

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

Proposed Adjustment of the Wholesale )  
Water Service Rates of )  
the City of Danville )

Case No. 2014-00392

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**CITY OF DANVILLE'S RESPONSES TO THE  
COMMISSION'S ORDER ISSUED NOVEMBER 14, 2014**

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1. Provide in written verified form the direct testimony of each witness that Danville intends to call at the hearing in this matter.

Witnesses: Earl Coffey, Michele Gosser, Connie Allen

Response: See Attached.

2. a. Provide the three most recent independent auditor's reports that are available for Danville's water operations.

b. If the independent auditor's report for the fiscal year ending June 30, 2014, is not available, state the anticipated date that it will be available.

Witness: Michele Gosser

Response: The auditor's reports for the fiscal years ending June 30, 2011, 2012, and 2013 are attached. The report for the fiscal year ending June 30, 2014, is anticipated to be completed by January 31, 2015.

3. a. State the 12-month test period upon which Danville bases its proposed rate adjustment.

- b. Explain why this test period was chosen.

Witness: Earl Coffey

Response: The study period selected was from July 1, 2012 through June 30, 2013. This test year was selected because it was the most current completed fiscal year with a completed audit. It was the year concluded at the onset of the cost-of-service evaluation and as such offered the most complete look at financial conditions.

4. Provide the general ledgers for Danville's water operations for the proposed test period and the most recently concluded fiscal year. These general ledgers shall include all check registers and spreadsheets used to record and track financial transactions.

Witness: Michele Gosser

Response: See attached.

5. For each outstanding revenue bond issuance related to Danville's water operations, provide:

- a. The bond ordinance or resolution authorizing the issuance of revenue bonds.
- b. An amortization schedule.
- c. A detailed explanation of why the debt was incurred.
- d. A calculation of the annual debt service payment, including all required payments to debt service reserve accounts or funds, for each of the next three years.

Witnesses: Michele Gosser, Earl Coffey

Response: Documents in response to items (a), (b) and (d) are attached. The following information describes why debt was incurred.

2000 USDA-RD (PV) – debt was assumed with acquisition of the Perryville Municipal

Utility. (Debt incurred to improve system hydraulics and service.)

1995 USDA-RD (JC) – debt was incurred as a result of the acquisition of the Junction City Municipal Utility. (Debt incurred to improve system hydraulics and service.)

2013 BAN for Danville Water Treatment Expansion Project - Interim financing to support the project. This debt will be replaced by USDA-RD loan

2014 KIA for Danville Water Treatment Expansion Project – Long-term financing required for the project.

2014 USDA-RD for Danville Water Treatment Expansion Project – Long-term financing required for the project.

6. List all persons on Danville's payroll during the proposed test period. For each employee, state his or her job duties, total wages paid during the fiscal year, current salary or wage rate, and the percentage of work hours spent performing duties for each department during the fiscal year. If Danville's records do not permit the allocation of an employee's work hours among departments, provide an estimate for each employee and explain how Danville derived the estimate.

Witness: Earl Coffey

Response: The attached list identifies all employees who provided, on behalf of the Danville utility, either water treatment (or production) services or water distribution services. As requested, we have listed the individual hourly rates. However, since the employees are directly assigned to specific departments, Water Treatment or Water Distribution, and do not participate in other City operations or services, the annual labor cost totals by function are discussed in response to question 7. Indirect assigned employees or shared expense employees are better described in response to question 8.

Job duties for those employees who work exclusively in water treatment as a function include all duties related to the management, operation, and maintenance of the Danville water treatment plant. This includes all work tasks necessary for Danville to pump treated or finished water into the water system for distribution. This includes the operation of the Danville raw water intake and the monitoring of the elevated storage tanks. The duties include reporting to regulatory agencies as well. The employees who work in this department do not perform work for other departments of the City.

Job duties for those employees who work exclusively in water distribution as a function include all duties related to the management, operation, and maintenance of the Danville water distribution system. The system for the purpose of Danville's expense allocation consists of the water lines underground, either unfinished water or finished water, and all meters. The employees of this function maintain lines and meters service all of the customers and customer classes of the Danville system. Delineation of these employee expense is made within the COS study. The employees who work in this department do not perform work for other departments of the City.

Additional information for job descriptions is contained in documents that are attached to this response.

7. For each employee listed in Item 6, describe how Danville allocated his or her payroll and payroll overhead charges to each department for the proposed test period. This response shall include a detailed explanation of all allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

Witnesses: Connie Allen, Earl Coffey

Response: All employee costs, less FICA, for personnel identified as working at the treatment plant were assigned to “water treatment plant” on Danville’s “R/E Act vs Bud w/Encumbrance,” which is the source document for the preparer in identifying and functionalizing costs. The following treatment costs were functionalized as “treatment expense – operation labor” on the spreadsheet titled “Functionalization and Allocation of Expenses (based on Test Year 2013 with Pro Forma Adjustments).” The costs were allocated in the same manner as the treatment plant rate base, indicated as “as treatment plant” on the referenced spreadsheet.

Reg Salary Product	\$247,266
Overtime Product	\$35,027
Medical & Hospital	\$65,467
Dental	\$3,805
Life	\$597
Workers’ Compensation	\$6,764
Retirement (CERS)	\$54,937

(all numbers rounded)

FICA expenses were assigned to “Taxes – Social Security” on the same, referenced spreadsheet. FICA expenses were allocated as other O&M expenses were allocated, indicated by “as factor O&M” on the referenced spreadsheet.

All employee costs, less FICA, for personnel identified as working in the distribution system were assigned to “water distribution and sales” on Danville’s “R/E Act vs Bud w/Encumbrance,” which is the source document for the preparer in identifying and functionalizing costs. The following treatment costs were functionalized as “transmission expense – operation labor” on the spreadsheet titled “Functionalization and Allocation of

Expenses (based on Test Year 2013 with Pro Forma Adjustments).” The costs were allocated in the same manner as the transmission lines rate base, indicated as “as transmission lines” on the referenced spreadsheet.

Reg Salary Product	\$408,959
Overtime Product	\$36,465
Medical & Hospital	\$139,603
Dental	\$8,487
Life	\$780
Workers’ Compensation	\$9,424
Retirement (CERS)	\$84,831

(all numbers rounded)

FICA expenses were assigned to “Taxes – Social Security” on the same, referenced spreadsheet. FICA expenses were allocated as other O&M expenses were allocated, indicated by “as factor O&M” on the referenced spreadsheet.

The costs associated with employees identified as being assigned to work on the infrastructure at Perryville and Junction City were directly assigned (DA) to the appropriate customer classes. Personnel expenses directly assigned are as follows:

full-time employee	\$59,000	to Perryville
half-time employee	\$40,500	to Perryville
full-time employee	\$60,000	to Junction City

The DA costs are subtracted from the total employee expenses that are subsequently allocated among the customer classes. The wholesale customers pay no percentage of DA costs associated with Perryville and Junction City.

The employees identified by Connie Allen's information by name are as follows:

Full-time to Perryville: Robert Riley

Half-time to Perryville: Tom Crawford

Full-time to Junction City: Carl Harmon

8. a. List all joint or shared costs that Danville incurred during the proposed test period. For each cost, list the vendor, total expense amount, amounts allocated per department, and the basis for allocation.

b. Describe the procedures to allocate joint and shared costs among Danville's departments for the proposed test period.

c. Provide all internal memorandums, policy statements, correspondence and documents related to the allocation of joint and shared costs.

Witnesses: Michele Gosser

Response: In addition to the narrative description below, supporting income statements are attached.

**Interfund Charge** – This charge is the amount that the Utility Fund pays the General Fund for overhead, rental, indirect, and miscellaneous expenses. This formula has been in place for over 20 years. Even though, several of the supporting departments now use a greater percentage of their time for the utility fund the formula has remained the same. The formula calculation is 20.85% of Legislative and Executive expenses + 35.24% of Finance and Administrative expenses + 5% of Utility Operational Revenue. Again, this covers all indirect support, such as billing, collections, rent, office utilities, office supplies, accounting, audit, and upper management. For the test period:

$$20.85\%(765,452.56)+35.24\%(633,932.76)+5\%(7,583,824.37)=$762,185.98$$

**Legislative and Executive:** This department includes upper management and commissioner expenses. Our Commissioners serve for not only the City as a whole but directly for the utility department. This is also the department that pays for the City Manager expenses, City Engineer expenses and The City Engineer's Administrative Assistant's wages. This department also consists of legal filing and administration and all related legislative, executive and commission expenses. The following employees are paid out of the Legislative and Executive department:

**Mayor and Commissioners** – The commission serves as the governing body for the utility system. They oversee project, approve bids, and approve expenses

For the mayor and commission it is estimated that 35% of their time is used for the utility system.

Bernie Hunstad – Mayor – Considered Part-Time Position - Salary \$10,272.96 yearly

Commissioners – Considered Part-Time Positions – Salary \$6,056.04 yearly

Paul Smiley

James Atkins

Paige Stevens

Kevin Caudill

**City Manager** – Ronald Scott – Full Time Position – Salary \$95,721.60 – estimated 50% time is used for utility system – The City Manager is charged with running the entire City including the utility system. As a City Manager run government the City Manager is responsible for all activity in regards to City of Danville business as a whole. This includes monitoring and giving oversight to each department head, along with giving guideness and instruction.

**City Engineer** – Earl Coffey – Full Time Position – Salary \$87,568.00 – estimated 80%

time is used for utility system – The City Engineer oversees and supervises the entire utility system. Along with supervising the utility system the City Engineer supervises the Assistant City Engineer which directly supervises the public works department, Cemetery department, and Stormwater department. The City Engineer is the direct manager over the water treatment plant and water distribution department. This position is responsible for the utility construction projects in conjunction with everyday operations; and

**Administrative Assistant to City Engineer** – Erica Engle – Full Time Position - \$16.53 per hour – estimated 80% time is used for utility system. – The Administrative Assistant to the City Engineer assists the City Engineer in administrative duties.

**City Clerk** – Donna Peek – Full Time Position - \$24.98 per hour – estimated 40% time is used for utility system. The City Clerk keeps all official records of the City including commission meetings, loan documents, ordinances, resolutions, open records, etc.

**City Secretary** – Joyce Collins – Full Time Position - \$10.00 per hour – estimated 30% time is used for utility system. The City Secretary fulfills secretarial and clerical duties for the Mayor, City Manager, and City Clerk.

**Finance and Administration** – The Finance Department does all the billing, collection, payment of bills, payroll, bookkeeping, accounting, utility call center and building administration for the housing of all utility administrative duties for the Utility Services. This department is also responsible for receiving and recording all customer work orders and dispatching the work orders to the utility employees, then recording the work orders results and relaying results to the consumer. The following employees are paid out of the Finance and Administration department:

**Chief Financial Officer** - Michele L. Gosser — Full Time Position – Salary \$66,144.00- estimated 50% time is used for utility system – The Chief Financial Officer is directly in charge

of the finance department which includes the utility billing, collections, customer service, payroll and bill pay for the utility department. Approving water adjustments, administering complaints and general customer are additional utility services provided by this position. All booking and accounting services along with debt service management and project accounting management are functions of the Chief Financial Officer.

**Finance Officer** – Sandra Curlis - Full Time Position – \$19.48 per hour - estimated 50% time is used for utility system. The Finance Officer helps oversee the billing, collection, payroll, and customer service for the utility system. The Finance Officer also issues all purchase orders for the utility system.

**Accounts Payable/Payroll Clerk** – Debbie Smith - Full Time Position – \$15.00 per hour - estimated 50% time is used for utility system – This position records all invoices to be paid, matches invoices to issued purchase orders or bid agreements, and pays all invoices for the utility department and then disburses the checks. This clerk enters all payroll data into the system and prints payroll checks or sets up a direct deposit for the utility employees. Also, this position makes the daily deposit into the checking account balancing the deposit to the computer print-out for utility collections.

