superintendent may deny or condition this new introduction or change based upon the information submitted in the notification.
3. No unauthorized person(s) shall uncover, plug or make any connections with or opening into, use, alter or disturb any public sewer or appurtenance thereof without first obtaining written permission from the City.

### B. Prohibited Connections

1. No person shall make connection of roof downspouts, basement wall seepage or floor seepage, exterior foundation drains, areaway drains, or other sources of surface runoff or groundwater to a building sewer or building drain which in turn is connected directly or indirectly to the POTW. Any such connections which already exist on the effective date of this Ordinance shall be completely and permanently disconnected within sixty (60) days of the effective date of this Ordinance. The owners of any building sewers having such connections, leaks or defects shall bear all costs incidental to removal of such sources. Pipes, sumps and pumps for such sources of ground and surface water shall be



separate from the POTW. Removal of such sources of water without presence of separate facilities shall be evidence of drainage to POTW.

2. Floor, basement or crawl space drains which are lower than ground surfaces surrounding the building shall not be connected to the building sanitary sewer. No sanitary inlet which is lower than six (6") inches above the top of the lowest of the two adjacent public sanitary sewer manholes shall be connected by direct drainage to the building sanitary sewer.

### C. Design and Installation

1. A separate and independent building sewer shall be provided for every building; except where one building stands at the rear of another on an interior lot and no private sewer is available or can be constructed to the rear building through an adjoining alley, courtyard or driveway, the sewer from the front building may be extended to the rear building and the whole considered as one building sewer, but the City does not and will not assume any obligation or responsibility for damage caused by or resulting from any such single connection aforementioned.
2. Old building sewers may be used in connection with new buildings only when they are found, on examination and test by the Superintendent, to meet all requirements of this Ordinance. Permit and inspection fees and tap-on fees for new buildings using existing building sewers shall be the same as for new building sewers. If additional sewer consumers or additional facilities are added to the old building sewers, additional sewer tap fees shall be charged accordingly even though no new sewer tap is actually made into the City's POTW.
3. Extension of customer service lines from any point on the customer's side of the tap for delivery of waste from any location other than that of the customer in whose name the tap is registered shall not be permitted.
4. The building sewer shall be cast iron soil pipe, ASTM A-74, latest revision, PVC (polyvinyl-chloride) sewer pipe, ASTM D-3034, latest revision, or ductile iron pipe, AWWA Specification C-151 cement lined, and shall meet requirements of State plumbing code. Joints shall be as set out hereinafter. Any part of the building sewer that is located within five (5') feet of a water service pipe shall be constructed with cast iron soil pipe or ductile iron pipe, unless the building sewer is at least one (1') foot deeper in the ground than the water service line. In the latter case, vitrified clay pipe may be used cast iron soil pipe or ductile iron pipe may be required by the City where the building sewer is exposed to damage or stoppage by tree roots, cast iron soil pipe or ductile iron pipe shall be used in filled or unstable ground, in areas where the cover over the building sewer is less than three (3') feet, or in areas where the sewer is subject to vehicular or other external loads.

5. The size, slope, alignment, materials of construction of a building sewer and the methods to be used in excavating, placing of the pipe, jointing, testing and backfilling the trench, shall all conform to the requirements of the local and state building and plumbing codes and other applicable rules and regulations of the City. In general, the building sewer shall not be less than four inches in diameter. The slope of the building sewer shall in no event be less than one eighth (1/8") inch per foot.
6. In the absence of local code provisions or in amplification thereof, the materials and procedures set forth in appropriate specifications of the ASTM and WPCF Manual of Practice No. 9 shall apply.
7. No building sewer shall be laid parallel to within three feet (3') of any bearing wall which might thereby be weakened. The depth shall be sufficient to afford twenty four (24") inches of cover over pipe except where exposed to vehicular traffic. Portions of the building sewer subject to vehicular traffic shall have a minimum cover of thirty six (36") inches or be encased in a six (6") inch envelope of concrete. The building sewer shall be laid at uniform grade and in straight alignment insofar as possible.
8. All costs and expenses incidental to the installation and connection of the building sewer shall be borne by the owner(s). The owner(s) shall indemnify the City for any loss or damage that may directly or indirectly be occasioned by the installation of the building sewer. Fees for connection shall be as established by the city.
9. The owner shall ensure that all excavations for building sewer installation shall be adequately guarded with barricades and lights so as to protect the public from hazard. Streets, sidewalks, parkways and other public property disturbed in the course of the work shall be restored in a manner satisfactory to the City.
10. In all buildings in which any sanitary facility drain is too low to permit gravity flow to the public sewer, sanitary sewage carried by such drain shall be lifted by an approved means and discharged to the building sewer. Drain pipe and sump for collection of such sanitary drainage shall be above basement floor or in a separate watertight or drained sump or channel.
11. All excavations required for the installation of a building sewer shall be open trench work unless otherwise approved by the Superintendent and all such trenches shall be kept open until the pipe has been inspected, tested and approved by the Superintendent. Except where bends are supplied, trenches shall be straight in direction and grade to accommodate prefabricated joints. Trenches shall be at least twenty (20") inches wide at right angles to the center line of the pipe. Building sanitary sewers laid in undisturbed ground must be laid on at least six (6") inches of pea gravel, sand or other approved grillage to support the pipe. The trench shall be filled with the same approved grillage on each side of the pipe and six (6") inches over same. Building sewers laid in mud or filled ground shall be embedded to lower quadrant with at least a four

(4") inch concrete pad below the invert or other support that may be considered necessary. Backfill shall be carefully tamped in and around pipe in not over four (4") inch layers to top of pipe for proper support. Backfill shall be solidly tamped above the pipe and hand placed up to eighteen (18") inches above the sixteen (16') inch pipe. No backfill shall be placed over the pipe until the pipe laying has been inspected by the Superintendent or his duly authorized agent.

12. All joints and connections shall be made gas tight and water tight. Joints for cast iron soil pipe and fittings with hubs and plain end spigots shall be made with caulked lead and oakum as specified in Chapter 4, ASA A40.8 or by using positive double-seal elastomeric compression-type gaskets conforming to ASTM C-564. Service pipe shall be joined with service gaskets and extra heavy pipe with extra heavy gaskets. All joints between vitrified clay pipe and other approved pipe shall be made with an approved prefabricated rubber or plastic material conforming to ASTM Specification C-425, latest revision, and installed clean and uninjured by handling or weather according to manufacturers' direction, completely "homed" into place. The vitrified clay sewer pipe shall be jointed with compressed watertight rubber rings meeting ASTM Specification D-1869, latest revision, and installed clean, according to manufacturers' directions. The ductile iron pipe shall be joined together with watertight rubber gaskets in accordance with the manufacturers' directions. The PVC pipe joints shall conform to ASTM D-3212, latest revision, and elastomeric gaskets to ASTM F477.
13. The building sewer shall be connected into the public sewer at the easement or property line. Where no properly located service branch is available, an authorized agent of the City shall cut a neat hole into the main line of the public sewer and a suitable wye or tee saddle installed to receive the building sewer. The invert of the building sewer, at such point of connection with a saddle, shall be in the upper quadrant of the main line of the public sewer. A neat workmanlike connection not extending past the inner surface of the public sewer shall be made and the saddle made secure and watertight by encasement in epoxy cement specially prepared for this purpose. A wye and H bend fitting shall be installed at the property line between the public sewer and the building sewer. This fitting shall serve the purpose of a cleanout and for applying the smoke test during inspection of the line. After testing, a cast iron or ductile iron riser will be inserted in this fitting and brought flush with the ground surface. A stopper or plug, outfitted with a type joint applicable to the pipe used, shall seal this riser against the intrusion of ground or surface water.
14. All building sanitary sewer lines will be installed so as to meet or exceed the most current revision of the State Plumbing Code.
15. All persons working on city sewers with a cleaning rod must use an approved type rod in cleaning sewer connections to City sewers

## D. Inspection

1. The applicant for the building sewer permit shall notify the Superintendent when the building sewer is ready for inspection and connection to the public sewer. The connection and testing shall be made under the supervision of the Superintendent or his representative. All connections shall be made gastight and watertight and verified by proper testing. Any deviation from the prescribed procedures and materials must be approved by the Superintendent before installation.
2. All building sewers shall be smoke tested through the wye branch at the public sewer connection or low pressure air tested per ASTM C-828-08, or latest revision, with public sewer tightly plugged off after connections at both ends are made and after all pipe is properly bedded and backfilled at least to top of pipe and if backfill is completed, within two weeks after completion of backfill. At time of test any openings into the building drain inside the building shall be water trapped or plugged. Any leakage of smoke from building sewer or building drain and plumbing shall be located at test and repaired to stand repetition of smoke test without leakage. When smoke testing is completed, the temporary flow line plug shall be removed and a permanent water tight plug shall be placed in branch of test wye-branch and carefully backfilled by hand and tamped to at least six inches above the top of the branch. The Superintendent shall determine the method of testing to be performed.

## 2.5 Prohibited Discharge Standards

- A. General Prohibitions. No User shall introduce or cause to be introduced into the POTW any pollutant or wastewater which causes Pass Through or Interference. These general prohibitions apply to all Users of the POTW whether or not they are subject to categorical Pretreatment Standards or any other National, State, or local Pretreatment Standards or Requirements.
- B. Specific Prohibitions. No User shall introduce or cause to be introduced into the POTW the following pollutants, substances, or wastewater:
  1. Pollutants which create a fire or explosive hazard in the POTW, including, but not limited to, wastestreams with a closed-cup flashpoint of less than 140 degrees F (60 degrees C) using the test methods specified in 40 CFR 261.21;
  2. Wastewater having a pH less than 5.0 or more than 12.5, or otherwise causing corrosive structural damage to the POTW or equipment;
  3. Solid or viscous substances in amounts which will cause obstruction of the flow in the POTW resulting in Interference but in no case solids greater than one-half inch (1/2 in.) in any dimension;

4. Pollutants, including oxygen-demanding pollutants (BOD, etc.), released in a discharge at a flow rate and/or pollutant concentration which, either singly or by interaction with other pollutants, will cause Interference with the POTW;
5. Wastewater having a temperature greater than 150 degrees F (65 degrees C), or which will inhibit biological activity in the treatment plant resulting in Interference, but in no case wastewater which causes the temperature at the introduction into the treatment plant to exceed 104 degrees F (40 degrees C);
6. Petroleum oil, nonbiodegradable cutting oil, or products of mineral oil origin, in amounts that will cause Interference or Pass Through;
7. Pollutants which result in the presence of toxic gases, vapors, or fumes within the POTW in a quantity that may cause acute worker health and safety problems;
8. Trucked or hauled pollutants, except at discharge points designated by the Superintendent in accordance with Section 3.4 of this Ordinance;
9. Noxious or malodorous liquids, gases, solids, or other wastewater which, either singly or by interaction with other wastes, are sufficient to create a public nuisance or a hazard to life, or to prevent entry into the sewers for maintenance or repair;
10. Wastewater which imparts color which cannot be removed by the treatment process, such as, but not limited to, dye wastes and vegetable tanning solutions, which consequently imparts color to the treatment plant's effluent, thereby violating the City's KPDES permit;
11. Wastewater containing any radioactive wastes or isotopes except in compliance with applicable State or Federal regulations;
12. Storm Water, surface water, ground water, artesian well water, roof runoff, subsurface drainage, swimming pool drainage, condensate, deionized water, Noncontact Cooling Water, and unpolluted wastewater, unless specifically authorized by the Superintendent;
13. Sludges, screenings, or other residues from the pretreatment of industrial wastes;
14. Medical Wastes, except as specifically authorized by the Superintendent in an individual wastewater discharge permit;
15. Wastewater causing, alone or in conjunction with other sources, the treatment plant's effluent to fail toxicity test;
16. Detergents, surface-active agents, or other substances which might cause excessive foaming in the POTW;
17. Fats, oils, or greases of animal or vegetable origin in concentrations greater than 100 mg/l;
18. Wastewater causing two readings on an explosion hazard meter at the point of discharge into the POTW, or at any point in the POTW, of more than ten

percent (10%) or any single reading over twenty percent (20%) of the Lower Explosive Limit of the meter.