**Accounts receivable/Billing Clerk** – Heidi Lowry- Full Time Position – \$12.16 per hour - estimated 85% time is used for utility system – This position loads readers and bills all utility bills along with entering any needed adjustments into the computer system. Additionally, this position answers billing questions from customers and helps the finance clerks when needed.

**Finance Clerks** - The Finance clerks collect all utility bills, enter all payments into the computer systems. They answer the phones and perform numerous customer service functions. They assemble and record work orders along with figure water adjustments and facilitate water

turn-ons and shut-offs. They assemble cut-off lists and dispatch to the utility employees when needed.

Full Time Finance Clerks – Estimated 85% time is used for utility system:

Whitney Alford - \$10.05 per hour

Claire McBride – \$9.19 per hour

Part-Time Finance Clerks – Estimated 80% time is used for utility system:

Margaret Broach – \$8.79 per hour

Sarah Hall - \$8.79 per hour

**Janitor-** Paul Lewis – Part-Time Position- \$9.69 per hour – The janitor cleans the building that houses all legislative and Finance offices.

9. Provide detailed depreciation schedules for Danville's water division.

Witnesses: Connie Allen, Earl Coffey

Response: The attached spreadsheet shows the water asset detail (as per Danville's auditor) and the extended annual depreciation (by straight line method) of those assets with remaining life for at least one year into the study period (the forward five years). Additionally, the second spreadsheet adds the annual depreciation of the existing assets to the anticipated annual depreciation of the new water treatment plan and the other rate-funded capital projects projected to be build/purchased during the study period.

10. Provide an adjusted trial balance and audit adjustments for the proposed test period and the most recently completed fiscal year. The trial balance shall be traced and referenced directly to the general ledgers requested in Item 4.

Witness: Michele Gosser

Response: See attached.

11. a. Identify all persons or entities to which Danville provides wholesale water service.

b. For each customer listed above, provide its monthly water usage and the amount that Danville charged it for service for each of the previous 24 months.

Witness: Earl Coffey

Response: See table below.

Lake Village					
	1000 gallons			1000 gallons	
	Usage	Billing		Usage	Billing
Jun-14	14039	\$22,985.39	Jun-13	15159	\$23,420.33
May-14	11303	\$19,213.62	May-13	14881	\$27,301.33
Apr-14	16910	\$27,601.15	Apr-13	9490	\$15,182.61
Mar-14	16969	\$29,339.16	Mar-13	9205	\$14,557.48
Feb-14	17160	\$28,042.83	Feb-13	9231	\$14,617.54
Jan-14	16620	\$25,585.45	Jan-13	11200	\$15,898.71
Dec-13	15313	\$23,648.98	Dec-12	8776	\$13,726.45
Nov-13	14379	\$22,080.46	Nov-12	10409	\$17,384.39
Oct-13	14918	\$22,859.88	Oct-12	12366	\$21,737.61
Sep-13	18526	\$28,244.38	Sep-12	10317	\$17,046.18
Aug-13	15986	\$24,645.26	Aug-12	12965	\$22,891.90
Jul-13	15791	\$24,148.50	Jul-12	8362	\$13,170.84
Parksville					
	1000 gallons			1000 gallons	
	Usage	Billing		Usage	Billing
Jun-14	11082	\$17,377.96	Jun-13	9380	\$14,855.35
May-14	10159	\$16,010.18	May-13	8901	\$14,146.46
Apr-14	13835	\$13,617.15	Apr-13	9584	\$15,158.41
Mar-14	5291	\$8,795.34	Mar-13	8627	\$13,740.09
Feb-14	12026	\$11,291.03	Feb-13	9109	\$14,454.95
Jan-14	10385	\$16,345.83	Jan-13	9667	\$12,769.90
Dec-13	10041	\$15,835.82	Dec-12	8361	\$13,345.91
Nov-13	9309	\$14,750.81	Nov-12	8919	\$14,172.31
Oct-13	8274	\$13,216.43	Oct-12	9798	\$15,475.66
Sep-13	9868	\$15,579.64	Sep-12	9607	\$15,191.88
Aug-13	9335	\$14,788.84	Aug-12	8475	\$13,514.51
Jul-13	9637	\$15,237.00	Jul-12	10353	\$16,297.28
Hustonville					
	1000 gallons			1000 gallons	
	Usage	Billing		Usage	Billing
Jun-14	13969	\$22,569.74	Jun-13	9784	\$16,303.45
May-14	11582	\$19,073.58	May-13	9265	\$15,525.04
Apr-14	12608	\$20,595.82	Apr-13	10240	\$16,990.18
Mar-14	11968	\$19,646.63	Mar-13	9287	\$15,556.89
Feb-14	13699	\$22,212.61	Feb-13	10177	\$16,892.74
Jan-14	12188	\$19,973.34	Jan-13	9906	\$16,469.21
Dec-13	12228	\$20,032.36	Dec-12	8367	\$14,167.58
Nov-13	10625	\$17,656.84	Nov-12	9233	\$15,462.52
Oct-13	9856	\$16,415.19	Oct-12	9531	\$15,909.82
Sep-13	10842	\$17,658.28	Sep-12	9810	\$16,339.93
Aug-13	9959	\$16,572.30	Aug-12	11306	\$18,604.52
Jul-13	11067	\$18,241.01	Jul-12	12312	\$20,156.41

GCWD					
	1000 gallons			1000 gallons	
	Usage	Billing		Usage	Billing
Jun-14	8900	\$14,356.86	Jun-13	6810	\$11,277.85
May-14	7271	\$12,073.34	May-13	5002	\$8,782.00
Apr-14	7369	\$10,203.28	Apr-13	6149	\$10,365.16
Mar-14	7609	\$12,547.87	Mar-13	5522	\$9,499.62
Feb-14	9633	\$15,384.50	Feb-13	6338	\$10,626.25
Jan-14	7191	\$11,803.25	Jan-13	6600	\$10,987.04
Dec-13	6663	\$11,074.34	Dec-12	5955	\$10,097.04
Nov-13	6528	\$10,888.58	Nov-12	6307	\$10,583.53
Oct-13	6576	\$10,954.12	Oct-12	7188	\$11,798.40
Sep-13	7954	\$12,855.48	Sep-12	8532	\$13,653.22
Aug-13	7341	\$12,010.16	Aug-12	9288	\$14,696.15
Jul-13	7553	\$9,398.21	Jul-12	9936	\$15,590.48

12. a. For all water mains in Danville's system, complete the table below. Add larger main sizes, if necessary.

Witness: Connie Allen

Response:

Wate	Total	Miles of Line Used By Danville to Serve
16	3.71	< 50% (see explanation below)
14	0	-
12	24.95	< 50%
10	1.70	< 50%
8	10.28	< 50%
6	91.77	< 50%
3 & 4	232.29	< 50%
2	4.14	< 50%

Distribution factors are used in the cost of service study to assign costs to the customer classes. Included with the distribution factors is an allocation factor calculated in accordance with the AWWA guidance. The allocation factor established the percentage of distribution mains that should be allocated to the customer component, the capacity component and the fire protection component. In this context the "customer component" translates to the commodity

component.

The calculation assigns the cost of 2-inch pipe (\$8.00) throughout the entire system to signify that portion of the distribution lines to provide average demand service. The cost, (\$8 x 860,442), is allocated to the customer (commodity) component. Then, the equation assumes that all pipe larger than 2-inch, but less than 8-inch, is used to meet peak demands and assigns the difference in cost between 8-inch pipe throughout and 2-inch pipe throughout to the capacity component. The remainder is assumed to be constructed and available for fire protection.

The factors described above are used to distribute the cost component totals (commodity, capacity, actual customers, etc.) to the customer class responsible for them. The individual component costs were multiplied by the percentages of the distribution factors. The resultant costs were assigned to the customer classes. The wholesale customers of Danville's system do not participate in the percentage of distribution infrastructure associated with fire protection and they pay less than 1% of customer costs. Additionally, direct assignments exist within the Danville system reflecting infrastructure that is used only by one or more of the customer classes. Direct assignments are listed in the table on the following page. In conclusion, wholesale customers are assumed to benefit from 50% of the distribution system, after direct assignments are subtracted.

The distribution main analysis is included in the cost of service spreadsheets and is included here as well.

b. Identify the persons or entities that paid for the water main(s) that Danville uses to deliver water to Danville's wholesale customers.

Witness: Connie Allen

Response: All direct assignments are identified in the spreadsheets and are summarized

in the table that follows.

### Direct Assignments

### Rate Base and Operational Expenses

cost	owner industrial	non-owner industrial	Perryville	Junction City	Parkville	Hustonville	remarks
rate base							
transmission lines	\$ 77,050	\$ 77,050	\$ 264,367	\$ 220,010			dedicated line for industrials, water lines for P & JC
storage tanks	\$ 152,972	\$ 152,972	\$ 352,489	\$ 293,347	\$ 396,592	\$ 430,586	Tower Hill tank
distribution lines			\$ 264,367	\$ 220,010			water lines for P & JC
accumulated depreciation	\$ (79,294)	\$ (79,294)	\$ (176,244)	\$ (146,674)	\$ (205,576)	\$ (223,197)	depreciation associated with the direct assigns
operational expenses							
debt service principal			\$ 7,140	\$ 22,847			payments on bond issue that was P & JC's
debt service interest			\$ 5,023	\$ 6,164			payments on bond issue that was P & JC's
employee salary & benefits			\$ 99,500	\$ 60,000			city employees dedicated to P & JC plus benefits

13. a. State the maximum capacity of Danville's water treatment plant.
- b. For each of the customers listed in the response to Item 11 (a) , state:
  - (1) The amount of Danville's total water treatment plant capacity that is currently reserved for that customer; and
  - (2) The minimum and maximum quantity of water (in gallons) that the customer may purchase in a month under the terms of its present water purchase contract with Danville.
- c. Describe the changes, if any, that Danville expects within the next three years in the level of water treatment capacity reserved for each of the customers listed in Item 11(a) and state the reason(s) for Danville's expectations.

Witness: Earl Coffey

Response: The Danville treatment plant has the capacity to produce 10 million gallons

per day. The Danville plant does not have in place any agreements reserving portions of the plant capacity. Garrard County Water Association has a maximum of 9,000,000 gallons per month with no minimum. Lake Village Water Association has a maximum of 19,950,000 gallons per month. The minimum purchase shall be the amount necessary to supply North Point Training Center, but the amount sold to NPTC shall not count against the regular allowance. Parksville Water District has maximum identified by contract. PWD agreed to purchase as a minimum all its water needs from Danville. The City of Hustonville has maximum amount is 12 million gallons per month. Hustonville agreed to purchase as a minimum all its water needs from Danville.

14. a. Identify the owner of the master meter(s) through which Danville provides water to the customers listed in Item 11 (a).

b. State, for each customer listed in Item 11(a), the number of master meters that Danville uses to provide water to that customer.

c. Identify the party responsible for maintaining each of these master meters.

Witness: Earl Coffey

Response: It is Danville's policy that it owns the meters through which water is sold. However, the installation of these meters is funded by the purchaser. The only variance from this policy is per specific agreement. The agreement with each of the wholesale purchasers provided for the original installation subject to the review and direction by Danville. Garrard County Water Association is served by one meter that is maintained by the City of Danville. Lake Village Water Association is served by three meters that are maintained by Lake Village. Parksville Water District is served by one meter that is maintained by Parksville. The City of Hustonville is served by two meters that are maintained by Hustonville.

15. Provide a system map showing all of Danville's facilities that are used to serve the customers listed in Item 11(a). This map shall, at a minimum, show all master meters, pumping stations, storage tanks, water transmission mains, and water distribution mains used to serve the customers listed in Item 11 (a). The size of all mains shall be clearly indicated on this map.

Witness: Earl Coffey

Response: See attached. A detailed map is also being submitted in electronic format.

16. State the portion, if any, of Danville's water main(s) that serve the customers listed in Item 11 (a) that are gravity fed.

Witness: Earl Coffey

Response: All master meters are fed from elevated storage tanks, which means they are feed by gravity to the master meters. Parksville Water Districts pumps water from Danville's distribution system into their system at the master meter.

17. a. List Danville's water sales (in gallons) for each of the previous 36 months for each of its wholesale customers and for its retail customers.

b. List the total amount billed by Danville for water service for each of the previous 36 months to each of its wholesale customers and to its retail customers.

Witness: Earl Coffey

Response: For budget comparison purposes, the City of Danville does not take the utility fund to full accrual basis until the end-of-year adjustments prior to the audit are done. This has been the practice of the City for the past 13 years that Earl Coffey has been involved with the City and was the practice prior to that date. Therefore, a monthly revenue comparison does not accurately reflect the revenue demands for the utility.

Water Billing summary Fiscal Year 2013

		gallons FY13	Revenue FY13
Retail	1,079,079,665		
	Residential	702,069,046	\$ 2,378,688.86
	Commercial	294,883,935	\$ 747,848.40
	Industrial	82,126,684	\$ 473,238.69
Wholesale	446,036,006		
	Parksville	110,781,044	\$ 175,634.36
	Houstonville	119,208,760	\$ 198,372.29
	GCWA	83,627,148	\$ 137,957.74
	LVWA	132,360,096	\$ 216,479.58
Plant use in production		64,323,000	
Loss		295,510,745	
Other (Fire, Hyd Flushing, etc.)		8,367,584	
	Total Treated	1,893,258,042	\$ 4,328,219.92
	Total Sold	1,525,115,671	
	monthly average	157,776,417	
	avg day treated	5,187,170	
	amount sold	4,178,399	
	non-revenue	199,152	
	loss	809,618	15.6%

Water Billing summary Fiscal Year 2012

		gallons FY12	Revenue FY12
Retail	1,166,863,724		
	Residential	736,003,667	\$ 2,313,964.57
	Commercial	349,400,665	\$ 658,106.59
	Industrial	81,459,392	\$ 312,623.78
Wholesale	410,930,045		
	Parksville	110,848,146	\$ 173,267.22
	Houstonville	124,954,291	\$ 203,902.04
	GCWA	93,060,042	\$ 150,739.78
	LVWA	82,067,565	\$ 134,311.82
Plant use in production		109,699,000	
Loss		312,316,647	
Other (Fire, Hyd Flushing, etc.)		8,839,584	
	Total Treated	2,008,649,000	\$ 3,946,915.80
	Total Sold	1,577,793,768	
	monthly average	167,387,417	
	avg day treated	5,503,148	
	amount sold	4,322,723	
	non-revenue	324,763	
	loss	855,662	15.5%

18. Provide Danville's current rate schedule for its retail customers and for each of its

wholesale customers.

Witness: Earl Coffey

Response: See table below.

**2014-2015 Water and Sewer Rate**

(1) Monthly water rates for residential and commercial consumers:			(2) Monthly water rates for industrial consumers:	
Consumption (cu.ft.)	FY 2015 Rate (per 100 cu.ft.)	J.C. and Perryville FY15 rate (per 100 cft)	Consumption (cu.ft.)	FY 2015 Rate (per 100 cu.ft.)
First 100	<u>\$8.319</u>	<u>\$13.865</u>	First 20,000	<u>\$656.991</u>
Next 200	<u>\$2.775</u>	<u>\$4.622</u>	Next 80,000	<u>\$2.963</u>
Next 1500	<u>\$2.075</u>	<u>\$3.459</u>	Next 100,000	<u>\$2.665</u>
All over 1,800	<u>\$1.765</u>	<u>\$2.942</u>	Next 300,000	<u>\$2.174</u>
Minimum Monthly plus sewer	<u>\$8.319</u>	<u>\$13.865</u>	All Over 500,000	<u>\$1.212</u>
			Minimum Monthly plus sewer	<u>\$656.991</u>
(3) Monthly water rates for wholesale consumers:				
a. PWD, Hustonville, LVWA			b. GCWA	
Consumption (cu.ft.)	(per 100 cu.ft.)		Consumption (cu.ft.)	(per 100 cu.ft.)
First 20,000	<u>\$1.680</u>		First 20,000	<u>\$1.680</u>
Next 80,000	<u>\$1.350</u>		Next 80,000	<u>\$1.440</u>
Next 100,000	<u>\$1.050</u>		Next 100,000	<u>\$1.200</u>
Next 300,000	<u>\$0.960</u>		Next 300,000	<u>\$1.060</u>
All Over 500,000	<u>\$0.910</u>		All Over 500,000	<u>\$0.860</u>

19. Complete the table below:

Witness: Earl Coffey

Response: As a result of a software change by the City of Danville, the information required for FY2014 is not available at this time. The City will supplement this response as soon as that information is available.

City of Danville	Gallons for Test Period (FY13)	
Plant Use	64,323,000	
Line Loss (Unaccounted-for)	295,510,745	
Sales to Retail	1,079,079,665	
Sales to Each Wholesale Customer	Parks	110,78
	ville	1,044
	Husto	119,20
	nville	8,760
	GCW	83,627,
	A	148
	LVW	132,36
	A	0,096
Total Produced and Purchased (0)	1,893,317,000	
Total Sold	1,525,115,671	

20. a. State whether Danville provides unmetered water service to any entities (e.g., service to municipal buildings, fire departments, fire protection services).
- b. If unmetered service is provided, estimate the percentage of the total unmetered amount for each entity or type of service.

Witness: Earl Coffey

Response: Unmetered water service is provided via two means both for fire protection, through hydrants and sprinkler systems. For hydrants, this is only unmetered to those hydrants owned by Danville. Danville monitors the usage from hydrants so as to understand and estimate the annual usage by working with the fire agencies. Danville collects revenue on a monthly basis to offset this water expense from all retail customers.

100% of unmetered consumption is used in fire protection.

21. Provide the cost-of-service study, if any, upon which the proposed rates are based.

a. Provide this cost-of-service study in electronic format with all formulas and links intact.

Witness: Connie Allen

Response: See attached.

22. a. Identify the person who prepared the cost-of-service study upon which the proposed rates are based.

b. Provide the preparer's *curriculum vitae*.

c. List all cases before the Commission in which the preparer has submitted a cost-of-service study.

d. List all utilities (municipal or public) for which the preparer has prepared a cost-of-service study. For each utility, identify the type of utility service (i.e., water or sewer) for which the report was prepared.

Witness: Connie Allen

Response: Connie Allen prepared the cost-of-service study. Information responsive to items (b), (c), and (d) is attached.

23. If the proposed rate is not based upon a cost-of-service study, describe how Danville determined the proposed wholesale rate and state who participated in the determination.

Witness: Earl Coffey

Response: The proposed rate is based on a cost-of-service study.

24. a. State whether the proposed rate increase includes an adjustment for rate case expenses incurred in this proceeding.

b. If the rate increase does not include an adjustment for rate case expenses, state whether Danville will seek an adjustment to recover expenses incurred in litigating this proceeding.

c. If Danville will seek an adjustment to recover expenses incurred in litigating this proceeding, provide all actual and estimated rate case expenses.

Witness: Earl Coffey

Response: The Water Usage Rates that were submitted on the proposed tariffs do not include any adjustment for rate case expenses of preparing the cost-of-service study incurred in this proceeding. The City of Danville requests a surcharge to recover rate case expenses and the costs incurred for preparing the cost-of-service study. The City proposes that the actual costs be amortized and recovered as a surcharge over a three-year period from the utility wholesale customers. The City has estimated that rate case expenses to be \$50,000. The cost-of-service study expense totals \$53,000, a portion of which should be allocated to the wholesale customers. To date, the City has paid \$1,327.50 in legal fees associated with litigating this matter.

25. Identify the section(s) of KRS Chapter 96 under which Danville was formed and currently operates.

Witness: Earl Coffey

Response: The City of Danville's water department was formed under the predecessor statute to KRS 96.350 prior to the codification of the Kentucky Revised Statutes in 1942, and it continues to operate under that general provision today. Certain statutory amendments will become effective on January 1, 2015, at which time the City's water department will operate under the general provisions of KRS 96.320 and KRS 96.350. After January 1, 2015, the City's waterworks will continue to be operated as a department of the City.

26. Provide the minutes of each meeting of Danville since January 1, 2013, in which a proposed rate adjustment to Danville's wholesale customers was discussed.

Witness: Earl Coffey

Response: See attached.

27. Provide a copy of all correspondence, electronic mail messages, or other written communications between Danville and its wholesale customers since January 1, 2013, regarding revisions to Danville's wholesale rate.

Witness: Earl Coffey

Response: See attached.

28. Provide copies of all contracts for water service between Danville and its wholesale customers listed in Item 11 (a).

Witness: Earl Coffey

Response: See attached.

29. a. State the annual effect of the proposed rate adjustment on Danville's revenues

from wholesale water service to each of its wholesale water service customers.

- b. Show all calculations made and state all assumptions used to derive the response to Item 29(a).

Witness: Connie Allen

Response: The attached spreadsheet shows each wholesale customer's: existing declining block rate structure; their existing water rate calculated as a flat rate in both cubic feet and gallons (based on FY13 volume) for comparison purposes; their FY13 consumption in cubic feet and gallons; their proposed flat rate in both cubic feet and gallons; the FY13 revenue; and, the estimated future revenue, based on the proposed rate.

The existing rate expressed as a flat rate was calculated by dividing the FY13 revenue by the FY13 volume. The proposed rate was calculated by adding the cost components and dividing the sum by the estimated annual volume purchased by each wholesale customer. The customer costs will be added to the total amount due from each wholesale customer. (The underlined portion is detailed on the last sheet of the cost of service study titled, "Average Unit Costs based on TY 2013 with Pro Forma Adjustments with Adjustment".) The estimated future revenue was calculated by multiplying the proposed rate by the FY13 volume. Wholesale volume sold was not projected to increase.

30.
  - a. Identify and explain pro forma adjustments to water operations.
  - b. Provide the calculations for all pro forma adjustments to water operations.

Witness: Connie Allen

Response: (a) Adjustments were made to treatment operation and maintenance and distribution O&M to estimate future expenses. A spreadsheet is attached that describes each assumption and provides the average increase for the forward five years for treatment (6.99%)

and distribution (6.68%).

Administrative and general expenses were increased 3% each year of the forward five years.

Taxes were unchanged.

Debt service was reduced by a principal amount of \$483,100 and an interest amount of \$9,962 to reflect retired bond issues. Debt service was increased by a principal amount of \$696,267 and an interest amount of \$714,000 to reflect service for the debts associated with the new water treatment plant.

Rate funded capital was increased and set at \$500,000 per year, an amount which represents only 42% of annual depreciation.

Miscellaneous revenues were unchanged.

Rate base was increased by the value of the completed new water plant project (\$19,150,000) as well as the new rate-funded capital assets included in Danville's capital asset plan.

Annual depreciation is increased by the same capital additions as the rate base. The annual depreciation used for the new water treatment plant is \$780,500 (\$18,150,000 @ 50 years; \$8,350,000 @ 20 years).

b. Calculations, other than those provided in (a.) are included on the depreciation worksheet provided here and in response to Item 9 above.

31. a. Identify and explain pro forma adjustments to shared expenses that include the water operations.

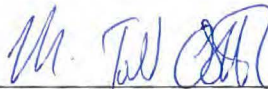
b. Provide the calculations for all pro forma adjustments to shared expenses that include the water operations.