Pollutants, substances, or wastewater prohibited by this Section shall not be processed or stored in such a manner that they could be discharged to the POTW.

- C. It shall be unlawful to discharge, to any natural outlet within the City, any wastewater or other polluted waters except where suitable treatment has been provided in accordance with subsequent provisions of this Ordinance. No provision of this Ordinance shall be construed to relieve the owner of a discharge to any natural outlet of the responsibility for complying with applicable State and Federal Regulations governing such discharge.

## 2.6 National Categorical Pretreatment Standards

Users must comply with the categorical Pretreatment Standards found at 40 CFR Chapter I, Subchapter N, Parts 405–471.

- A. Where a categorical Pretreatment Standard is expressed only in terms of either the mass or the concentration of a pollutant in wastewater, the Superintendent may impose equivalent concentration or mass limits in accordance with Section 2.6E and 2.6F.
- B. When the limits in a categorical Pretreatment Standard are expressed only in terms of mass of pollutant per unit of production, the Superintendent may convert the limits to equivalent limitations expressed either as mass of pollutant discharged per day or effluent concentration for purposes of calculating effluent limitations applicable to individual Industrial Users.
- C. When wastewater subject to a categorical Pretreatment Standard is mixed with wastewater not regulated by the same Standard, the Superintendent shall impose an alternate limit in accordance with 40 CFR 403.6(e).
- D. A CIU may obtain a net/gross adjustment to a categorical Pretreatment Standard in accordance with the following paragraphs of this Section.
  - 1. Categorical Pretreatment Standards may be adjusted to reflect the presence of pollutants in the Industrial User's intake water in accordance with this Section. Any Industrial User wishing to obtain credit for intake pollutants must make application to the City. Upon request of the Industrial User, the applicable Standard will be calculated on a "net" basis (i.e., adjusted to reflect credit for pollutants in the intake water) if the requirements of paragraph (2) of this Section are met.
  - 2. Criteria

- a. Either (i) The applicable categorical Pretreatment Standards contained in 40 CFR subchapter N specifically provide that they shall be applied on a net basis; or (ii) The Industrial User demonstrates that the control system it proposes or uses to meet applicable categorical Pretreatment Standards would, if properly installed and operated, meet the Standards in the absence of pollutants in the intake waters.
  - b. Credit for generic pollutants such as biochemical oxygen demand (BOD), total suspended solids (TSS), and oil and grease should not be granted unless the Industrial User demonstrates that the constituents of the generic measure in the User's effluent are substantially similar to the constituents of the generic measure in the intake water or unless appropriate additional limits are placed on process water pollutants either at the outfall or elsewhere.
  - c. Credit shall be granted only to the extent necessary to meet the applicable categorical Pretreatment Standard(s), up to a maximum value equal to the influent value. Additional monitoring may be necessary to determine eligibility for credits and compliance with Standard(s) adjusted under this Section.
  - d. Credit shall be granted only if the User demonstrates that the intake water is drawn from the same body of water as that into which the POTW discharges. The City may waive this requirement if it finds that no environmental degradation will result.
- E. When a categorical Pretreatment Standard is expressed only in terms of pollutant concentrations, an Industrial User may request that the City convert the limits to equivalent mass limits. The determination to convert concentration limits to mass limits is within the discretion of the Superintendent. The City may establish equivalent mass limits only if the Industrial User meets all the conditions set forth in Sections 2.6E(1)(a) through 2.6(1)(e) below.
- 1. To be eligible for equivalent mass limits, the Industrial User must:
    - a. Employ, or demonstrate that it will employ, water conservation methods and technologies that substantially reduce water use during the term of its individual wastewater discharge permit;
    - b. Currently use control and treatment technologies adequate to achieve compliance with the applicable categorical Pretreatment Standard, and not have used dilution as a substitute for treatment;
    - c. Provide sufficient information to establish the facility's actual average daily flow rate for all wastestreams, based on data from a continuous effluent flow monitoring device, as well as the facility's long-term average production rate. Both the actual average daily

flow rate and the long-term average production rate must be representative of current operating conditions;

- d. Not have daily flow rates, production levels, or pollutant levels that vary so significantly that equivalent mass limits are not appropriate to control the Discharge; and
  - e. Have consistently complied with all applicable categorical Pretreatment Standards during the period prior to the Industrial User's request for equivalent mass limits.
2. An Industrial User subject to equivalent mass limits must:
    - a. Maintain and effectively operate control and treatment technologies adequate to achieve compliance with the equivalent mass limits;
    - b. Continue to record the facility's flow rates through the use of a continuous effluent flow monitoring device;
    - c. Continue to record the facility's production rates and notify the City whenever production rates are expected to vary by more than 20 percent from its baseline production rates determined in paragraph 2.2F(1)(c) of this Section. Upon notification of a revised production rate, the City will reassess the equivalent mass limit and revise the limit as necessary to reflect changed conditions at the facility; and
    - d. Continue to employ the same or comparable water conservation methods and technologies as those implemented pursuant to paragraphs 2.2E(1)(a) of this Section so long as it discharges under an equivalent mass limit.
  3. When developing equivalent mass limits, the City:
    - a. Will calculate the equivalent mass limit by multiplying the actual average daily flow rate of the regulated process(es) of the Industrial User by the concentration-based Daily Maximum and Monthly Average Standard for the applicable categorical Pretreatment Standard and the appropriate unit conversion factor;
    - b. Upon notification of a revised production rate, will reassess the equivalent mass limit and recalculate the limit as necessary to reflect changed conditions at the facility; and
    - c. May retain the same equivalent mass limit in subsequent individual wastewater discharger permit terms if the Industrial User's actual average daily flow rate was reduced solely as a result of the implementation of water conservation methods and technologies, and the actual average daily flow rates used in the original calculation of the equivalent mass limit were not based on the use of dilution as a substitute for treatment pursuant to Section 2.10. The Industrial User must also be in compliance with Section 12.3 regarding the prohibition of bypass.

F. The City may convert the mass limits of the categorical Pretreatment Standards of



40 CFR Parts 414, 419, and 455 to concentration limits for purposes of calculating limitations applicable to individual Industrial Users. The conversion is at the discretion of the City.

- G. Once included in its permit, the Industrial User must comply with the equivalent limitations developed in this Section 2.6 in lieu of the promulgated categorical Standards from which the equivalent limitations were derived.
- H. Many categorical Pretreatment Standards specify one limit for calculating maximum daily discharge limitations and a second limit for calculating maximum Monthly Average, or 4-day average, limitations. Where such Standards are being applied, the same production or flow figure shall be used in calculating both the average and the maximum equivalent limitation.
- I. Any Industrial User operating under a permit incorporating equivalent mass or concentration limits calculated from a production-based Standard shall notify the City within two (2) business days after the User has a reasonable basis to know that the production level will significantly change within the next calendar month. Any User not notifying the City of such anticipated change will be required to meet the mass or concentration limits in its permit that were based on the original estimate of the long term average production rate.

## 2.7 State Pretreatment Standards

Users must comply with State Pretreatment Standards.

## 2.8 Local Limits

- A. The City is authorized to establish Local Limits pursuant to 40 CFR 403.5(c).
- B. An additional charge will be added for any water or waste which has characteristics based on a twenty-four (24) hour composite sample, or a shorter period composite sample if more representative, which exceed the following normal maximum domestic wastewater parameter concentrations:

<u>Parameter</u>	<u>Maximum Allowable Concentration Without Surcharge</u>
BOD	250 mg/l
COD	750 mg/l
TSS	300 mg/l
NH <sub>3</sub> -N	30 mg/l
TKN	50 mg/l

- C. In addition to the requirements stated above, the following limitations are

established for characteristics of any wastewaters to be discharged into the POTW:

<u>Parameter</u>	<u>Max. Daily Concentration</u> (mg/l)	<u>Parameter</u>	<u>Max. Daily Concentration</u> (mg/l)
Arsenic, total	0.05	Lead, total	0.13
Barium, total	6.00	Mercury, total	0.008
Beryllium, total	0.05	Nickel, total	1.06
Cadmium, total	0.02	Phenols	0.50
Chromium, hexavalent	0.20	Selenium, total	0.02
Chromium, total	0.50	Silver, total	0.05
Copper, total	0.20	Zinc, total	1.35
Cyanide, total	0.04		

The above limits apply at the point where the wastewater is discharged to the POTW. All concentrations for metallic substances are for total metal unless indicated otherwise. The City may impose mass limitations in addition to the concentration-based limitations above.

## 2.9 Right of Revision

The City reserves the right to establish, by Ordinance or in individual wastewater discharge permits, more stringent Standards or Requirements on discharges to the POTW consistent with the purpose of this Ordinance.

## 2.10 Dilution

No User shall ever increase the use of process water, or in any way attempt to dilute a discharge, as a partial or complete substitute for adequate treatment to achieve compliance with a discharge limitation unless expressly authorized by an applicable Pretreatment Standard or Requirement. The City may impose mass limitations on Users who are using dilution to meet applicable Pretreatment Standards or Requirements, or in other cases when the imposition of mass limitations is appropriate.

## SECTION 3—PRETREATMENT OF WASTEWATER

### 3.1 Pretreatment Facilities

Users shall provide wastewater treatment as necessary to comply with this Ordinance and shall achieve compliance with all categorical Pretreatment Standards, Local Limits, and the prohibitions set out in Section 2.5 of this Ordinance within the time limitations specified by EPA, the State, or the City, whichever is more stringent. Any facilities necessary for compliance shall be provided, operated, and maintained at the User's expense. Detailed plans describing such facilities and operating procedures shall be submitted to the City for review, and shall be acceptable to the City before such facilities are constructed. The review

of such plans and operating procedures shall in no way relieve the User from the responsibility of modifying such facilities as necessary to produce a discharge acceptable to the City under the provisions of this Ordinance.

### 3.2 Additional Pretreatment Measures

- A. Whenever deemed necessary, the City may require Users to restrict their discharge during peak flow periods, designate that certain wastewater be discharged only into specific sewers, relocate and/or consolidate points of discharge, separate sewage wastestreams from industrial wastestreams, and such other conditions as may be necessary to protect the POTW and determine the User's compliance with the requirements of this Ordinance.
- B. The City may require any person discharging into the POTW to install and maintain, on their property and at their expense, a suitable storage and flow-control facility to ensure equalization of flow. An individual wastewater discharge permit may be issued solely for flow equalization.
- C. Grease, oil, and sand interceptors shall be provided when, in the opinion of the City, they are necessary for the proper handling of wastewater containing excessive amounts of grease and oil, or sand; except that such interceptors shall not be required for residential users. All interception units shall be of a type and capacity approved by the City and shall be so located to be easily accessible for cleaning and inspection. Such interceptors shall be inspected, cleaned, and repaired by the User at their expense.
- D. Users with the potential to discharge flammable substances may be required to install and maintain an approved combustible gas detection meter.

### 3.3 Accidental Discharge/Slug Discharge Control Plans

The City shall evaluate whether each SIU needs an accidental discharge/slug discharge control plan or other action to control Slug Discharges. The City may require any User to develop, submit for approval, and implement such a plan or take such other action that may be necessary to control Slug Discharges. Alternatively, the City may develop such a plan for any User. An accidental discharge/slug discharge control plan shall address, at a minimum, the following:

- A. Description of discharge practices, including nonroutine batch discharges;
- B. Description of stored chemicals;
- C. Procedures for immediately notifying the City of any accidental or Slug Discharge, as required by Section 6.6 of this Ordinance; and

- D. Procedures to prevent adverse impact from any accidental or Slug Discharge. Such procedures include, but are not limited to, inspection and maintenance of storage areas, handling and transfer of materials, loading and unloading operations, control of plant site runoff, worker training, building of containment structures or equipment, measures for containing toxic organic pollutants, including solvents, and/or measures and equipment for emergency response.

### 3.4 Hauled Wastewater

- A. Septic tank waste may be introduced into the POTW only at locations designated by the City, and at such times as are established by the City. Such waste shall not violate Section 2 of this Ordinance or any other requirements established by the City. The City may require septic tank waste haulers to obtain individual wastewater discharge permits.
- B. The City may require haulers of industrial waste to obtain individual wastewater discharge permits. The City may require generators of hauled industrial waste to obtain individual wastewater discharge permits. The City also may prohibit the disposal of hauled industrial waste. The discharge of hauled industrial waste is subject to all other requirements of this Ordinance.
- C. Industrial waste haulers may discharge loads only at locations designated by the City. No load may be discharged without prior consent of the City. The City may collect samples of each hauled load to ensure compliance with applicable Standards. The City may require the industrial waste hauler to provide a waste analysis of any load prior to discharge.
- D. Industrial waste haulers must provide a waste-tracking form for every load. This form shall include, at a minimum, the name and address of the industrial waste hauler, the name and address of the driver, permit number, truck identification, names and addresses of sources of waste, and volume and characteristics of waste. The form shall identify the type of industry, known or suspected waste constituents, and whether any wastes are RCRA hazardous wastes.

## SECTION 4—INDIVIDUAL WASTEWATER DISCHARGE PERMITS

### 4.1 Wastewater Analysis

When requested by the City, a User must submit information on the nature and characteristics of its wastewater within thirty (30) days of the request. The City is authorized to prepare a form for this purpose and may periodically require Users to update this information.

### 4.2 Individual Wastewater Discharge Permit Requirement

- A. No Significant Industrial User shall discharge wastewater into the POTW without first obtaining an individual wastewater discharge permit from the City, except that a Significant Industrial User that has filed a timely application pursuant to Section 4.3 of this Ordinance may continue to discharge for the time period specified therein.
- B. The City may require other Users to obtain individual wastewater discharge permits as necessary to carry out the purposes of this Ordinance, including the elimination of excessive amounts of grease and oil, or sand.
- C. Any violation of the terms and conditions of an individual wastewater discharge permit shall be deemed a violation of this Ordinance and subjects the wastewater discharge permittee to the sanctions set out in Sections 10 through 12 of this Ordinance. Obtaining an individual wastewater discharge permit does not relieve a permittee of its obligation to comply with all Federal and State Pretreatment Standards or Requirements or with any other requirements of Federal, State, and local law.

#### 4.3 Individual Wastewater Discharge Permitting: Existing Connections

Any User required to obtain an individual wastewater discharge permit who was discharging wastewater into the POTW prior to the effective date of this Ordinance and who wishes to continue such discharges in the future, shall, within ninety (90) days after said date, apply to the City for an individual wastewater discharge permit in accordance with Section 4.5 of this Ordinance, and shall not cause or allow discharges to the POTW to continue after one hundred fifty (150) days of the effective date of this Ordinance except in accordance with an individual wastewater discharge permit issued by the City.

#### 4.4 Individual Wastewater Discharge Permitting: New Connections

Any User required to obtain an individual wastewater discharge permit who proposes to begin or recommence discharging into the POTW must obtain such permit prior to the beginning or recommencing of such discharge. An application for this individual wastewater discharge permit, in accordance with Section 4.5 of this Ordinance, must be filed at least sixty (60) days prior to the date upon which any discharge will begin or recommence.

#### 4.5 Individual Wastewater Discharge Permit Application Contents

- A. All Users required to obtain an individual wastewater discharge permit must submit a permit application. The City may require Users to submit all or some of the following information as part of a permit application:
  - 1. Identifying Information.
    - a. The name and address of the facility, including the name of the operator and owner.

- b. Contact information, description of activities, facilities, and plant production processes on the premises;
2. Environmental Permits. A list of any environmental control permits held by or for the facility.
3. Description of Operations.
  - a. A brief description of the nature, average rate of production (including each product produced by type, amount, processes, and rate of production), and standard industrial classifications of the operation(s) carried out by such User. This description should include a schematic process diagram, which indicates points of discharge to the POTW from the regulated processes.
  - b. Types of wastes generated, and a list of all raw materials and chemicals used or stored at the facility which are, or could accidentally or intentionally be, discharged to the POTW;
  - c. Number and type of employees, hours of operation, and proposed or actual hours of operation;
  - d. Type and amount of raw materials processed (average and maximum per day);
  - e. Site plans, floor plans, mechanical and plumbing plans, and details to show all sewers, floor drains, and appurtenances by size, location, and elevation, and all points of discharge;
4. Time and duration of discharges;
5. The location for monitoring all wastes covered by the permit;
6. Flow Measurement. Information showing the measured average daily and maximum daily flow, in gallons per day, to the POTW from regulated process streams and other streams, as necessary, to allow use of the combined wastestream formula set out in Section 2.6C (40 CFR 403.6(e)).
7. Measurement of Pollutants.
  - a. The categorical Pretreatment Standards applicable to each regulated process and any new categorically regulated processes for Existing Sources.
  - b. The results of sampling and analysis identifying the nature and concentration, and/or mass, where required by the Standard or by the City, of regulated pollutants in the discharge from each regulated process.
  - c. Instantaneous, Daily Maximum, and long-term average concentrations, or mass, where required, shall be reported.
  - d. The sample shall be representative of daily operations and shall be analyzed in accordance with procedures set out in Section 6.10 of this Ordinance. Where the Standard requires compliance with a BMP or pollution prevention alternative, the User shall submit documentation as required by the City or the applicable Standards to determine compliance with the Standard.

- e. Sampling must be performed in accordance with procedures set out in Section 6.11 of this Ordinance.
  - 8. Any requests for a monitoring waiver (or a renewal of an approved monitoring waiver) for a pollutant neither present nor expected to be present in the discharge based on Section 6.4B [40 CFR 403.12(e)(2)].
  - 9. Any other information as may be deemed necessary by the City to evaluate the permit application.
- B. Incomplete or inaccurate applications will not be processed and will be returned to the User for revision.

#### 4.6 Application Signatories and Certifications

- A. All wastewater discharge permit applications, User reports and certification statements must be signed by an Authorized Representative of the User and contain the certification statement in Section 6.14 A.
- B. If the designation of an Authorized Representative is no longer accurate because a different individual or position has responsibility for the overall operation of the facility or overall responsibility for environmental matters for the company, a new written authorization satisfying the requirements of this Section must be submitted to the City prior to or together with any reports to be signed by an Authorized Representative.

#### 4.7 Individual Wastewater Discharge Permit Decisions

The City will evaluate the data furnished by the User and may require additional information. Within thirty (30) days of receipt of a complete permit application, The City will determine whether to issue an individual wastewater discharge permit. The City may deny any application for an individual wastewater discharge permit.

### SECTION 5—INDIVIDUAL WASTEWATER DISCHARGE PERMIT ISSUANCE

#### 5.1 Individual Wastewater Discharge Permit Duration

An individual wastewater discharge permit shall be issued for a specified time period, not to exceed five (5) years from the effective date of the permit. An individual wastewater discharge permit may be issued for a period less than five (5) years, at the discretion of the City. Each individual wastewater discharge permit will indicate a specific date upon which it will expire.

#### 5.2 Individual Wastewater Discharge Permit Contents

An individual wastewater discharge permit shall include such conditions as are deemed reasonably necessary by the City to prevent Pass Through or Interference, protect the quality

of the water body receiving the treatment plant's effluent, protect worker health and safety, facilitate sludge management and disposal, and protect against damage to the POTW.

A. Individual wastewater discharge permits must contain:

1. A statement that indicates the wastewater discharge permit issuance date, expiration date and effective date;
2. A statement that the wastewater discharge permit is nontransferable without prior notification to the City in accordance with Section 5.5 of this Ordinance, and provisions for furnishing the new owner or operator with a copy of the existing wastewater discharge permit;
3. Effluent limits, including Best Management Practices, based on applicable Pretreatment Standards
4. Self monitoring, sampling, reporting, notification, and record-keeping requirements. These requirements shall include an identification of pollutants (or best management practice) to be monitored, sampling location, sampling frequency, and sample type based on Federal, State, and local law.
5. The process for seeking a waiver from monitoring for a pollutant neither present nor expected to be present in the Discharge in accordance with Section 6.4 B.
6. A statement of applicable civil and criminal penalties for violation of Pretreatment Standards and Requirements, and any applicable compliance schedule. Such schedule may not extend the time for compliance beyond that required by applicable Federal, State, or local law.
7. Requirements to control Slug Discharge, if determined by the City to be necessary.

B. Individual wastewater discharge permits may contain, but need not be limited to, the following conditions:

1. Limits on the average and/or maximum rate of discharge, time of discharge, and/or requirements for flow regulation and equalization;
2. Requirements for the installation of pretreatment technology, pollution control, or construction of appropriate containment devices, designed to reduce, eliminate, or prevent the introduction of pollutants into the treatment works;
3. Requirements for the development and implementation of spill control plans or other special conditions including management practices necessary to adequately prevent accidental, unanticipated, or nonroutine discharges;
4. Development and implementation of waste minimization plans to reduce the amount of pollutants discharged to the POTW;



5. The unit charge or schedule of User charges and fees for the management of the wastewater discharged to the POTW;
6. Requirements for installation and maintenance of inspection and sampling facilities and equipment, including flow measurement devices;
7. A statement that compliance with the individual wastewater discharge permit does not relieve the permittee of responsibility for compliance with all applicable Federal and State Pretreatment Standards, including those which become effective during the term of the individual wastewater discharge permit; and
8. Other conditions as deemed appropriate by the City to ensure compliance with this Ordinance, and State and Federal laws, rules, and regulations.

### 5.3 Permit Modification

A. The City may modify an individual wastewater discharge permit for good cause, including, but not limited to, the following reasons:

1. To incorporate any new or revised Federal, State, or local Pretreatment Standards or Requirements;
2. To address significant alterations or additions to the User's operation, processes, or wastewater volume or character since the time of the individual wastewater discharge permit issuance;
3. A change in the POTW that requires either a temporary or permanent reduction or elimination of the authorized discharge;
4. Information indicating that the permitted discharge poses a threat to the City's POTW, City personnel, or the receiving waters;
5. Violation of any terms or conditions of the individual wastewater discharge permit;
6. Misrepresentations or failure to fully disclose all relevant facts in the wastewater discharge permit application or in any required reporting;
7. Revision of or a grant of variance from categorical Pretreatment Standards pursuant to 40 CFR 403.13;
8. To correct typographical or other errors in the individual wastewater discharge permit; or
9. To reflect a transfer of the facility ownership or operation to a new owner or operator where requested in accordance with Section 5.3.