Witness: Connie Allen

Response: The numbers used in the cost of service study are all 100% water costs. Some were derived from shared expenses, but the numbers used in the study are the derivatives. Some of the debt service is derived from a shared expensed. Pro forma adjustments consisted of reducing the debt service expense by the principal and interest of issues that have been retired since the test year, FY13. Some of the administrative and general expenses were derived from a shared (interfund account) expense.

b. Pro forma adjustments to administrative and general expenses consisted of increasing the test year, FY13, expenses by 3%.

Respectfully submitted,



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M. TODD OSTERLOH  
CHARLES D. COLE  
STURGILL, TURNER, BARKER & MOLONEY, PLLC  
333 W. Vine Street, Suite 1400  
Lexington, Kentucky 40507  
Telephone No.: (859) 255-8581  
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ATTORNEYS FOR CITY OF DANVILLE

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was served via U.S. Mail, postage prepaid, to  
the following on December 1, 2014:

Caywood Metcalf  
214 Stanford Street  
Lancaster, Kentucky 40444

Jeffrey W. Jones  
Jeffrey W. Jones, PLLC  
1000 East Lexington Avenue, #3  
Danville, KY 40422



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COUNSEL FOR CITY OF DANVILLE

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

Proposed Adjustment of the Wholesale	)	
Water Service Rates of	)	Case No. 2014-00392
the City of Danville	)	

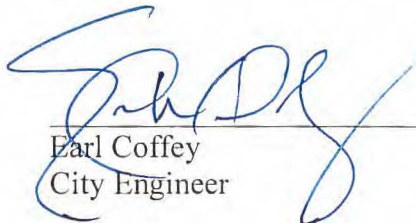
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**CERTIFICATION OF RESPONSES TO THE COMMISSION'S ORDER  
ISSUED NOVEMBER 14, 2014**

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This is to certify that I have supervised the preparation of the City of Danville's responses to the requests for information contained in the Commission's Order dated November 14, 2014, and that the responses are true and accurate to the best of my knowledge, information, and belief after reasonable inquiry.

Date: 12/1/14

  
\_\_\_\_\_  
Earl Coffey  
City Engineer

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

Proposed Adjustment of the Wholesale	)	
Water Service Rates of	)	Case No. 2014-00392
the City of Danville	)	

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**TESTIMONY OF EARL COFFEY**

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**TESTIMONY OF  
EARL COFFEY  
ON BEHALF OF THE CITY OF DANVILLE**

1   **Q.    Please state your name and business address.**

2   A.    Earl Coffey. My business address is 445 West Main Street, Danville, Kentucky 40423.

3   **Q.    By whom are you employed?**

4   A.    I am employed as City Engineer by the City of Danville. I have served in this position  
5       since August 2001 through August 2008, from January 2009 to present.

6   **Q.    Please describe the City of Danville's water operations.**

7   A.    The City operates a waterworks system as a department of the City and provides water  
8       service to customers in Danville and surrounding areas. In addition to providing  
9       residential, commercial, and industrial water service, the City provides wholesale water  
10      service to Parksville Water District, Garrard County Water Association, Lake Village  
11      Water Association, and the City of Hustonville.

12   **Q.    In general terms, why is additional revenue needed from the City of Danville's**  
13       **wholesale water customers?**

14   A.    Several factors have prompted the need for a rate increase. First, operational expenses  
15       have gone up substantially since the last wholesale rate increase. The four cost categories  
16       seeing the most significant increases are employee costs, electrical costs, maintenance  
17       costs and the cost of chemicals used in process. Just comparing the end of year summary  
18       fiscal year 2014 to the end of year summary from ten years ago, we see the following  
19       annual operational expense changes:

20               Personnel: 40% increase (approx \$131,000)

21               Electrical: 141% increase (approx \$248,000)

22               Maintenance: 153% increase (approx \$133,000)

**TESTIMONY OF  
EARL COFFEY  
ON BEHALF OF THE CITY OF DANVILLE**

1                   Chemical: 287% increase (\$434,000)

2           While these expenses have increased, system demand has changed only slightly. This  
3           indicates that more significant unit rate increases would result to offset the expenses.

4           Regulatory requirements have contributed to some of the operational increases,  
5           mostly in chemical costs. As the Disinfection-by-product (DBP) Rule came into effect in  
6           2004, the City was forced to begin feeding powdered activated carbon in order to  
7           maintain compliance, which is reflected in the increased chemical costs. Being aware of  
8           the future changes to the DBP rule, the age of the Danville treatment plant, and its  
9           operational capacity, the City did not immediately begin seeking rate changes as costs  
10          began to rise. Instead, Danville conducted a complete analysis of its system in order to  
11          make rate changes that would accurately reflect long-term changes and capital  
12          investment.

13          The City began working on the DBP Rule implementation in 1999 with an  
14          engineering study. This was followed by several capital projects and additional  
15          engineering evaluations culminating in the Water System Master Plan completed by Bell  
16          Engineering in 2009. The studies included strategies for long-term (20 year) compliance,  
17          supply analysis, demand analysis, and capital strategies. The Water System Master Plan  
18          was completed by working with the existing wholesale customers including Parksville  
19          Water District, Lake Village Water Association, and Garrard County Water Association.  
20          The master plan indicated the plant should be renovated and the capacity increased to 12  
21          million gallons per day. The investment in engineering study and construction to the  
22          plant was approximately \$3 million which was subsidized by the retail customers.

**TESTIMONY OF  
EARL COFFEY  
ON BEHALF OF THE CITY OF DANVILLE**

1           renovation of the plant was undertaken in 2011 by the initiation of the  
2           preliminary engineering report and the increase of retail rates to customers of 46%. By  
3           adjusting the retail rates immediately and applying the new revenue towards the project  
4           the future cost of debt service would be lower as the amount of new debt less. In fact, the  
5           City was able to fund the engineering costs of the design process reducing the final debt  
6           by \$1 million. Nevertheless, new debt is now in-place and construction is underway for  
7           the improvements identified in the 2009 Water System Master Plan. This debt service is  
8           another substantial component to the wholesale rate adjustment.

9           The retail (residential, commercial, and industrial) customers have seen increases  
10          annually through a cost of living adjustment. When added cumulatively the result of  
11          these COLA increases on retail customers over the same 10-year period as the expenses  
12          noted above is a 25% net increase. When added to the 2011 increase the retail customers  
13          have seen a 71% increase, while the wholesale districts have seen no increase. All  
14          increased expenses have been subsidized by retail customers, and the City had not sought  
15          a wholesale change.

16          It is important to realize the rate increase will place rates closer to the actual cost  
17          of providing the service, which is the primary reason for the rate adjustment.

18   **Q.   What steps did the City of Danville take in determining the proposed rate increase**  
19   **to its wholesale customers?**

20   A.   Recognizing that the City's wholesale water rates had not changed for several years and  
21          that the City's revenue requirement had changed significantly over that time period, the  
22          City contracted with Salt River Engineering to perform a cost-of-service study for the

**TESTIMONY OF  
EARL COFFEY  
ON BEHALF OF THE CITY OF DANVILLE**

1 City's water operations. After reviewing the completed cost-of-service study, the City  
2 adopted the findings of the wholesale water rates of the cost-of-service study by  
3 proposing the rates determined therein.

4 **Q. What did the cost-of-service study indicate that the rate for the wholesale customers**  
5 **should be?**

6 A. The cost-of-service study demonstrates that the wholesale rate to Parksville Water  
7 District should be \$2.68 per 1,000 gallons and to Garrard County and Lake Village Water  
8 Associations should be \$2.41 per 1,000 gallons. These rates do not include fees paid to  
9 the Kentucky River Authority or the recovery of rate case expenses that the City is now  
10 incurring in Commission Case No. 2014-00392, both of which the City requests as a line  
11 item rate.

12 **Q. Why is the proposed rate to Parksville Water District higher than the rates**  
13 **proposed to other wholesale purchasers?**

14 A. The City is attempting to provide at rates that are based on the actual cost to provide  
15 service to the individual wholesale customers. As the cost-of-service study demonstrates,  
16 the cost of providing service to Parksville Water District is higher.

17 **Q. How did the City of Danville give notice to the wholesale customers of the proposed**  
18 **rate increases.**

19 A. The City has provided an open and transparent process for its wholesale water customers.  
20 City representatives met with its four wholesale water customers on July 23, 2014, to  
21 notify them about the proposed increase and provide information related thereto. We  
22 held additional meetings with the individual purchasing utilities to respond to questions

**TESTIMONY OF  
EARL COFFEY  
ON BEHALF OF THE CITY OF DANVILLE**

1       that they had. We met with Garrard County Water Association on August 11, 2014;  
2       Parksville Water District on August 21, 2014; and Lake Village Water Association on  
3       September 5. Copies of the cost-of-service study were provided to the utilities at these  
4       meetings.

5               In addition to the face-to-face meetings, I sent each of the purchasing utilities a  
6       letter on August 20, 2014, confirming the proposed rate increase. Another written notice  
7       was sent to each of the purchasing utilities in conjunction with the filing of the proposed  
8       tariffs with the Commission on October 17, 2014.

9       **Q.    Are the rates proposed for the wholesale customers directly related to providing**  
10       **service to those customers?**

11      A.    Yes. The cost of service allocation distributes costs to the customer classifications in  
12       proportion to each classification's use of the facilities, commodities and services.

13      **Q.    Are water rates increased to offset losses in other departments?**

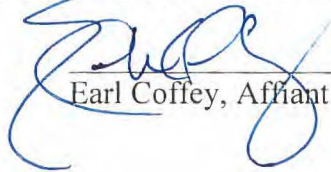
14      A.    No. The rates collected for water service are based solely upon the revenues and  
15       expenses of the water department and have no relationship to the revenues and expenses  
16       of other departments.

17      **Q.    Does this conclude your testimony?**

18      A.    Yes, it does.

**AFFIDAVIT**

The undersigned, Earl Coffey, being duly sworn, deposes and says that he is the City Engineer of the City of Danville that is authorized to submit this testimony on behalf of City of Danville, and that the information contained in the testimony is true and accurate to the best of his knowledge, information and belief, after reasonable inquiry, and as to those matters that are based on information provided to him, he believes to be true and correct.

  
\_\_\_\_\_  
Earl Coffey, Affiant


**NOTARY CERTIFICATE**

**COMMONWEALTH OF KENTUCKY**

**COUNTY OF** Boyle

Subscribed, acknowledged and sworn to before me by Earl Coffey on  
this 25<sup>th</sup> day of November, 2014.

My commission expires: 8-11-15

  
\_\_\_\_\_  
NOTARY PUBLIC

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

Proposed Adjustment of the Wholesale	)	
Water Service Rates of	)	Case No. 2014-00392
the City of Danville	)	

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**TESTIMONY OF CONNIE ALLEN**

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**TESTIMONY OF  
CONNIE ALLEN  
ON BEHALF OF THE CITY OF DANVILLE**

1    **Q.    Please state your name and business address.**

2    A.    My name is Connie Allen. My business address is 108 West Poplar Street, Harrodsburg

3    **Q.    By whom are you employed?**

4    A.    I am the Owner of Salt River Engineering, PLLC.

5    **Q.    Please describe your general duties and responsibilities.**

6    A.    I provide engineering consulting services for KY municipalities.

7    **Q.    Have you provided testimony or prepared cost-of-service studies that have been**  
8       **submitted in rate proceedings before the Public Service Commission of Kentucky?**

9    A.    Yes. For additional information, see the City's response to Item 22 of the information  
10       request issued by the Commission on November 14, 2014.

11   **Q.    Please describe your educational background.**

12   A.    I have a BA (Political Science) and a BSCE from the University of Kentucky and a MBA  
13       (Project Management) from Grantham University

14   **Q.    Are you affiliated with any professional organizations?**

15   A.    the American Water Works Association, the Construction Management Association of  
16       America, the Kentucky Municipal Utilities Association and several military organizations

17   **Q.    Please provide a summary of your work experience.**

18   A.    Since 1990, I have provided engineering consulting services in the areas of water  
19       distribution design, wastewater collection design, hydraulic modeling, infrastructure  
20       planning, construction management, contract administration, environmental studies, rate  
21       studies, innovative funding mechanisms and cost of service studies.

22   **Q.    What is the purpose of your testimony in this proceeding?**

**TESTIMONY OF  
CONNIE ALLEN  
ON BEHALF OF THE CITY OF DANVILLE**

1 A. The purpose of my testimony is to explain the cost-of-service study that I prepared for the  
2 City of Danville's water operations.

3 **Q. Briefly describe the purpose of your cost-of-service study.**

4 A. The purpose of the study was to allocate the cost of service for water operations to the  
5 various customer classifications. The study allocates costs to the residential/commercial  
6 and industrial customers both in and outside the city limits, individual customers in the  
7 cities of Perryville and Junction City, and the four individual wholesale customers in  
8 accordance with generally accepted ratemaking principals.

9 **Q. Please explain the method of cost allocation that was used in your study.**

10 A. The costs were allocated based on the combined method which uses concepts and  
11 techniques of both the base-extra capacity and the commodity demand methods.

12 **Q. Please describe the procedure followed in the cost-of-service study.**

13 A. A guide to the cost of service spreadsheets is provided in response to Question No. 21.  
14 Generally, though, the procedure was to determine revenue requirements, determine the  
15 cost of service for each customer class and, then, design rates to recover the revenue  
16 requirements.

17 **Q. How did you determine the revenue requirement for the City of Danville?**

18 A. For the O&M part of the revenue requirement, I started with FY13 (test year) year-end  
19 actual numbers and FY14 budget numbers. I projected numbers for FY15 through FY19.  
20 My projections are included in Response to Item 30 of the information request issued by  
21 the Commission on November 14, 2014. For debt service, I consulted with a  
22 representative from KIA for debt service, the bond counsel for his payment schedule and

**TESTIMONY OF  
CONNIE ALLEN  
ON BEHALF OF THE CITY OF DANVILLE**

1       calculated the estimated RD debt service. For the capital component, I used \$500,000. It  
2       is my recommendation and Danville's goal to use 100% of annual depreciation for rate-  
3       funded capital improvements. However, for reasons outlined in the guide to the cost-of-  
4       service spreadsheets (see Response to Item 21 of the information request issued by the  
5       Commission on November 14, 2014), we programmed only \$500,000.

6       **Q.   Refer to the Capacity Distribution Factor chart of your study and explain the source**  
7       **of the information contained in that chart.**

8       A.   The distribution factors spread the functionalized costs among the customers. The factors  
9       follow the examples set forth in AWWA's rate making and cost of service seminar.

10      The commodity factor (COMM-1) distributes costs associated with providing average  
11      service to all customers. It signifies total consumption over a specific period of time, in  
12      this case, Fiscal Year 2013 which is Danville's test year.

13      The COMM-1 uses total water purchased/sold metered water. Every water utility must  
14      recover the costs associated with non-revenue water. The COMM-1 factor multiplies the  
15      water sold by the water loss percentage to recover the cost of the non-revenue water.

16      Whereas, the percentage of water loss for the total system is known (15.6%), the  
17      percentage allocated to the wholesale customers is an estimate (10%). The estimate for  
18      the wholesale customers is intended to include transmission and a portion of distribution  
19      losses, WTP process water, flushing for water quality and a portion of the unknown or  
20      undiscovered losses.

21      The capacity factor (CAP-1) distributes the costs associated with meeting the customer  
22      classes' maximum demand. The CAP-1 factor uses the total water produced (obtained

**TESTIMONY OF  
CONNIE ALLEN  
ON BEHALF OF THE CITY OF DANVILLE**

1 from adding the losses to the water sold, as in COMM-1) and a peaking factor to estimate  
2 the customer classes' potential peak day based on peak hour demand. The proportions  
3 are shown as percentages and are used to distribute the costs associated with capacity  
4 functions. Said another way, the CAP-1 factor provides an assignment of the costs  
5 caused by the potential peak demands of the individual customer classes upon the  
6 Danville water distribution system. Without a formal system-wide demand study, SRE  
7 relied on generally accepted peaking factors, adjusted for customer-specific demand  
8 characteristics. The peaking factors are estimated as follows:

9 2.50—a generally-accepted peaking factor for residential customers in a community with  
10 a population similar to Danville

11 2.25—used for Perryville and Junction City since they are largely residential but have  
12 storage facilities isolated to their service areas, buffering the larger, primary distribution  
13 system from their peak demands

14 2.00—used for Danville's industrial customers as their peaks do not follow residential  
15 diurnal patterns; industrial peaks are tied to production or wash-down activities

16 2.00—used for Parksville (wholesale customer) and is calculated based on the pumping  
17 capacity of the station that is used to obtain water from the Danville system. The typical  
18 diurnal curve is not applicable in Perryville's case; the pumps are either on or off and,  
19 when pumping at capacity (450 gpm), constitute the potential peak daily demand. The  
20 average daily demand for Parksville (333,000 gallons) was calculated based on test year  
21 sales. The peaking factor used to calculate the maximum day demand is obtained by  
22 dividing the maximum day demand by the average day demand:

**TESTIMONY OF  
CONNIE ALLEN  
ON BEHALF OF THE CITY OF DANVILLE**

1         $MDD \div ADD = 648000 \div 330000 = 1.96 \cong 2.0$

2        1.50—three of the four wholesale customers draw water from the Danville system  
3        without the requirement for pumping. Their demand, as seen from the Danville system,  
4        resembles the typical residential diurnal curve. It is assumed that the storage capacity of  
5        their systems is adequate in volume and effectively managed to meet the average daily  
6        demand of their direct customers. The peaking factor used to calculate the maximum day  
7        demand is obtained by subtracting the credit for their storage from the typical maximum  
8        day peaking factor:

9         $2.5 - 1 = 1.5$

10       Customer costs are those various costs associated with having a customer on the  
11       distribution system. Three factors are used to distribute customer costs:

- 12       •        CUST-1 is calculated based on actual number of meters per customer class;
- 13       •        CUST-2 adds weighting for level of effort to serve the customer class with regard  
14       to operation and maintenance, billing and customer service; and,
- 15       •        CUST-3 attempts to create a distribution factor that reflects the actual material  
16       costs of providing the meters and services.

17       Public Fire Protection mostly pertains to direct customer classes, usually owner  
18       customers, but in Danville's case, some non-owner customers as well. The factor is  
19       calculated as follows:

- 20       •        For owner and non-owner Residential/Commercial customers, the fire protection  
21       requirement was set at 1000 gallons per minute for a duration of 60 minutes;

**TESTIMONY OF  
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1       •       For owner and non-owner Industrial, a requirement of 5000 gallons per minute for  
2 a duration of 240 minutes;

3       •       For Perryville and Junction City, since they have dedicated hydrants and storage  
4 tanks, their percentage was calculated just as the Residential/Commercial Class;

5       •       Wholesale customers typically do not use the Seller's distribution system for fire  
6 protection and therefore are not assigned any costs associated with fire protection.  
7 However, two of Danville's wholesale customers do cause a small public fire protection  
8 cost. Volunteer firefighting teams, on their way to a fire in the Parksville community,  
9 stop and draft off Danville hydrants to fill their pumper trucks. The requirement was  
10 equated to the flow (250 gallons per minute) from the hydrant and the duration was  
11 estimated to be 12 minutes. Similarly, Hustonville's volunteer fire department drafts off  
12 Danville hydrants and the same rate for approximately 15 minutes.

13 The Revenue Factor (REV-1) is based on total revenues from metered water sales from  
14 each customer class. The factor is used to allocate costs such as taxes, which vary just as  
15 the volume of water sold or purchased.

16 Included with the distribution factors is an allocation factor calculated in accordance with  
17 the AWWA guidance. The allocation factor established the percentage of distribution  
18 mains that should be allocated to the customer component, the capacity component and  
19 the fire protection component. In this context the "customer component" translates to the  
20 commodity component.

21 The calculation assigns the cost of 2-inch pipe (\$8.00) throughout the entire system to  
22 signify that portion of the distribution lines to provide average demand service. The cost,

**TESTIMONY OF  
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(\$8 x 860,442), is allocated to the customer (commodity) component. Then, the equation assumes that all pipe larger than 2-inch, but less than 8-inch, is used to meet peak demands and assigns the difference in cost between 8-inch pipe throughout and 2-inch pipe throughout to the capacity component. The remainder is assumed to be constructed and available for fire protection.

The factors described above are used to distribute the cost component totals (commodity, capacity, actual customers, etc.) to the customer class responsible for them. The individual component costs were multiplied by the percentages of the distribution factors. The resultant costs were assigned to the customer classes. Direct assignments are listed in the following table.

Direct Assignments for Rate Base and Operational Expenses

cost	owner industrial	non-owner industrial	Perryville	Junction City	Parksville	Hustonville	remarks
<b>rate base</b>							
transmission lines	\$ 77,050	\$ 77,050	\$ 264,367	\$ 220,010			dedicated line for industrials, water lines for P & JC
storage tanks	\$ 152,972	\$ 152,972	\$ 352,489	\$ 293,347	\$ 396,592	\$ 430,586	Tower Hill tank
distribution lines			\$ 264,367	\$ 220,010			water lines for P & JC
accumulated depreciation	\$ (79,294)	\$ (79,294)	\$ (176,244)	\$ (146,674)	\$ (205,576)	\$ (223,197)	depreciation associated with the direct assigns
<b>operational expenses</b>							
debt service principal			\$ 7,140	\$ 22,847			payments on bond issue that was P & JC's
debt service interest			\$ 5,023	\$ 6,164			payments on bond issue that was P & JC's
employee salary & benefits			\$ 99,500	\$ 60,000			city employees dedicated to P & JC plus benefits

**Q. Do the proposed rates include a rate of return for City-owned property?**

**A.** Yes. KRS 278.535 permits a municipality to collect a fair and reasonable return on the fair value of the used and useful property of the utility. In reviewing what the appropriate

**TESTIMONY OF  
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1 rate of return should be, three methods revealed that the rate of return should be 6.5%;  
2 5.7%; and 5.6%. These percentages are less than the weighted cost of capital approved in  
3 Kentucky American Water Company's most recent rate case—Case No. 2012-00520—  
4 which was 7.59%. Recognizing that using these percentages would nearly quadruple the  
5 increase in the return on rate base, I recommended that the City only use return rates  
6 ranging from 1.0% to 2.5% in calculating proposed rates, which is well below the  
7 reasonable return rate to which the City is entitled.

8 **Q. What are the appropriate factors to be considered in the design of the rate**  
9 **structure.**

10 A. Rates are to be "fair and equitable." Revenue requirements must include sufficient  
11 revenue to maintain the system facilities; the capital component must be sufficiently  
12 funded to replace and repair, basically, to responsibly manage the assets upon which the  
13 customers depend. The rate structure, specifically, should send the right message  
14 regarding the cost of producing water; declining block structures incorrectly signal the  
15 "next" gallon of water is significantly cheaper to produce than the previous one. Rates  
16 should also be easy to understand. Finally, if rates are cost-based, the structure should  
17 recover the costs from the customers who caused the cost.

18 **Q. Did officials from the City of Danville discuss rate design guidelines with you?**

19 A. Yes, they did. The City Engineer explained that the City wanted to develop cost-based  
20 rates to minimize and eventually eliminate any customer class subsidies. Additionally,  
21 they wanted to recognize and consider the investments customer classes have made to the  
22 Danville water system/plant in service.