### 5.4 Individual Wastewater Discharge Permit Transfer

Individual wastewater discharge permits may be transferred to a new owner or operator only if the permittee gives at least sixty (60) days advance notice to the City and the City approves the individual wastewater discharge permit transfer. The notice to the City must include a written certification by the new owner or operator which:

- A. States that the new owner and/or operator has no immediate intent to change the facility's operations and processes;
- B. Identifies the specific date on which the transfer is to occur; and
- C. Acknowledges full responsibility for complying with the existing individual wastewater discharge permit.

Failure to provide advance notice of a transfer renders the individual wastewater discharge permit void as of the date of facility transfer.

### 5.5 Individual Wastewater Discharge Permit Revocation

The City may revoke an individual wastewater discharge permit for good cause, including, but not limited to, the following reasons:

- A. Failure to notify the City of significant changes to the wastewater prior to the changed discharge;
- B. Failure to provide prior notification to the City of changed conditions pursuant to Section 6.5 of this Ordinance;
- C. Misrepresentation or failure to fully disclose all relevant facts in the wastewater discharge permit application;
- D. Falsifying self-monitoring reports and certification statements;
- E. Tampering with monitoring equipment;
- F. Refusing to allow the City timely access to the facility premises and records;
- G. Failure to meet effluent limitations;
- H. Failure to pay fines;
- I. Failure to pay sewer charges;
- J. Failure to meet compliance schedules;
- K. Failure to complete a wastewater survey or the wastewater discharge permit application;
- L. Failure to provide advance notice of the transfer of business ownership of a permitted facility; or

- M. Violation of any Pretreatment Standard or Requirement, or any terms of the wastewater discharge permit or this Ordinance.

Individual wastewater discharge permits shall be voidable upon cessation of operations or transfer of business ownership. All individual wastewater discharge permits issued to a User are void upon the issuance of a new individual wastewater discharge permit to that User.

#### 5.6 Individual Wastewater Discharge Permit Reissuance

A User with an expiring individual wastewater discharge permit shall apply for individual wastewater discharge permit reissuance by submitting a complete permit application, in accordance with Section 4.5 of this Ordinance, a minimum of sixty (60) days prior to the expiration of the User's existing individual wastewater discharge permit.

#### 5.7 Regulation of Waste Received from Other Jurisdictions

- A. If another municipality contributes wastewater to the POTW, the City may enter into an interlocal cooperation agreement with the contributing municipality.
- B. Prior to entering into an agreement required by paragraph A, above, the City shall request the following information from the contributing municipality:
  - 1. A description of the quality and volume of wastewater discharged to the POTW by the contributing municipality;
  - 2. An inventory of all Users located within the contributing municipality that are discharging to the POTW; and
  - 3. Such other information as the City may deem necessary.
- C. An interlocal cooperation agreement, as required by paragraph A, above, shall contain the following conditions:
  - 1. A requirement for the contributing municipality to adopt a sewer use Ordinance which is at least as stringent as this Ordinance and Local Limits, including required Baseline Monitoring Reports (BMRs) which are at least as stringent as those set out in Section 2.8 of this Ordinance. The requirement shall specify that such Ordinance and limits must be revised as necessary to reflect changes made to the City's Ordinance or Local Limits;
  - 2. A requirement for the contributing municipality to submit a revised User inventory on at least an annual basis;
  - 3. A provision specifying which pretreatment implementation activities, including individual wastewater discharge permit issuance, inspection and sampling, and enforcement, will be conducted by the contributing

- municipality; which of these activities will be conducted by the City; and which of these activities will be conducted jointly by the contributing municipality and the City;
4. A requirement for the contributing municipality to provide the City with access to all information that the contributing municipality obtains as part of its pretreatment activities;
  5. Limits on the nature, quality, and volume of the contributing municipality's wastewater at the point where it discharges to the POTW;
  6. Requirements for monitoring the contributing municipality's discharge;
  7. A provision ensuring the City access to the facilities of Users located within the contributing municipality's jurisdictional boundaries for the purpose of inspection, sampling, and any other duties deemed necessary by the City; and
  8. A provision specifying remedies available for breach of the terms of the intermunicipal agreement.

## SECTION 6—REPORTING REQUIREMENTS

### 6.1 Baseline Monitoring Reports

- A. Within either one hundred eighty (180) days after the effective date of a categorical Pretreatment Standard, or the final administrative decision on a category determination under 40 CFR 403.6(a)(4), whichever is later, existing Categorical Industrial Users currently discharging to or scheduled to discharge to the POTW shall submit to the City a report which contains the information listed in paragraph B, below. At least ninety (90) days prior to commencement of their discharge, New Sources, and sources that become Categorical Industrial Users subsequent to the promulgation of an applicable categorical Standard, shall submit to the City a report which contains the information listed in paragraph B, below. A New Source shall report the method of pretreatment it intends to use to meet applicable categorical Standards. A New Source also shall give estimates of its anticipated flow and quantity of pollutants to be discharged.
- B. Users described above shall submit the information set forth below.
  1. All information required in Section 4.5A (1) (a), Section 4.5A (2), Section 4.5A (3) (a), and Section 4.5A (6).
  2. Measurement of pollutants.
    - a. The User shall provide the information required in Section 4.5 A (7) (a) through (d).
    - b. The User shall take a minimum of one (1) representative sample to compile that data necessary to comply with the requirements of this paragraph.

- c. Samples should be taken immediately downstream from pretreatment facilities if such exist or immediately downstream from the regulated process if no pretreatment exists. If other wastewaters are mixed with the regulated wastewater prior to pretreatment the User should measure the flows and concentrations necessary to allow use of the combined wastestream formula in 40 CFR 403.6(e) to evaluate compliance with the Pretreatment Standards. Where an alternate concentration or mass limit has been calculated in accordance with 40 CFR 403.6(e) this adjusted limit along with supporting data shall be submitted to the Control Authority;
  - d. Sampling and analysis shall be performed in accordance with Section 6.10;
  - e. The City may allow the submission of a baseline report which utilizes only historical data so long as the data provides information sufficient to determine the need for industrial pretreatment measures;
  - f. The baseline report shall indicate the time, date and place of sampling and methods of analysis, and shall certify that such sampling and analysis is representative of normal work cycles and expected pollutant Discharges to the POTW.
3. Compliance Certification. A statement, reviewed by the User's Authorized Representative as defined in Section 1.4 C and certified by a qualified professional, indicating whether Pretreatment Standards are being met on a consistent basis, and, if not, whether additional operation and maintenance (O&M) and/or additional pretreatment is required to meet the Pretreatment Standards and Requirements.
  4. Compliance Schedule. If additional pretreatment and/or O&M will be required to meet the Pretreatment Standards, the shortest schedule by which the User will provide such additional pretreatment and/or O&M must be provided. The completion date in this schedule shall not be later than the compliance date established for the applicable Pretreatment Standard. A compliance schedule pursuant to this Section must meet the requirements set out in Section 6.2 of this Ordinance.
  5. Signature and Report Certification. All baseline monitoring reports must be certified in accordance with Section 6.14 A of this Ordinance and signed by an Authorized Representative as defined in Section 1.4C.

## 6.2 Compliance Schedule Progress Reports

The following conditions shall apply to the compliance schedule required by Section 6.1(B)(4) of this Ordinance:

- A. The schedule shall contain progress increments in the form of dates for the commencement and completion of major events leading to the construction and

operation of additional pretreatment required for the User to meet the applicable Pretreatment Standards (such events include, but are not limited to, hiring an engineer, completing preliminary and final plans, executing contracts for major components, commencing and completing construction, and beginning and conducting routine operation);

- B. No increment referred to above shall exceed nine (9) months;
- C. The User shall submit a progress report to the City no later than fourteen (14) days following each date in the schedule and the final date of compliance including, as a minimum, whether or not it complied with the increment of progress, the reason for any delay, and, if appropriate, the steps being taken by the User to return to the established schedule; and
- D. In no event shall more than nine (9) months elapse between such progress reports to the City.

### 6.3 Reports on Compliance with Categorical Pretreatment Standard Deadline

Within ninety (90) days following the date for final compliance with applicable categorical Pretreatment Standards, or in the case of a New Source following commencement of the introduction of wastewater into the POTW, any User subject to such Pretreatment Standards and Requirements shall submit to the City a report containing the information described in Section 4.5A(6) and (7) and 6.1(B)(2) of this Ordinance. For Users subject to equivalent mass or concentration limits established in accordance with the procedures in Section 2.2, this report shall contain a reasonable measure of the User's long-term production rate. For all other Users subject to categorical Pretreatment Standards expressed in terms of allowable pollutant discharge per unit of production (or other measure of operation), this report shall include the User's actual production during the appropriate sampling period. All compliance reports must be signed and certified in accordance with Section 6.14 A of this Ordinance. All sampling will be done in conformance with Section 6.11.

### 6.4 Periodic Compliance Reports

- A. All Significant Industrial Users must, at a frequency determined by the City submit no less than twice (2x) per year on dates specified reports indicating the nature, concentration of pollutants in the discharge which are limited by Pretreatment Standards and the measured or estimated average and maximum daily flows for the reporting period. In cases where the Pretreatment Standard requires compliance with a Best Management Practice (BMP) or pollution prevention alternative, the User must submit documentation required by the City or the Pretreatment Standard necessary to determine the compliance status of the User.

- B. All periodic compliance reports must be signed and certified in accordance with Section 6.14 A of this Ordinance.
- C. All wastewater samples must be representative of the User's discharge. Wastewater monitoring and flow measurement facilities shall be properly operated, kept clean, and maintained in good working order at all times. The failure of a User to keep its monitoring facility in good working order shall not be grounds for the User to claim that sample results are unrepresentative of its discharge.
- D. If a User subject to the reporting requirement in this section monitors any regulated pollutant at the appropriate sampling location more frequently than required by the City, using the procedures prescribed in Section 6.11 of this Ordinance, the results of this monitoring shall be included in the report.

#### 6.5 Reports of Changed Conditions

Each User must notify the City of any significant changes to the User's operations or system which might alter the nature, quality, or volume of its wastewater at least sixty (60) days before the change.

- A. The City may require the User to submit such information as may be deemed necessary to evaluate the changed condition, including the submission of a wastewater discharge permit application under Section 4.5 of this Ordinance.
- B. The City may issue an individual wastewater discharge permit under Section 5.7 of this Ordinance or modify an existing wastewater discharge permit under Section 5.4 of this Ordinance in response to changed conditions or anticipated changed conditions.

#### 6.6 Reports of Potential Problems

- A. In the case of any discharge, including, but not limited to, accidental discharges, discharges of a nonroutine, episodic nature, a noncustomary batch discharge, a Slug Discharge or Slug Load, that might cause potential problems for the POTW, the User shall immediately telephone and notify the City of the incident. This notification shall include the location of the discharge, type of waste, concentration and volume, if known, and corrective actions taken by the User.
- B. A notice shall be permanently posted on the User's bulletin board or other prominent place advising employees who to call in the event of a discharge described in paragraph A, above. Employers shall ensure that all employees, who could cause such a discharge to occur, are advised of the emergency notification procedure.