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1   **Q.   Does the proposed rate design follow the guidelines from the City of Danville**  
2       **officials?**

3   A.   Yes. The rates are cost-based; they are fair and equitable. Additionally, even though we  
4       are not at the recommended level for rate-funded capital, the rates ensure Danville's  
5       current water infrastructure can be maintained properly, with repairs and replacements  
6       made on a schedule that ensures public health is not compromised.

7   **Q.   Based on your experience, is the method used in preparing the cost-of-service study**  
8       **for the City of Danville based on a generally accepted method in the utility industry.**

9   A.   Yes. The method used is accepted by the American Water Works Association. As a  
10      matter of fact, the Combined Method is the subject method of AWWA's "Financial  
11      Management: Cost of Service Ratemaking" training.

12   **Q.   Is it your opinion that the rate produced by this study is reasonable?**

13   A.   Yes

**AFFIDAVIT**

The undersigned, Connie Allen, being duly sworn, deposes and says that she is the Owner of Salt River Engineering, and that she is authorized to submit this testimony on behalf of the City of Danville, and that the information contained in the testimony is true and accurate to the best of her knowledge, information and belief, after reasonable inquiry, and as to those matters that are based on information provided to her, she believes to be true and correct.

Connie Allen  
Connie Allen, Affiant

**NOTARY CERTIFICATE**

**COMMONWEALTH OF KENTUCKY**

**COUNTY OF** Mercer

Subscribed, acknowledged and sworn to before me by Connie Allen on  
this 1 day of Dec, 2014.

My commission expires: 8/4/2015.

MMG Stand  
NOTARY PUBLIC

**CITY OF DANVILLE**  
Danville, Kentucky

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**FINANCIAL STATEMENTS**  
June 30, 2013

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**City of Danville, Kentucky**  
Management's Discussion and Analysis (MD&A)  
June 30, 2013

The management team for the City of Danville presents this narrative to help our readers review the accompanying annual financial statements for the year ended June 30, 2013. We have prepared this overview and analysis of the City's financial activities to add additional information to the financial schedules and the note disclosures. Our analysis will examine the financial highlights for this fiscal year and help explain the format for our readers.

**Financial Highlights**

- As of June 30, 2013, the City's assets (page 9) exceeded liabilities by \$46,011,626. This amount includes \$37,997,236 of resources that are restricted to specific projects by laws, regulations, or contractual agreements, or that are invested in capital assets, net of related debt. \$8,014,390 of these resources are unrestricted and are available to fund the City's outstanding obligations and future programs.
- Unrestricted cash and investment balances (page 9) as of June 30, were \$7,592,971 and current liabilities payable from unrestricted resources (i.e. excluding principal and interest on long term debt) were \$1,282,736.
- Net position increased by \$2,100,845 (page 10). Of this increase, \$1,664,714 is attributed to the net position increase from business-type activities and \$436,131 is attributed to the net position increase from governmental activities. The primary reasons for the increase in net position of business-type activities is due to increases in user fees in the utilities fund and various government grants received during the fiscal year to fund various construction projects in the utilities fund. The primary reasons for the increase in net position of governmental activities is due to increased revenues of the general fund being stronger than anticipated and operating expenses coming in very favorable compared to the budget in the general fund.
- Fund balances (a measure of current financial resources) in the governmental funds increased \$1,419,106 to a total of \$7,054,882 (page 12). The primary reasons for the increase in fund balances in the governmental funds are the same as those noted above related to the increase in net assets. Of the total fund balances in the governmental funds, \$6,015,570 (page 11) is unassigned and available for future programs.
- The General Fund unassigned fund balance (page 11), as of June 30, 2013, was \$5,233,179, or about 36% of total general fund expenditures.
- The City's long term debt increased \$1,040,420 during the year. The City did issue new debt during the fiscal year ended June 30, 2013. \$250,000 anticipation note for sewer utility construction of which \$200,000 was borrowed and \$4,440,000 for refunding a KLC construction bond and the remaining funds for purchase and remodeling of a public work facility. Scheduled debt payments amounted to \$3,851,289 including refunding. Net amortization of discounts and issuance costs were \$251,708 including refunding, and the long-term portion of compensated absences increased by a net of \$4,268.

**Overview of Financial Statements**

This discussion and analysis is intended to introduce the City's basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide additional information that our readers can use to analyze our finances.

**Government-wide Financial Statements** - The government-wide financial statements are designed to provide our readers with an overview of the City's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities.

The Statement of Net Position presents information on all the City's assets and liabilities, including long-term debt and capital assets in the governmental funds. The difference between assets and liabilities is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net position are reported as soon as transactions occur, regardless of when the related cash flows are reported. Therefore, some revenues and expenses included in this statement may reflect cash flows that actually occur in future periods.

Government-wide statements are separated into two major categories: 1) *governmental activities* that are principally supported by taxes and intergovernmental revenues, and 2) *business-type activities* that are supported with user fees and charges. Governmental activities include administrative functions, streets, police, fire, recreation and community programs. Business-type activities include the water and sewer utilities, the garbage, the cemetery, the museum, the storm water, and the parking funds.

The government-wide statements are found on pages 9 and 10 of this report.

**Fund financial statements** - Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. The City of Danville, like other state and local governments uses fund accounting to demonstrate compliance with the laws, regulations, and contractual agreements that establish the authority for the City's programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds.

**Governmental funds** – Funds are used to account for the City's basic services, the same services that are included in the governmental activities on the government-wide statements. However, the information in the fund statements is measured differently. Governmental funds focus on current financial resources rather than economic resources. Therefore, the statements include the short-term resources, such as cash, investments, receivables that will be collected in the next few months, and liabilities that will be retired with these monies. This information is important for assessing the City's current financial resources.

The reconciliation in the fund statements explains the difference between the governmental funds in the fund statements and the governmental activities found in the government-wide financial statements. These reconciliations are presented on pages 11 and 12 in the fund statements. These reconciliations will explain the adjustments necessary to add the long-term resources and liabilities for the government-wide statements to the current picture presented in the fund statements.

The City maintains eleven individual governmental funds. Major governmental funds include the General Fund only.

The larger funds are presented on pages 11 and 12 as major funds, while the other funds are presented in the combining statements for non-major funds on pages 49 and 50. The governmental fund statements include a balance sheet and statement of revenues, expenditures, and changes in fund balances.

The City adopts budgets for all funds in accordance with Kentucky Revised Statutes Section 91A.030. The budgetary comparison for the General Fund is presented as required supplemental information beginning on page 45.

**Proprietary funds** - The City's proprietary funds include six enterprise funds. The enterprise funds include operations for the water and sewer utilities, garbage disposal, storm water, museum, cemetery operations, and the parking fund. The utilities, parking, and storm water fund are presented as major funds on pages 13 through 15. The other funds are presented in combining statements for the non-major funds on pages 51 and 52.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Notes to the financial statements** - Notes provide additional information that is essential to a full understanding of the information included in the financial schedules. Notes provide additional details about the balances and transactions in the City's financial statements and are presented on pages 18 through 43.

**Other Information** - The last section of this report includes two types of supplementary information. *Required supplementary information* (pages 44 through 48) must be included to conform with generally accepted accounting principles, while *Other Supplementary Information* (pages 49 through 52) is presented to expand the City's financial presentations. Management's Discussion and Analysis is classified as *required supplementary information*. In addition, Defined Benefit Pension Trust Schedules of Funding Progress, Employer Contribution, and Notes are presented as *Required Supplementary Information*. The schedules outline key financial information about the city's police & fire pension fund.

### **Government-Wide Financial Analysis**

The first statement in the government-wide statements is the Statement of Net Position. Let's review some of the more important issues in this statement. The following table summarizes the Statement of Net Position (page 9).

**Net Assets of Governmental and Business-type Activities (in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 7,634	\$ 6,072	\$ 4,652	\$ 4,000	\$ 12,286	\$ 10,072
Capital assets	19,132	18,234	37,931	37,628	57,063	55,862
Total assets	26,766	24,306	42,583	41,628	69,349	65,934

Continued, next page

Continued

Long-term debt outstanding	9,773	7,897	11,917	12,754	21,690	20,651
Other liabilities	789	641	859	732	1,648	1,373
Total liabilities	10,562	8,538	12,776	13,486	23,338	22,024

Net position:

Invested in capital assets, net of related debt	9,360	10,338	26,013	24,875	35,373	35,213
Restricted	1,010	0	1,615	1,815	2,625	1,815
Unrestricted (deficit)	5,835	5,430	2,179	1,452	8,014	6,882

Total Net Assets	\$ 16,205	\$ 15,768	\$ 29,807	\$ 28,142	\$ 46,012	\$ 43,910
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By far the largest portion of the City's net position (77%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. \$2.6 million of the City's net position (page 9) are restricted to comply with provisions of various laws, regulations, and contractual agreements. Restricted funds in the business-type activities reflect the reserves required by the water and sewer bond indentures.

The second statement in the government-wide statements is the Statement of Activities. The following table outlines the major components of this statement.

**Change in Net Position of Governmental and Business-type Activities (in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 9,441	\$ 9,096	\$ 9,441	\$ 9,096
Operating grants and contributions	913	758			913	758
Capital grants and contributions			518	334	518	334
General revenues:						
Property taxes	1,680	1,685			1,680	1,685
License fees and permits	8,142	7,992			8,142	7,992
Penalties and forfeits	19	25			19	25
Management fees	815	779			815	779
Other	446	527	390	65	836	592
Total Revenues	12,015	11,766	10,349	9,495	22,364	21,261

**Change in Net Position of Governmental and Business-type Activities (in thousands), cont'd**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Expenses:						
General Government	1,743	1,671			1,743	1,671
Public Safety	6,353	6,397			6,353	6,397
Public Services	1,520	1,362			1,520	1,362
Community Services	1,222	802			1,222	802
Debt Service	361	283	567	607	928	890
Utilities			6,632	6,397	6,632	6,397
Garbage operations			972	919	972	919
Cemetery operations			202	197	202	197
Museum operations			32	28	32	28
Parking operations			331	310	331	310
Storm water			328	375	328	375
Total Expenses	11,199	10,515	9,064	8,833	20,263	19,348
Excess (deficiency) before transfers and special items	816	1,251	1,285	662	2,101	1,279
Transfers	(380)	(256)	380	256		
Increase (decrease) in net assets	\$ 436	\$ 995	\$ 1,665	\$ 918	\$ 2,101	\$ 1,913

\$9.82 million of the governmental services are financed with property taxes and license fees.

Governmental activities increased the City's net position by \$436,131. The primary reason for the increase has already been addressed in this report.

Business-type activities increased the City's net position by \$1,664,714. This increase is net of depreciation expense of \$1,379,316 (a non cash item). The water & sewer fund remains healthy as operating costs continue to be in line with operating revenues.

**Financial Analysis of the Government's Funds**

The fund statements present the City's financial information in a more detailed format, but there are other differences as well. Fund statements provide important information about the City's compliance with laws and regulations that define the local government environment in Kentucky. The measurement principles in the governmental fund statements are also different than the government-wide statements. Fund statements focus on current resources, while the government-wide statements present the long-term view.

**Governmental funds** - Financial information for the City's governmental funds is summarized on pages 11 and 12. Governmental fund balances increased \$1,419,106. The reasons for this increase were addressed earlier in this report.

Non-major funds include the Municipal Road Aid, Police Safety, Drug Forfeiture, Hazard Mitigation, Renaissance, Streetscape, Toys for Tots, Cemetery Trusts, and Park Trust funds. These funds are combined for this report because their revenues and expenses are smaller than other funds of the City. You can find details about these funds in the combining statements for the non-major governmental funds on pages 49 and 50.

**Proprietary funds** - The fund statements for the proprietary funds look much like the business-type activities in the government-wide statements. Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

### General Fund Budgetary Highlights

Budgetary comparison schedules include information about both the original budget and the amended budget. Generally, budgets are amended to add projects that were not anticipated when the budget was first adopted. Revenue budgets are usually estimated lower to allow budgetary flexibility for additional projects.

During the fiscal year ended June 30, 2013, there were three budget amendments. Budgeted expenditures in the general, garbage, and cemetery funds were increased to allow for additional expenditures in the amount of \$312,500, \$30,000, and \$25,000, respectively.

### Capital Asset and Debt Administration

The City invests substantial resources in capital assets that support the services provided to the public. All of the City's outstanding bonds and capital leases have been used to acquire or construct capital assets.

#### **Capital Assets**

The City's capital assets, net of accumulated depreciation are summarized below:

<u>City of Danville, Kentucky Capital Assets (net of depreciation)</u>			
	Governmental	Business-	
	Activities	Type	Total
		Activities	
Land	\$ 2,567,556	\$ 1,309,568	\$ 3,877,124
Buildings	9,887,624	6,914,736	16,802,360
Improvements other than buildings	872,516	244,464	1,116,980
Vehicles	730,979	36,463	767,442
Equipment	214,311	549,178	763,489
Infrastructure	4,817,484	26,874,665	31,692,149
Construction in progress	42,245	2,001,584	2,043,829
Total	<u>\$ 19,132,715</u>	<u>\$ 37,930,658</u>	<u>\$ 57,063,373</u>

Major capital asset events during the fiscal year included the following:

\$1,241,362 was expended during the year to purchase a public works facility. Money has been borrowed for the remodeling of the building.

\$454,639 was expended during the year related to the Clarks Run sewer project. This project is still in Construction in Progress. \$400,089 was expended during the year related to the KY 2168 line replacement. The project was completed during the current fiscal year at a total cost of \$431,339.

During the current fiscal year, the City incurred preliminary design costs related to its new water treatment facility in the amount of \$378,066. This project is in the early stages at June 30, 2013 and no construction costs have been incurred as of June 30, 2013. The project has been bid and construction should begin February 2014.

## Long-Term Debt

The principal outstanding on the City's long-term debt is summarized in the following table.

<b><u>City of Danville's Outstanding Debt</u></b>			
	Governmental Activities	Business- Type Activities	Total
KLC Funding Trust	\$ 9,274,832	\$	\$ 9,274,832
Ky. Bond Corporation-Lease	425,000	670,000	1,095,000
Series 2012 – Anticipation		200,000	200,000
Series 2008 Rural Dev. Bonds		1,432,900	1,432,900
Series 2006 (A&B) Revenue Bonds		4,200,000	4,200,000
Series 2003 Revenue Bonds		435,000	435,000
Series 2000 RUS Revenue Bonds		391,300	391,300
Series 2010 Build America Bond		592,000	592,000
Series 1995 RUS Revenue Bonds		408,000	408,000
KIA Loan C88-06		185,000	185,000
KIA Loan – Treatment Plant		3,603,979	3,603,979
Total	\$ 9,699,832	\$ 12,118,179	\$ 21,818,011

The City's long term debt increased \$1,040,420, net of refunding, during the fiscal year. The components of this net increase were previously discussed on page 1 of this report.

## **Economic Factors and Next Year's Budget**

The City is currently in the planning phase of constructing a new water treatment plant. The City has budgeted \$12,969,000 for the fiscal year ended June 30, 2014 related to this project. The latest engineering studies estimate the ultimate cost of this project to be approximately \$29 million once completed. At the present time, the primary funding for this project is expected to be provided by the issuance of bonds and other debt instruments. The City is also in the planning phase of the Spears Creek Sewer Project. The City has budgeted \$1,098,701 for the fiscal year ended June 30, 2014 related to this project. The latest projected costs for this project are approximately \$3.5 million. At the present time, the primary funding for this project is expected to be provided by KIA grant and by the issuance of bonds.

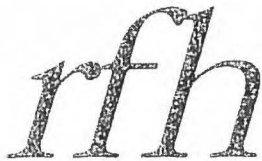
The City is also in the process of performing sub-basin improvements in the storm-water fund. Budgeted expenditures for the fiscal year ended June 30, 2014 related to these projects are \$293,000. These expenditures are to be funded primarily by the City in the amount of \$240,000 and grants in the amount of \$53,000.

The City borrowed \$700,000 to finance the necessary remodeling of the public works building. The City has budgeted in the June 30, 2014 budget to use funds to pave two trails, and to hold \$500,000 of funds to purchase a fire truck in the fiscal year ending June 30, 2015. The Commission also voted to pave an access road to alleviate some traffic difficulties at the Boyle County Schools.

Going forward, City management will continue to closely monitor the City's finances/budget which is especially important in this uncertain economy.

## **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, 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 Manager's Office, 445 West Main Street, Danville, KY 40422, telephone number (859) 238-1200.



# Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

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## INDEPENDENT AUDITORS' REPORT

To the Mayor and the Board of Commissioners  
City of Danville  
Danville, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Danville, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Danville, Kentucky, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–6 and 44–48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Danville, Kentucky's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 14, 2014, on our consideration of the City of Danville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the City of Danville, Kentucky's internal control over financial reporting and compliance.

*Ray, Foley, Hensley, & Company*

Ray, Foley, Hensley, & Company, PLLC  
January 14, 2014

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	Governmental Activities	Business-Type Activities	Total	2012 Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 4,668,915	\$ 1,432,515	\$ 6,101,430	\$ 4,727,530
Receivables, net	929,898	911,630	1,841,528	1,806,015
Investments	1,117,347	374,194	1,491,541	1,234,456
Inventory, at cost	-	198,365	198,365	241,915
Internal balances	(98,753)	98,753	-	-
Prepaid expenses and other current assets	6,680	-	6,680	7,171
Total current assets	6,624,087	3,015,457	9,639,544	8,017,087
Non-current assets				
Restricted cash	1,009,844	1,395,710	2,405,554	1,544,499
Restricted investments	-	241,451	241,451	509,756
Capital assets, net	19,132,715	37,930,658	57,063,373	55,862,745
Total non-current assets	20,142,559	39,567,819	59,710,378	57,917,000
Total assets	\$ 26,766,646	\$ 42,583,276	\$ 69,349,922	\$ 65,934,087
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 193,638	\$ 573,711	\$ 767,349	\$ 506,193
Accrued wages	179,709	85,969	265,678	250,535
Payroll taxes & benefits payable	183,466	-	183,466	173,752
Deposits	11,187	40,350	51,537	59,707
Current portion of compensated absences	11,049	3,657	14,706	14,481
Accrued interest payable	-	85,578	85,578	93,344
Current portion of bonds and notes payable	341,366	1,173,375	1,514,741	1,292,755
Total current liabilities	920,415	1,962,640	2,883,055	2,390,767
Non-current liabilities				
Bonds and notes payable, net of current portion	9,431,717	10,744,115	20,175,832	19,357,398
Compensated absences, net of current portion	209,923	69,486	279,409	275,141
Total non-current liabilities	9,641,640	10,813,601	20,455,241	19,632,539
Total liabilities	10,562,055	12,776,241	23,338,296	22,023,306
<b>NET POSITION</b>				
Net invested in capital assets	9,359,632	26,013,168	35,372,800	35,212,592
Restricted	1,009,844	1,614,592	2,624,436	1,812,260
Unrestricted	5,835,115	2,179,275	8,014,390	6,885,929
Total net position	16,204,591	29,807,035	46,011,626	43,910,781
Total liabilities and net position	\$ 26,766,646	\$ 42,583,276	\$ 69,349,922	\$ 65,934,087

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

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense)			2012 Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Governmental activities</b>								
General government	\$ 1,743,264	\$ -	\$ 155,032	\$ -	\$ (1,588,232)	\$ -	\$ (1,588,232)	\$ (1,605,406)
Public services	1,520,003	-	423,276	-	(1,096,727)	-	(1,096,727)	(960,812)
Public safety	6,353,427	-	335,090	-	(6,018,337)	-	(6,018,337)	(6,105,987)
Community services	1,221,458	-	-	-	(1,221,458)	-	(1,221,458)	(802,127)
Debt service	361,190	-	-	-	(361,190)	-	(361,190)	(282,566)
Total governmental activities	11,199,342	-	913,398	-	(10,285,944)	-	(10,285,944)	(9,756,898)
<b>Business-type activities</b>								
Utilities	6,632,346	7,583,826	-	402,585	-	1,354,065	1,354,065	1,158,298
Parking	330,797	253,425	-	-	-	(77,372)	(77,372)	(54,434)
Garbage	972,347	894,172	-	-	-	(78,175)	(78,175)	(55,199)
Cemetery	201,847	120,100	-	-	-	(81,747)	(81,747)	(80,574)
Museum	32,035	-	-	-	-	(32,035)	(32,035)	(28,285)
Storm water	327,810	589,864	-	115,375	-	377,429	377,429	264,702
Debt service	567,200	-	-	-	-	(567,200)	(567,200)	(607,435)
Total business-type activities	9,064,382	9,441,387	-	517,960	-	894,965	894,965	597,073
Total	20,263,724	9,441,387	913,398	517,960	(10,285,944)	894,965	(9,390,979)	(9,159,825)
<b>General revenues</b>								
Taxes					1,679,937	-	1,679,937	1,684,910
Licenses and fees					8,141,770	-	8,141,770	7,992,216
Fines and forfeitures					18,875	-	18,875	24,735
Management fees					814,867	-	814,867	779,175
Other					446,386	389,989	836,375	584,571
Total general revenues					11,101,835	389,989	11,491,824	11,065,607
Gain on sale of property					-	-	-	7,607
Transfers					(379,760)	379,760	-	-
Total general revenues and transfers					10,722,075	769,749	11,491,824	11,073,214
<b>Change in net position</b>					436,131	1,664,714	2,100,845	1,913,389
Net position, beginning of year					15,768,460	28,142,321	43,910,781	41,997,392
<b>NET POSITION, END OF YEAR</b>					\$ 16,204,591	\$ 29,807,035	\$ 46,011,626	\$ 43,910,781

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

**CITY OF DANVILLE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2013**

	General Fund	Other Nonmajor Governmental Funds	2013 Total Governmental Funds	2012 Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,863,308	\$ 805,607	\$ 4,668,915	\$ 3,782,004
Receivables, net of allowance for uncollectible accounts of \$55,072	925,071	4,827	929,898	1,017,704
Investments	1,111,518	5,829	1,117,347	1,120,710
Restricted cash	1,009,844	-	1,009,844	117,060
Due from other funds	-	-	-	26,945
Prepaid expenses and other assets	6,680	-	6,680	7,171
<b>Total assets</b>	<b>\$ 6,916,421</b>	<b>\$ 816,263</b>	<b>\$ 7,732,684</b>	<b>\$ 6,071,594</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 189,638	\$ 4,000	\$ 193,638	\$ 66,959
Accrued wages	179,334	375	179,709	173,145
Accrued payroll taxes & benefits payable	183,437	29	183,466	173,752
Due to other funds	98,753	-	98,753	-
Deposits	11,187	-	11,187	11,157
Compensated absences	11,049	-	11,049	10,805
	<u>673,398</u>	<u>4,404</u>	<u>677,802</u>	<u>435,818</u>
<b>FUND BALANCE</b>				
Fund balance, restricted	1,009,844	29,468	1,039,312	146,419
Fund balance, unassigned	<u>5,233,179</u>	<u>782,391</u>	<u>6,015,570</u>	<u>5,489,356</u>
<b>Total fund balance</b>	<b><u>6,243,023</u></b>	<b><u>811,859</u></b>	<b><u>7,054,882</u></b>	<b><u>5,635,775</u></b>
<b>Total liabilities and fund balance</b>	<b>\$ 6,916,421</b>	<b>\$ 816,263</b>	<b>\$ 7,732,684</b>	<b>\$ 6,071,593</b>
Amounts reported for governmental activities in the statement of net position are different because:				
Fund balances reported above			\$ 7,054,882	\$ 5,635,775
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$86,101,881 and \$85,525,667 for the fiscal years ended June 30, 2013 and 2012, respectively.			19,132,715	18,234,429
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position:				
Loan and lease purchase agreements			(9,773,083)	(7,896,445)
Accrued compensated absences			<u>(209,923)</u>	<u>(205,300)</u>
<b>Net position of governmental activities</b>			<b>\$ 16,204,591</b>	<b>\$ 15,768,459</b>