- C. Significant Industrial Users are required to notify the City immediately of any changes at its facility affecting the potential for a Slug Discharge.

#### 6.7 Reports from Unpermitted Users

All Users not required to obtain an individual wastewater discharge permit shall provide appropriate reports to the City as the City may require.

#### 6.8 Notice of Violation/Repeat Sampling and Reporting

If sampling performed by a User indicates a violation, the User must notify the City within twenty-four (24) hours of becoming aware of the violation. The User shall also repeat the sampling and analysis and submit the results of the repeat analysis to the City within thirty (30) days after becoming aware of the violation. Resampling by the Industrial User is not required if the City performs sampling at the User's facility at least once a month, or if the City performs sampling at the User between the time when the initial sampling was conducted and the time when the User or the City receives the results of this sampling, or if the City has performed the sampling and analysis in lieu of the Industrial User.

#### 6.9 Notification of the Discharge of Hazardous Waste

- A. Any User who commences the discharge of hazardous waste shall notify the POTW, the EPA Regional Waste Management Division Director, and State hazardous waste authorities, in writing, of any discharge into the POTW of a substance which, if otherwise disposed of, would be a hazardous waste under 40 CFR Part 261. Such notification must include the name of the hazardous waste as set forth in 40 CFR Part 261, the EPA hazardous waste number, and the type of discharge (continuous, batch, or other). If the User discharges more than one hundred (100) kilograms of such waste per calendar month to the POTW, the notification also shall contain the following information to the extent such information is known and readily available to the User: an identification of the hazardous constituents contained in the wastes, an estimation of the mass and concentration of such constituents in the wastestream discharged during that calendar month, and an estimation of the mass of constituents in the wastestream expected to be discharged during the following twelve (12) months. All notifications must take place no later than one hundred and eighty (180) days after the discharge commences. Any notification under this paragraph need be submitted only once for each hazardous waste discharged. However, notifications of changed conditions must be submitted under Section 6.5 of this Ordinance. The notification requirement in this Section does not apply to pollutants already reported by Users subject to categorical Pretreatment Standards under the self monitoring requirements of Sections 6.1, 6.3, and 6.4 of this Ordinance.



- B. Dischargers are exempt from the requirements of paragraph A, above, during a calendar month in which they discharge no more than fifteen (15) kilograms of hazardous wastes, unless the wastes are acute hazardous wastes as specified in 40 CFR 261.30(d) and 261.33(e). Discharge of more than fifteen (15) kilograms of nonacute hazardous wastes in a calendar month, or of any quantity of acute hazardous wastes as specified in 40 CFR 261.30(d) and 261.33(e), requires a one-time (1x) notification. Subsequent months during which the User discharges more than such quantities of any hazardous waste do not require additional notification.
- C. In the case of any new regulations under section 3001 of RCRA identifying additional characteristics of hazardous waste or listing any additional substance as a hazardous waste, the User must notify the City, the EPA Regional Waste Management Waste Division Director, and State hazardous waste authorities of the discharge of such substance within ninety (90) days of the effective date of such regulations.
- D. In the case of any notification made under this Section, the User shall certify that it has a program in place to reduce the volume and toxicity of hazardous wastes generated to the degree it has determined to be economically practical.
- E. This provision does not create a right to discharge any substance not otherwise permitted to be discharged by this Ordinance, a permit issued thereunder, or any applicable Federal or State law.

#### 6.10 Analytical Requirements

All pollutant analyses, including sampling techniques, to be submitted as part of a wastewater discharge permit application or report shall be performed in accordance with the techniques prescribed in 40 CFR Part 136 and amendments thereto, unless otherwise specified in an applicable categorical Pretreatment Standard. If 40 CFR Part 136 does not contain sampling or analytical techniques for the pollutant in question, or where the EPA determines that the Part 136 sampling and analytical techniques are inappropriate for the pollutant in question, sampling and analyses shall be performed by using validated analytical methods or any other applicable sampling and analytical procedures, including procedures suggested by the City or other parties approved by EPA.

#### 6.11 Sample Collection

Samples collected to satisfy reporting requirements must be based on data obtained through appropriate sampling and analysis performed during the period covered by the report, based on data that is representative of conditions occurring during the reporting period.

- A. Except as indicated in Section B and C below, the User must collect wastewater samples using twenty-four (24) hour flow-proportional composite sampling techniques, unless time-proportional composite sampling or grab sampling is authorized by the City. Where time-proportional composite sampling or grab sampling is authorized by the City, the samples must be representative of the discharge. Using protocols (including appropriate preservation) specified in 40 CFR Part 136 and appropriate EPA guidance, multiple grab samples collected during a twenty-four (24) hour period may be composited prior to the analysis as follows: for cyanide, total phenols, and sulfides the samples may be composited in the laboratory or in the field; for volatile organics and oil and grease, the samples may be composited in the laboratory. Composite samples for other parameters unaffected by the compositing procedures as documented in approved EPA methodologies may be authorized by the City, as appropriate. In addition, grab samples may be required to show compliance with Instantaneous Limits.
- B. Samples for oil and grease, temperature, pH, cyanide, total phenols, sulfides, and volatile organic compounds must be obtained using grab collection techniques.
- C. For sampling required in support of baseline monitoring and ninety (90) day compliance reports required in Section 6.1 and 6.3 [40 CFR 403.12(b) and (d)], a minimum of four (4) grab samples must be used for pH, cyanide, total phenols, oil and grease, sulfide and volatile organic compounds for facilities for which historical sampling data do not exist; for facilities for which historical sampling data are available, the City may authorize a lower minimum. For the reports required by paragraphs Section 6.4 (40 CFR 403.12(e) and 403.12(h)), the Industrial User is required to collect the number of grab samples necessary to assess and assure compliance by with applicable Pretreatment Standards and Requirements.

## 6.12 Date of Receipt of Reports

Written reports will be deemed to have been submitted on the date postmarked. For reports, which are not mailed, postage prepaid, into a mail facility serviced by the United States Postal Service, the date of receipt of the report shall govern.

## 6.13 Recordkeeping

Users subject to the reporting requirements of this Ordinance shall retain, and make available for inspection and copying, all records of information obtained pursuant to any monitoring activities required by this Ordinance, any additional records of information obtained pursuant to monitoring activities undertaken by the User independent of such requirements, and documentation associated with Best Management Practices established under Section 2.4 C. Records shall include the date, exact place, method, and time of sampling, and the name of the person(s) taking the samples; the dates analyses were performed; who performed the

analyses; the analytical techniques or methods used; and the results of such analyses. These records shall remain available for a period of at least three (3) years. This period shall be automatically extended for the duration of any litigation concerning the User or the City, or where the User has been specifically notified of a longer retention period by the City.

#### 6.14 Certification Statements

- A. Certification of Permit Applications, User Reports and Initial Monitoring Waiver—The following certification statement is required to be signed and submitted by Users submitting permit applications in accordance with Section 4.7; Users submitting baseline monitoring reports under Section 6.1 B (5); Users submitting reports on compliance with the categorical Pretreatment Standard deadlines under Section 6.3; Users submitting periodic compliance reports required by Section 6.4 A–D, and Users submitting an initial request to forego sampling of a pollutant on the basis of Section 6.4B(4). The following certification statement must be signed by an Authorized Representative as defined in Section 1.4 C:

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

- B. Annual Certification for Non-Significant Categorical Industrial Users—A facility determined to be a Non-Significant Categorical Industrial User by the City pursuant to 1.4 GG(3) and 4.7 C must annually submit the following certification statement signed in accordance with the signatory requirements in 1.4 C . This certification must accompany an alternative report required by the City:

Based on my inquiry of the person or persons directly responsible for managing compliance with the categorical Pretreatment Standards under 40 CFR \_\_\_\_\_, I certify that, to the best of my knowledge and belief that during the period from \_\_\_\_\_, \_\_\_\_\_ to \_\_\_\_\_, \_\_\_\_\_ [months, days, year]:

- (a) The facility described as \_\_\_\_\_ [facility name] met the definition of a Non-Significant Categorical Industrial User as described in 1.4 HH (3);

(b) The facility complied with all applicable Pretreatment Standards and requirements during this reporting period; and (c) the facility never discharged more than 100 gallons of total categorical wastewater on any given day during this reporting period.

This compliance certification is based on the following information.

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## SECTION 7—COMPLIANCE MONITORING

### 7.1 Right of Entry: Inspection and Sampling

The City shall have the right to enter the premises of any User to determine whether the User is complying with all requirements of this Ordinance and any individual wastewater discharge permit or order issued hereunder. Users shall allow the City ready access to all parts of the premises for the purposes of inspection, sampling, records examination and copying, and the performance of any additional duties.

- A. Where a User has security measures in force which require proper identification and clearance before entry into its premises, the User shall make necessary arrangements with its security guards so that, upon presentation of suitable identification, the City shall be permitted to enter without delay for the purposes of performing specific responsibilities.
- B. The City shall have the right to set up on the User's property, or require installation of, such devices as are necessary to conduct sampling and/or metering of the User's operations.
- C. The City may require the User to install monitoring equipment as necessary. The facility's sampling and monitoring equipment shall be maintained at all times in a safe and proper operating condition by the User at its own expense. All devices used to measure wastewater flow and quality shall be calibrated annually to ensure their accuracy.
- D. Any temporary or permanent obstruction to safe and easy access to the facility to be inspected and/or sampled shall be promptly removed by the User at the written or verbal request of the City and shall not be replaced. The costs of clearing such access shall be born by the User.

- E. Unreasonable delays in allowing the City access to the User's premises shall be a violation of this Ordinance.

## 7.2 Nonliability of City

While performing the necessary work on private properties referred to in division (A) above, the Superintendent or duly authorized employees of the City shall observe all safety rules applicable to the premises established by the company and the company shall be held harmless for injury or death to the City employees and the City shall indemnify the company against loss or damage to its property by the City employees and against liability claims and demands for personal injury or property damage asserted against the company and drawing out of the gauging and sampling operation except as such may be caused by negligence or failure of the company to maintain safe conditions as required in § 50.25.

## 7.3 Search Warrants

If the City has been refused access to a building, structure, or property, or any part thereof, and is able to demonstrate probable cause to believe that there may be a violation of this Ordinance, or that there is a need to inspect and/or sample as part of a routine inspection and sampling program of the City designed to verify compliance with this Ordinance or any permit or order issued hereunder, or to protect the overall public health, safety and welfare of the community, the City may seek issuance of a search warrant from the Pendleton County District Court.

## SECTION 8—CONFIDENTIAL INFORMATION

Information and data on a User obtained from reports, surveys, wastewater discharge permit applications, individual wastewater discharge permits, and monitoring programs, and from the City inspection and sampling activities, shall be available to the public, subject to the provisions of the Kentucky Open Records Act, as amended, unless the User specifically requests, and is able to demonstrate to the satisfaction of the City that the release of such information would divulge information, processes, or methods of production entitled to protection as trade secrets under applicable State law. Any such request must be asserted at the time of submission of the information or data. When requested and demonstrated by the User furnishing a report that such information should be held confidential, the portions of a report which might disclose trade secrets or secret processes shall not be made available for inspection by the public, but shall be made available immediately upon request to governmental agencies for uses related to the KPDES program or pretreatment program, and in enforcement proceedings involving the person furnishing the report. Wastewater constituents and characteristics and other effluent data, as defined at 40 CFR 2.302 shall not be recognized as confidential information and shall be available to the public without restriction.

## SECTION 9—PUBLICATION OF USERS IN SIGNIFICANT NONCOMPLIANCE

The City shall publish annually, in a newspaper qualified under the requirements set forth in KRS 424.120, as amended from time to time, for the jurisdictions served by the City's Wastewater Treatment Plant, a list of the Users which, at any time during the previous twelve (12) months, were in Significant Noncompliance with applicable Pretreatment Standards and Requirements. The term Significant Noncompliance shall be applicable to all Significant Industrial Users (or any other Industrial User that violates paragraphs (C), (D) or (H) of this Section) and shall mean:

- A. Chronic violations of wastewater discharge limits, defined here as those in which sixty-six percent (66%) or more of all the measurements taken for the same pollutant parameter taken during a six (6) month period exceed (by any magnitude) a numeric Pretreatment Standard or Requirement, including Instantaneous Limits as defined in Section 2;
- B. Technical Review Criteria (TRC) violations, defined here as those in which thirty-three percent (33%) or more of wastewater measurements taken for each pollutant parameter during a six (6) month period equals or exceeds the product of the numeric Pretreatment Standard or Requirement including Instantaneous Limits, as defined by Section 2 multiplied by the applicable criteria (1.4 for BOD, TSS, fats, oils and grease, and 1.2 for all other pollutants except pH);
- C. Any other violation of a Pretreatment Standard or Requirement as defined by Section 2 (Daily Maximum, long-term average, Instantaneous Limit, or narrative standard) that the City determines has caused, alone or in combination with other discharges, Interference or Pass Through, including endangering the health of POTW personnel or the general public;
- D. Any discharge of a pollutant that has caused imminent endangerment to the public or to the environment, or has resulted in the City exercise of its emergency authority to halt or prevent such a discharge;
- E. Failure to meet, within ninety (90) days of the scheduled date, a compliance schedule milestone contained in an individual wastewater discharge permit or enforcement order for starting construction, completing construction, or attaining final compliance;
- F. Failure to provide within forty-five (45) days after the due date, any required reports, including baseline monitoring reports, reports on compliance with categorical Pretreatment Standard deadlines, periodic self-monitoring reports, and reports on compliance with compliance schedules;

- G. Failure to accurately report noncompliance; or
- H. Any other violation(s), which may include a violation of Best Management Practices, which the City determines will adversely affect the operation or implementation of the local pretreatment program.

## SECTION 10—ADMINISTRATIVE ENFORCEMENT REMEDIES

### 10.1 Notification of Violation

When the City finds that a User has violated, or continues to violate, any provision of this Ordinance, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement, the City may serve upon that User a written Notice of Violation. Within fourteen (14) days of the receipt of such notice, an explanation of the violation and a plan for the satisfactory correction and prevention thereof, to include specific required actions, shall be submitted by the User to the City. Submission of such a plan in no way relieves the User of liability for any violations occurring before or after receipt of the Notice of Violation. Nothing in this Section shall limit the authority of the City to take any action, including emergency actions or any other enforcement action, without first issuing a Notice of Violation.

### 10.2 Consent Orders

The City may enter into Consent Orders, assurances of compliance, or other similar documents establishing an agreement with any User responsible for noncompliance. Such documents shall include specific action to be taken by the User to correct the noncompliance within a time period specified by the document. Such documents shall have the same force and effect as the administrative orders issued pursuant to Sections 10.4 and 10.5 of this Ordinance and shall be judicially enforceable.

### 10.3 Show Cause Hearing

The City may order a User which has violated, or continues to violate, any provision of this Ordinance, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement, to appear before the City and show cause why the proposed enforcement action should not be taken. Notice shall be served on the User specifying the time and place for the meeting, the proposed enforcement action, the reasons for such action, and a request that the User show cause why the proposed enforcement action should not be taken. The notice of the meeting shall be served personally or by registered or certified mail (return receipt requested) at least fourteen (14) days prior to the hearing. Such notice may be served on any Authorized Representative of the User as defined in Section 1.4 C and required by Section 4.7 A. A show cause hearing shall not be a bar against, or prerequisite for, taking any other action against the User.

#### 10.4 Compliance Orders

When the City finds that a User has violated, or continues to violate, any provision of this Ordinance, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement, the City may issue an order to the User responsible for the discharge directing that the User come into compliance within a specified time. If the User does not come into compliance within the time provided, sewer service may be discontinued unless adequate treatment facilities, devices, or other related appurtenances are installed and properly operated. Compliance orders also may contain other requirements to address the noncompliance, including additional self-monitoring and management practices designed to minimize the amount of pollutants discharged to the sewer. A compliance order may not extend the deadline for compliance established for a Pretreatment Standard or Requirement, nor does a compliance order relieve the User of liability for any violation, including any continuing violation. Issuance of a compliance order shall not be a bar against, or a prerequisite for, taking any other action against the User.

#### 10.5 Cease and Desist Orders

When the City finds that a User has violated, or continues to violate, any provision of this Ordinance, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement, or that the User's past violations are likely to recur, the City may issue an order to the User directing it to cease and desist all such violations and directing the User to:

- A. Immediately comply with all requirements; and
- B. Take such appropriate remedial or preventive action as may be needed to properly address a continuing or threatened violation, including halting operations and/or terminating the discharge. Issuance of a cease and desist order shall not be a bar against, or a prerequisite for, taking any other action against the User.

#### 10.6 Administrative Fines

- A. When the City finds that a User has violated, or continues to violate, any provision of this Ordinance, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement, the City may fine such User in an amount not to exceed one-thousand (\$1,000.00) dollars. Such fines shall be assessed on a per-violation, per-day basis. In the case of monthly or other long-term average discharge limits, a fine may be assessed for each day during the period of violation.



- B. Unpaid charges, fines, and penalties shall, after ninety (90) calendar days, be assessed an additional penalty of five percent (5%) of the unpaid balance, and interest shall accrue thereafter at a rate of five percent (5%) per month. A lien against the User's property within Pendleton County shall attach for unpaid charges, fines, and penalties. Notice of the lien shall be filed in the office of the Pendleton County Court Clerk if not paid within thirty (30) days of the order.
- C. Users desiring to dispute such fines must file a written request for the City to reconsider the fine along with full payment of the fine amount within thirty (30) days of being notified of the fine. Where a request has merit, the City may convene a hearing on the matter. In the event the User's appeal is successful, the payment, together with any interest accruing thereto, shall be returned to the User. The City may add the costs of preparing administrative enforcement actions, such as notices and orders, to the fine.
- D. Issuance of an administrative fine shall not be a bar against, or a prerequisite for, taking any other action against the User.

#### 10.7 Emergency Suspensions

The City may immediately suspend a User's discharge, after informal notice to the User, whenever such suspension is necessary to stop an actual or threatened discharge, which reasonably appears to present, or cause an imminent or substantial endangerment to the health or welfare of persons. The City may also immediately suspend a User's discharge, after notice and opportunity to respond, that threatens to interfere with the operation of the POTW, or which presents, or may present, an endangerment to the environment.

- A. Any User notified of a suspension of its discharge shall immediately stop or eliminate its contribution. In the event of a User's failure to immediately comply voluntarily with the suspension order, the City may take such steps as deemed necessary, including immediate severance of the sewer connection, to prevent or minimize damage to the POTW, its receiving stream, or endangerment to any individuals. The City may allow the User to recommence its discharge when the User has demonstrated to the satisfaction of the City that the period of endangerment has passed, unless the termination proceedings in Section 10.8 of this Ordinance are initiated against the User.
- B. A User that is responsible, in whole or in part, for any discharge presenting imminent endangerment shall submit a detailed written statement, describing the causes of the harmful contribution and the measures taken to prevent any future occurrence, to the City prior to the date of any show cause or termination hearing under Sections 10.3 or 10.8 of this Ordinance.

Nothing in this Section shall be interpreted as requiring a hearing prior to any Emergency Suspension under this Section.

#### 10.8 Termination of Discharge

In addition to the provisions in Section 5.6 of this Ordinance, any User who violates the following conditions is subject to discharge termination:

- A. Violation of individual wastewater discharge permit conditions;
- B. Failure to accurately report the wastewater constituents and characteristics of its discharge;
- C. Failure to report significant changes in operations or wastewater volume, constituents, and characteristics prior to discharge;
- D. Refusal of reasonable access to the User's premises for the purpose of inspection, monitoring, or sampling; or
- E. Violation of the Pretreatment Standards in Section 2 of this Ordinance.

Such User will be notified of the proposed termination of its discharge and be offered an opportunity to show cause under Section 10.3 of this Ordinance why the proposed action should not be taken. Exercise of this option by the City shall not be a bar to, or a prerequisite for, taking any other action against the User.

### SECTION 11—JUDICIAL ENFORCEMENT REMEDIES

#### 11.1 Injunctive Relief

When the City finds that a User has violated, or continues to violate, any provision of this Ordinance, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement, the City may petition the Pendleton County Circuit Court through the City Attorney, or authorized counsel for the City, for the issuance of a temporary or permanent injunction, as appropriate, which restrains or compels the specific performance of the individual wastewater discharge permit, order, or other requirement imposed by this Ordinance on activities of the User. The City may also seek such other action as is appropriate for legal and/or equitable relief, including a requirement for the User to conduct environmental remediation. A petition for injunctive relief shall not be a bar against, or a prerequisite for, taking any other action against a User.

#### 11.2 Civil Penalties

- A. A User who has violated, or continues to violate, any provision of this Ordinance, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement shall be liable to the City for a maximum civil penalty of one-thousand dollars (\$1,000.00) per violation, per day. In the case of a monthly or other long-term average discharge limit, penalties shall accrue for each day during the period of the violation.
- B. The City may recover reasonable attorneys' fees, court costs, and other expenses associated with enforcement activities, including sampling and monitoring expenses, and the cost of any actual damages incurred by the City.
- C. In determining the amount of civil liability, the Court shall take into account all relevant circumstances, including, but not limited to, the extent of harm caused by the violation, the magnitude and duration of the violation, any economic benefit gained through the User's violation, corrective actions by the User, the compliance history of the User, and any other factor as justice requires.
- D. Filing a suit for civil penalties shall not be a bar against, or a prerequisite for, taking any other action against a User.

### 11.3 Criminal Prosecution

- A. A User who willfully or negligently violates any provision of this Ordinance, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement shall, upon conviction, be guilty of a misdemeanor, punishable by a fine of not more than five-hundred dollars (\$500.00) per violation, per day, or imprisonment for not more than twelve (12) months, or both.
- B. A User who willfully or negligently introduces any substance into the POTW which causes personal injury or property damage shall, upon conviction, be guilty of a misdemeanor and be subject to a penalty of at least five-hundred dollars (\$500.00), or be subject to imprisonment for not more than twelve (12) months, or both. This penalty shall be in addition to any other cause of action for personal injury or property damage available under State law.
- C. A User who knowingly makes any false statements, representations, or certifications in any application, record, report, plan, or other documentation filed, or required to be maintained, pursuant to this Ordinance, individual wastewater discharge permit, or order issued hereunder, or who falsifies, tampers with, or knowingly renders inaccurate any monitoring device or method required under this Ordinance shall, upon conviction, be punished by a fine of not more than five-

hundred dollars (\$500.00) per violation, per day, or imprisonment for not more than twelve (12) months, or both.

- D. In the event of a second conviction, a User shall be punished by a fine of not more than five-hundred dollars (\$500.00) per violation, per day, or imprisonment for not more than twelve (12) months, or both.

#### 11.4 Remedies Nonexclusive

The remedies provided for in this Ordinance are not exclusive. The City may take any, all, or any combination of these actions against a noncompliant User. Enforcement of pretreatment violations will generally be in accordance with the City's enforcement response plan. However, the City may take other action against any User when the circumstances warrant. Further, the City is empowered to take more than one enforcement action against any noncompliant User.

### SECTION 12—AFFIRMATIVE DEFENSES TO DISCHARGE VIOLATIONS

#### 12.1 Upset

- A. For the purposes of this Section, upset means an exceptional incident in which there is unintentional and temporary noncompliance with categorical Pretreatment Standards because of factors beyond the reasonable control of the User. An upset does not include noncompliance to the extent caused by operational error, improperly designed treatment facilities, inadequate treatment facilities, lack of preventive maintenance, or careless or improper operation.
- B. An upset shall constitute an affirmative defense to an action brought for noncompliance with categorical Pretreatment Standards if the requirements of paragraph (C), below, are met.
- C. A User who wishes to establish the affirmative defense of upset shall demonstrate, through properly signed, contemporaneous operating logs, or other relevant evidence that:
1. An upset occurred and the User can identify the cause(s) of the upset;
  2. The facility was at the time being operated in a prudent and workman-like manner and in compliance with applicable operation and maintenance procedures; and
  3. The User has submitted the following information to the City within twenty-four (24) hours of becoming aware of the upset [if this information is provided verbally, a written submission must be provided within five (5) days]:
    - a. A description of the indirect discharge and cause of noncompliance;

- b. The period of noncompliance, including exact dates and times or, if not corrected, the anticipated time the noncompliance is expected to continue; and
  - c. Steps being taken and/or planned to reduce, eliminate, and prevent recurrence of the noncompliance.
- D. In any enforcement proceeding, the User seeking to establish the occurrence of an upset shall have the burden of proof.
- E. Users shall have the opportunity for a judicial determination on any claim of upset only in an enforcement action brought for noncompliance with categorical Pretreatment Standards.
- F. Users shall control production of all discharges to the extent necessary to maintain compliance with categorical Pretreatment Standards upon reduction, loss, or failure of its treatment facility until the facility is restored or an alternative method of treatment is provided. This requirement applies in the situation where, among other things, the primary source of power of the treatment facility is reduced, lost, or fails.

## 12.2 Prohibited Discharge Standards

A User shall have an affirmative defense to an enforcement action brought against it for noncompliance with the general prohibitions in Section 2.5(A) of this Ordinance or the specific prohibitions in Sections 2.5(B)(3) through (18) of this Ordinance if it can prove that it did not know, or have reason to know, that its discharge, alone or in conjunction with discharges from other sources, would cause Pass Through or Interference and that either:

- A. A Local Limit exists for each pollutant discharged and the User was in compliance with each limit directly prior to, and during, the Pass Through or Interference; or
- B. No Local Limit exists, but the discharge did not change substantially in nature or constituents from the User's prior discharge when the City was regularly in compliance with its KPDES permit, and in the case of Interference, was in compliance with applicable sludge use or disposal requirements.

## 12.3 Bypass

- A. For the purposes of this Section,
  - 1. Bypass means the intentional diversion of wastestreams from any portion of a User's treatment facility.
  - 2. Severe property damage means substantial physical damage to property, damage to the treatment facilities which causes them to become inoperable,

or substantial and permanent loss of natural resources which can reasonably be expected to occur in the absence of a bypass. Severe property damage does not mean economic loss caused by delays in production.

B. A User may allow any bypass to occur which does not cause Pretreatment Standards or Requirements to be violated, but only if it also is for essential maintenance to assure efficient operation. These bypasses are not subject to the provision of paragraphs (C) and (D) of this Section.

C. Bypass Notifications

1. If a User knows in advance of the need for a bypass, it shall submit prior notice to the City, at least ten (10) days before the date of the bypass, if possible.
2. A User shall submit oral notice to the City of an unanticipated bypass that exceeds applicable Pretreatment Standards within twenty-four (24) hours from the time it becomes aware of the bypass. A written submission shall also be provided within five (5) days of the time the User becomes aware of the bypass. The written submission shall contain a description of the bypass and its cause; the duration of the bypass, including exact dates and times, and, if the bypass has not been corrected, the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent reoccurrence of the bypass. The City may waive the written report on a case-by-case basis if the oral report has been received within twenty-four (24) hours.

D. Bypass

1. Bypass is prohibited, and the City may take an enforcement action against a User for a bypass, unless
  - a. Bypass was unavoidable to prevent loss of life, personal injury, or severe property damage;
  - b. There were no feasible alternatives to the bypass, such as the use of auxiliary treatment facilities, retention of untreated wastes, or maintenance during normal periods of equipment downtime. This condition is not satisfied if adequate back-up equipment should have been installed in the exercise of reasonable engineering judgment to prevent a bypass which occurred during normal periods of equipment downtime or preventive maintenance; and
  - c. The User submitted notices as required under paragraph (C) of this section.
2. The City may approve an anticipated bypass, after considering its adverse effects, if the City determines that it will meet the three (3) conditions listed in paragraph (D)(1) of this Section.

SECTION 13—MONTHLY SEWER RATES

Effective with the August 2006 billing (received September 2006) and for every reading thereafter, the water rates charged to users of water provided by the city shall be as follows.

- A. Monthly sewer rates.
  - 1. Effective for the June 2008 bill (received July 2008) and for every reading thereafter, the rates and charges for sewer service shall be as follows, based upon the quantity of water supplied in gallons:

All Customers

First 2,000	\$16.15
Next 2,000	\$4.04 per 1,000 gallons
Next 2,000	\$4.04 per 1,000 gallons
Over 6,000	\$4.04 per 1,000 gallons

- 2. Water customers outside the City limits not utilizing the POTW shall not be charged for sewer service.

- B. All users required to submit information pursuant to Section 4.1 above, including all users required to obtain individual wastewater discharges permits, exceeding the maximum allowable concentration without surcharge listed in Section 2.8 B are required to adjust their sewer rate (to cover the cost of additional treatment):

BOD	\$0.07 per pound treated
COD	\$0.12 per pound treated
TSS	---
NH <sub>3</sub> -N	\$0.22 per pound treated
TKN	\$0.36 per pound treated

SECTION 14—MISCELLANEOUS PROVISIONS

14.1 Pretreatment Charges and Fees

The City may adopt reasonable fees for reimbursement of costs of setting up and operating the City's Pretreatment Program, which may include:

- A. Fees for wastewater discharge permit applications including the cost of processing such applications;

- B. Fees for monitoring, inspection, and surveillance procedures including the cost of collection and analyzing a User's discharge, and reviewing monitoring reports and certification statements submitted by Users;
- C. Fees for reviewing and responding to accidental discharge procedures and construction;
- D. Fees for filing appeals;
- E. Fees to recover administrative and legal costs (not included in Section 14.1 B) associated with the enforcement activity taken by the City to address IU noncompliance; and
- F. Other fees as the City may deem necessary to carry out the requirements contained herein. These fees relate solely to the matters covered by this Ordinance and are separate from all other fees, fines, and penalties chargeable by the City.

#### 14.2 Severability

If any provision of this Ordinance is invalidated by any court of competent jurisdiction, the remaining provisions shall not be affected and shall continue in full force and effect.

#### SECTION 15—EFFECTIVE DATE

This Ordinance shall take effect upon its passage, approval, and publication in full as required by law, with an effective date of \_\_\_\_\_.



**DEED**

**THIS DEED** is made and entered into as of the \_\_\_ day of \_\_\_\_\_, 2010, by and between **EAST PENDLETON WATER DISTRICT AKA, EAST PENDLETON COUNTY WATER DISTRICT** (the "Grantors"), and **CITY OF FALMOUTH, KENTUCKY**, a municipal corporation of the Commonwealth of Kentucky of the Fourth Class, Pendleton County, Kentucky, whose mailing address is 230 Main Street, Falmouth, Kentucky 41040 (the "Grantee").

**WITNESSETH:**

THAT for and in consideration of ONE (\$1.00) DOLLAR, the receipt and sufficiency of which is hereby acknowledged by Grantors, Grantors do hereby REMISE, RELEASE, to public use and Grantee, its successors and assigns forever, all of Grantors' right, title and interest in and to the easements, sanitary sewer lines, fixtures, appurtenances, and improvements for wastewater collection and transmission, located in Pendleton County, Kentucky and more particularly described as follows:

All as shown or depicted on the following Plats and Deed of Record in the Office of the Pendleton County Court Clerk, to wit:

Situated in Pendleton County, Commonwealth of Kentucky, and being a division of land lying on the north side of the Blanket Creek Road, approximately a distance of 250.0 feet east of the junction with the U.S. Highway #27 and being a new survey combining all of the 0.296 acre parcel and part of the 0.31 acre parcel as described in Deed Book \_\_\_\_\_, at



Page \_\_\_\_\_, with part of the 5.733 acres Parcel #1 as recorded in Deed Book 124 at Page 570 and owned by Marvin Conrad and Lorraine Conrad, husband and wife, both recorded in the Pendleton County Court Clerk's Records at the Falmouth, Kentucky office and is bound and described as follows:

From a spike set in the center of the asphalt covered concrete pavement of U.S. Highway #27, said spike being the center of a 6' x 4' concrete box culvert; north 30-18'-15" west a distance of 100.0 feet and north 29-30'30" west a distance of 28.09 feet along the center of said asphalt pavement to a set spike; thence leaving said road, north 60-29'-30" east a distance of 45.0 feet to a spike set in the east right of way line of the said U.S. Highway #27; thence with the center line of the 30.0 foot wide old Blanket Creek Road, south 84-18'15" east a distance of 121.80 feet to a set spoke and the real point of beginning of this description; thence leaving said Blanket Creek Road, north 20-49'05" east a distance of 192.04 feet to a set iron pin, the south-east corner of an existing barn bears south 84-38'10" west a distance of 7.50; thence north 1-29'05" east a distance of 164.02 feet to a set iron pin; thence south 78-41'15" east a distance of 115.0 feet to a set iron pin, a common corner to Lot #95 and Lot #96 of the Oak Haven Estates as shown on Plat Sheet 1-11 Pendleton County records; thence with the west line of said Oak Haven Estates, south 11-18'45" west a distance of 343.54 feet to a set spike in the center of the Old Blanket Creek Road; thence with the center of said road, north 81-53'15" west a distance of 98.90 feet; and north 84-18'15" west a distance of 20.07 feet to the point of beginning, containing 0.811 acre as per the attached plat.

The above description is in accordance with a survey made by Howard M. Johnston, Kentucky Professional Land Surveyor #1041 on December 8, 1993.

Subject to the right of way of the Blanket Creek Road and water and sewer lines owned by the Oak Haven Water and Sewer Co., Inc.

Being the same property conveyed to Grantors, by Deed dated May 9, 1994, of record in Deed Book \_\_\_\_\_, Page \_\_\_\_\_, , all in the Office of the Clerk aforesaid.

**TO HAVE AND TO HOLD** said property unto the Grantee, its successors and assigns, with all the rights and privileges thereunto belonging with covenants of **GENERAL WARRANTY.**

IN WITNESS WHEREOF, Grantor and Grantee have executed this Deed as of the day, month and year first above written.

**EAST PENDLTON WATER DISTRICT  
AKA EAST PENDLETONCOUNTY  
WATER DISTRICT**

BY: \_\_\_\_\_  
Grantor

**CONSIDERATION CERTIFICATE**

Being first duly sworn, the undersigned Grantor and Grantees state that the consideration set forth in the foregoing Deed is true and correct and is the full consideration paid for the Real Property conveyed by the foregoing Deed.

**CITY OF FALMOUTH**

By: \_\_\_\_\_  
April DeFalco, Mayor

**ATTEST:**

\_\_\_\_\_  
Terry England, City Clerk

**EAST PENDLTON WATER DISTRICT  
AKA EAST PENDLETONCOUNTY  
WATER DISTRICT**

BY: \_\_\_\_\_  
Grantor

**COMMONWEALTH OF KENTUCKY  
COUNTY OF PENDLETON**

The foregoing instrument was subscribed, sworn to and acknowledged before me this the \_\_\_ day of \_\_\_\_\_, 2010 by \_\_\_\_\_, as \_\_\_\_\_ of the East Pendleton Water District aka East Pendleton County Water District.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_

Notary Public

**COMMONWEALTH OF KENTUCKY  
COUNTY OF PENDLETON**

The foregoing Deed and Consideration Certificate were subscribed, sworn to and acknowledged before me this the \_\_\_ day of \_\_\_\_\_, 2010 by April K. DeFalco, as Mayor of the City Falmouth, Kentucky for and on behalf of such City, and attested by Terry England, City Clerk.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_

Notary Public

This instrument was prepared by:

\_\_\_\_\_  
Henry Watson III  
Attorney at Law  
525 High Street, Suite 328  
Paris, Kentucky 40361  
Telephone: 859-987-6525  
Fax: 859-987-6529

**NEITHER A TITLE EXAMINATION  
NOR A TITLE CERTIFICATION**

**COMMONWEALTH OF KENTUCKY  
COUNTY OF PENDLETON**

I, Clerk of the Pendleton County Court do hereby certify that the foregoing Deed was on the \_\_\_\_\_ day of \_\_\_\_\_, 2010, at \_\_\_\_\_M.; lodged in my office certified as above for record, whereupon, the same and this certificate are now duly recorded.

Given under my hand this the \_\_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_ Clerk

\_\_\_\_\_ D.C.

**QUITCLAIM DEED OF DEDICATION**

**THIS QUITCLAIM DEED OF DEDICATION** (the “Deed”) is made and entered into as of the \_\_\_ day of \_\_\_\_\_, 2010, by and between \_\_\_\_\_ (the “Grantors”), and **CITY OF FALMOUTH, KENTUCKY**, a municipal corporation of the Commonwealth of Kentucky of the Fourth Class, Pendleton County, Kentucky, whose mailing address is 230 Main Street, Falmouth, Kentucky 41040 (the “Grantee”).

**WITNESSETH:**

THAT for and in consideration of ONE (\$1.00) DOLLAR, the receipt and sufficiency of which is hereby acknowledged by Grantors, Grantors do hereby **REMISE, RELEASE, QUITCLAIM AND DEDICATE** to public use and Grantee, its successors and assigns forever, all of Grantors’ right, title and interest in and to the easements, sanitary sewer lines, fixtures, appurtenances, and improvements for wastewater collection and transmission, located in Pendleton County, Kentucky and more particularly described as follows:

All as shown or depicted on the following Plats and Deed of Record in the Office of the Pendleton County Court Clerk, to wit:

PC 1, SL 4;            PC 1, SL 11;            DB 122, PG 425;  
DB 122, PG 427;    DB 122, PG 111;    DB 122, PG 112;  
DB 122, PG 607;    DB 122, PG 608;    DB 122, PG 609;  
DB 123, PG 387;    DB 127, PG 125;    DB 127, PG 126;  
and as depicted in Deed of Restrictive Covenants at:  
DB 123, PG 387;    DB 125, PG 79;        DB 125, PG 90;  
DB 125, PG 92;     DB 127, PG 19;        DB 127, PG 21;  
DB 127, PG 597;    DB 127, PG 599;    DB 153, PG 569;  
DB 223, PG 443.



BEING the easements depicted or shown as appurtenant to Oak Haven Estates Subdivision, Inc., and its successor in interest, Oak Haven Water & Sewer Company, Inc., merged by Deed of Record in DB 140, PG188; acquired by East Pendleton Water District by Order of the Public Service Commission of Kentucky in case 93-477 dated March 2, 1994; and which water and sewer systems were acquired by the City of Falmouth by Order of the Public Service Commission of Kentucky in case \_\_\_\_\_ dated \_\_\_\_\_, and by Deed of record in DB \_\_\_\_\_, PG \_\_\_\_\_, of record in the office of the clerk aforesaid.

Grantors x, y, and z, are the devisees and beneficiaries of the Wills of the Estates of their deceased parents Marvin Conrad and Loraine Conrad, whose Wills are of record in Will Book \_\_\_\_, Page \_\_\_\_, and WB \_\_\_\_\_, PG \_\_\_\_\_, respectively. Oak Haven Water and Sewer Company, Inc. was dissolved by Articles of Dissolution of record in DB \_\_\_\_\_, PG \_\_\_\_\_, and the assets thereof succeeded to the shareholders, Marvin Conrad and Loraine Conrad.

Grantors do hereby release and relinquish unto Grantee, its successors and assigns forever, all of Grantors' right, title and interest in and to the real and personal property described herein, with all privileges and appurtenances thereunto belonging, but without covenant or warranty of title by Grantor.

For purposes of compliance with KRS 382.135, Grantors and Grantee hereby certify that the consideration reflected in this Deed is the full consideration paid for the Real Property herein conveyed. The estimated fair cash value for the property conveyed hereby is \$0.00.

This conveyance is exempt from payment of a transfer tax pursuant to KRS 142.050(7)(b).

IN WITNESS WHEREOF, Grantor and Grantee have executed this Deed as of the day, month and year first above written.

**CITY OF FALMOUTH, KENTUCKY**

BY: \_\_\_\_\_  
April K. DeFalco, Mayor

**ATTEST:**

\_\_\_\_\_  
Terry England, City Clerk

**COMMONWEALTH OF KENTUCKY  
COUNTY OF PENDLETON**

The foregoing instrument was subscribed, sworn to and acknowledged before me this the \_\_\_ day of \_\_\_\_\_, 2010 by April K. DeFalco, as Mayor of the City Falmouth, Kentucky for and on behalf of such City, and attested by Terry England, City Clerk.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public

This instrument was  
Prepared by:

\_\_\_\_\_  
Henry Watson III  
Attorney at Law  
525 High Street, Suite 328  
Paris, Kentucky 40361  
Telephone: 859-987-6525  
Fax: 859-987-6529



**BILL OF SALE**

For and in consideration of the sum of ONE (\$1.00) DOLLAR, receipt of which is hereby acknowledged, **THE EAST PENDLETON WATER DISTRICT** ("seller") does hereby grant, bargain, sell, release, and transfer to **THE CITY OF FALMOUTH, KENTUCKY**, of 230 Main Street, Falmouth, Kentucky 41040 ("buyer"), the following described items of personal property:

All documents, tools, and spare parts acquired by seller for the maintenance and operation of the sewage treatment plant known as Oak Haven

To have and to hold the same unto buyer, its successors and assigns forever.

Seller covenants and agrees to and with buyer, its successors and assigns, that the above-described items are free and clear from any and all encumbrances whatsoever, that it is the true and lawful owner thereof and has authority to sell the same, and that it will warrant and defend the same against the claims and demands of all persons whomsoever.

SELLER MAKES NO WARRANTY OF MERCHANTABILITY IN RESPECT TO SAID PERSONAL PROPERTY WHICH IS SOLD IN AN "AS IS--WHERE IS" CONDITION WITH ALL FAULTS. By acceptance of delivery of said property, buyer affirms that it has not relied on seller's skill or judgment to select or furnish said property for any particular purpose and that SELLER MAKES NO WARRANTY THAT THE PROPERTY IS FIT FOR ANY PARTICULAR PURPOSE AND THAT THERE ARE NO REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, THAT EXTEND BEYOND THE DESCRIPTION OF THE PROPERTY SET FORTH ABOVE.

IN WITNESS WHEREOF, seller has caused this instrument to be executed by its duly authorized officer on this the \_\_\_\_ day of \_\_\_\_\_, 2010.

**EAST PENDLETON WATER DISTRICT**

BY: \_\_\_\_\_  
Leslie Herbst, Chairman

**ATTEST:**

\_\_\_\_\_  
William Thompson, Secretary



**CITY OF FALMOUTH**  
**RESOLUTION 2010- 4-13-1-2010**

A RESOLUTION AUTHORIZING AND DIRECTING THE MAYOR, ON BEHALF OF THE CITY OF FALMOUTH, TO EXECUTE THE VERIFIED APPLICATION TO BE FILED WITH THE PUBLIC SERVICE COMMISSION.

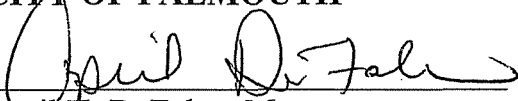
Be it resolved by the City of Falmouth:

Section 1. That the Mayor, on behalf of the City, be and hereby is authorized and directed to execute the Verified Application to be filed with the Public Service Commission, attached hereto and incorporated herein by reference.

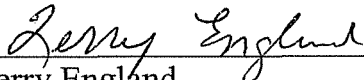
Section 2. This Resolution shall become effective upon its passage and approval as required by law.

Introduced and enacted: Regular Meeting, April 13, 2010.

**CITY OF FALMOUTH**

  
April K. DeFalco, Mayor

**ATTEST:**

  
Terry England  
City Clerk



**EAST PENDLETON WATER DISTRICT  
RESOLUTION 2010-\_\_\_\_\_**

A RESOLUTION AUTHORIZING AND DIRECTING THE CHAIRMAN, ON BEHALF OF THE EAST PENDLETON WATER DISTRICT, TO EXECUTE THE VERIFIED APPLICATION TO BE FILED WITH THE PUBLIC SERVICE COMMISSION.

Be it resolved by the East Pendleton Water District:


Section 1. As part of accepting the facilities known as the Oak Haven Sewer System, the City of Falmouth and the East Pendleton Water District will jointly submit a Verified Application to the Public Service Commission for the City to assume control of the System and adopt the sewer rates currently in effect.

Section 2. That the Chairman, on behalf of the Water District, be and hereby is authorized and directed to execute the Verified Application to be filed with the Public Service Commission, attached hereto and incorporated herein by reference.

This Resolution was adopted unanimously by the Members of the Board present, which constitute a quorum of said Board.

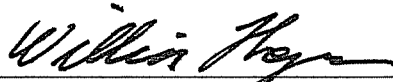
Introduced and enacted: Regular Meeting, April 6, 2010.

**EAST PENDLETON WATER DISTRICT**



\_\_\_\_\_  
Leslie Herbst, Chairman

ATTEST:



\_\_\_\_\_  
William Thompson, Secretary



I hereby attest that the foregoing Resolution was enacted by the East Pendleton Water District at its Regular Meeting on April 6, 2010.

4-6-2010  
Date

Leslie Herbst  
Leslie Herbst, Chairman