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

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2013**

	General Fund	Other Nonmajor Governmental Funds	2013 Total Governmental Funds	2012 Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 1,679,937	\$ -	\$ 1,679,937	\$ 1,684,910
Licenses and fees	8,141,770	-	8,141,770	7,992,216
Intergovernmental revenue	490,122	423,276	913,398	758,366
Fines and forfeitures	16,337	2,538	18,875	24,735
Other revenues	1,242,259	18,993	1,261,252	1,298,240
Total revenues	<u>11,570,425</u>	<u>444,807</u>	<u>12,015,232</u>	<u>11,758,467</u>
<b>EXPENDITURES</b>				
Current operating				
General government	1,540,944	-	1,540,944	1,472,607
Public services	1,070,775	31,426	1,102,201	989,200
Public safety	6,000,851	214,782	6,215,633	6,230,626
Community services	1,195,894	25,564	1,221,458	802,127
Debt services	3,074,476	-	3,074,476	522,373
Capital outlay	1,648,046	3,533	1,651,579	115,168
Total expenditures	<u>14,530,986</u>	<u>275,305</u>	<u>14,806,291</u>	<u>10,132,101</u>
Excess of revenues over expenditures	(2,960,561)	169,502	(2,791,059)	1,626,366
Other financing sources (uses):				
Transfers (to) from other funds	(354,760)	(25,000)	(379,760)	(255,896)
Sale of property	-	-	-	7,607
Loan proceeds	4,589,925	-	4,589,925	-
Total other financing sources (uses)	<u>4,235,165</u>	<u>(25,000)</u>	<u>4,210,165</u>	<u>(248,289)</u>
Net change in fund balance	1,274,604	144,502	1,419,106	1,378,077
Fund balance, beginning of year	<u>4,968,419</u>	<u>667,357</u>	<u>5,635,776</u>	<u>4,257,699</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 6,243,023</u>	<u>\$ 811,859</u>	<u>\$ 7,054,882</u>	<u>\$ 5,635,776</u>
Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:				
Net change in fund balance - total governmental funds, reported above			\$ 1,419,106	\$ 1,378,077
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the Statement of Activities and depreciated over their estimated economic lives.				
Increase in capital assets			1,651,579	115,168
Depreciation expense			(753,293)	(737,819)
Bond and note payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the Statement of Net Position.				
Loan proceeds			2,713,286	239,807
Generally, expenditures recognized in the general fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the Statement of Activities when they are incurred:			(4,589,925)	-
Compensated absences			(4,622)	(319)
Change in net position of governmental activities			<u>\$ 436,131</u>	<u>\$ 994,914</u>

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

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

	Utilities Fund	Parking Fund	Storm Water	Other Nonmajor Proprietary Funds	2013 Total	2012 Total
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 647,818	\$ 117,575	\$ 647,900	\$ 19,222	\$ 1,432,515	\$ 945,526
Accounts receivable, net of allowance for uncollectible accounts of \$634,725	744,560	24,090	88,026	54,954	911,630	788,311
Investments	258,676	-	-	115,518	374,194	113,746
Due from (to) other funds	-	-	-	98,753	98,753	(26,945)
Inventory, at cost	198,365	-	-	-	198,365	241,915
Total current assets	1,849,419	141,665	735,926	288,447	3,015,457	2,062,553
Non-current assets						
Restricted cash and cash equivalents	1,364,521	8,620	22,569	-	1,395,710	1,427,439
Restricted investments	241,451	-	-	-	241,451	509,756
Capital assets, net	28,544,385	7,532,590	1,432,497	421,186	37,930,658	37,628,316
Total non-current assets	30,150,357	7,541,210	1,455,066	421,186	39,567,819	39,565,511
Total assets	\$ 31,999,776	\$ 7,682,875	\$ 2,190,992	\$ 709,633	\$ 42,583,276	\$ 41,628,064
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	\$ 405,952	\$ 3,080	\$ 80,754	\$ 83,925	\$ 573,711	\$ 439,234
Accrued expenses	75,056	1,535	4,828	4,550	85,969	77,390
Deposits	40,350	-	-	-	40,350	48,550
Current portion of compensated absences	3,234	37	100	286	3,657	3,676
Accrued interest payable	58,090	15,632	11,856	-	85,578	93,344
Current portion of bonds and notes payable	1,050,548	94,070	28,757	-	1,173,375	1,036,222
Total current liabilities	1,633,230	114,354	126,295	88,761	1,962,640	1,698,416
Non-current liabilities						
Bonds and notes payable	6,160,367	3,963,626	620,122	-	10,744,115	11,717,486
Compensated absences, net of current portion	61,444	703	1,907	5,432	69,486	69,841
Total non-current liabilities	6,221,811	3,964,329	622,029	5,432	10,813,601	11,787,327
Total liabilities	7,855,041	4,078,683	748,324	94,193	12,776,241	13,485,743
<b>NET POSITION</b>						
Net invested in capital assets	21,333,470	3,474,894	783,618	421,186	26,013,168	24,874,608
Restricted	1,605,972	8,620	-	-	1,614,592	1,812,260
Unrestricted	1,205,293	120,678	659,050	194,254	2,179,275	1,455,453
Total net position	24,144,735	3,604,192	1,442,668	615,440	29,807,035	28,142,321
Total liabilities and net position	\$ 31,999,776	\$ 7,682,875	\$ 2,190,992	\$ 709,633	\$ 42,583,276	\$ 41,628,064

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

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**for the year ended June 30, 2013**

	Utilities Fund	Parking Fund	Storm Water	Other Nonmajor Proprietary Funds	2013 Total	2012 Total
<b>Revenues</b>						
Water sales	\$ 4,043,057	\$ -	\$ -	\$ -	\$ 4,043,057	\$ 3,842,335
Water surcharge	251,567	-	-	-	251,567	241,989
Sewer charges	2,943,633	-	-	-	2,943,633	2,845,056
Connection fees	57,541	-	-	-	57,541	56,882
Parking rental fees	-	253,425	-	-	253,425	255,866
Other fees for services	-	-	589,864	1,014,272	1,604,136	1,560,985
Other revenues	288,028	-	-	-	288,028	293,019
<b>Total revenues</b>	<b>7,583,826</b>	<b>253,425</b>	<b>589,864</b>	<b>1,014,272</b>	<b>9,441,387</b>	<b>9,096,132</b>
<b>Operating expenses</b>						
Water	2,873,974	-	-	-	2,873,974	2,700,847
Sewer	1,584,702	-	-	-	1,584,702	1,537,701
Perryville	142,312	-	-	-	142,312	136,257
Personnel	-	47,772	185,861	107,933	341,566	386,889
Contractual	-	85,181	94,017	1,068,091	1,247,289	1,165,320
Management fees	762,186	-	-	-	762,186	728,843
Depreciation	1,143,044	190,585	28,310	17,377	1,379,316	1,347,320
Other operating expenses	126,128	7,259	19,622	12,828	165,837	222,426
<b>Total operating expenses</b>	<b>6,632,346</b>	<b>330,797</b>	<b>327,810</b>	<b>1,206,229</b>	<b>8,497,182</b>	<b>8,225,603</b>
<b>Operating income (loss)</b>	<b>951,480</b>	<b>(77,372)</b>	<b>262,054</b>	<b>(191,957)</b>	<b>944,205</b>	<b>870,529</b>
<b>Non-operating revenues (expenses)</b>						
Grants	402,585	-	115,375	-	517,960	333,979
Interest expense	(347,549)	(195,150)	(24,501)	-	(567,200)	(607,435)
Other non-operating revenues	383,177	203	1,663	4,946	389,989	65,506
<b>Non-operating revenues (expenses)</b>	<b>438,213</b>	<b>(194,947)</b>	<b>92,537</b>	<b>4,946</b>	<b>340,749</b>	<b>(207,950)</b>
<b>Income (loss) before other revenues expenses, gains, losses and transfers</b>	<b>1,389,693</b>	<b>(272,319)</b>	<b>354,591</b>	<b>(187,011)</b>	<b>1,284,954</b>	<b>662,579</b>
<b>Transfers from other funds</b>	<b>-</b>	<b>152,293</b>	<b>-</b>	<b>227,467</b>	<b>379,760</b>	<b>255,896</b>
<b>Change in net position</b>	<b>1,389,693</b>	<b>(120,026)</b>	<b>354,591</b>	<b>40,456</b>	<b>1,664,714</b>	<b>918,475</b>
<b>Net position, beginning of year</b>	<b>22,755,042</b>	<b>3,724,218</b>	<b>1,088,077</b>	<b>574,984</b>	<b>28,142,321</b>	<b>27,223,846</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 24,144,735</b>	<b>\$ 3,604,192</b>	<b>\$ 1,442,668</b>	<b>\$ 615,440</b>	<b>\$ 29,807,035</b>	<b>\$ 28,142,321</b>

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

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**for the year ended June 30, 2013**

	Utilities Fund	Parking Fund	Storm Water	Other Nonmajor Proprietary Funds	2013 Total	2012 Total
<b>Cash flows from operating activities</b>						
Receipts from customers	\$ 7,434,033	\$ 280,869	\$ 585,465	\$ 1,017,701	\$ 9,318,068	\$ 9,339,900
Payments to suppliers	(2,606,048)	(89,406)	(107,670)	(999,498)	(3,802,622)	(4,400,144)
Payments to employees	(2,022,312)	(48,024)	(190,812)	(105,676)	(2,366,824)	(2,504,110)
Payments to general fund for management services	(762,186)	-	-	-	(762,186)	(728,843)
Net cash provided by (used in) operating activities	<u>2,043,487</u>	<u>143,439</u>	<u>286,983</u>	<u>(87,473)</u>	<u>2,386,436</u>	<u>1,706,803</u>
<b>Cash flows from noncapital financing activities</b>						
Transfers (to) from other funds	-	152,293	-	227,467	379,760	255,896
Deposits, net	(8,200)	-	-	-	(8,200)	2,100
Due (to) from other funds	-	-	-	(125,698)	(125,698)	26,945
Other revenues	<u>379,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>379,754</u>	<u>37,563</u>
Net cash provided by (used in) noncapital financing activities	<u>371,554</u>	<u>152,293</u>	<u>-</u>	<u>101,769</u>	<u>625,616</u>	<u>322,504</u>
<b>Cash flows from capital and related financing activities</b>						
Purchases of capital assets	(1,465,180)	-	(216,478)	-	(1,681,658)	(1,349,087)
Principal paid on notes and bonds	(955,655)	(95,000)	(30,000)	-	(1,080,655)	(1,050,852)
Interest (paid) accrued on notes and bonds	(354,649)	(195,478)	(24,837)	-	(574,964)	(615,623)
Borrowings of notes and bonds	200,000	-	-	-	200,000	-
Bond issuance costs	-	5,929	1,240	-	7,169	7,171
Refunding of debt	37,264	-	-	-	37,264	37,260
Capital improvement grant proceeds	<u>402,585</u>	<u>-</u>	<u>115,375</u>	<u>-</u>	<u>517,960</u>	<u>333,979</u>
Net cash provided by (used) in capital and related financing activities	<u>(2,135,635)</u>	<u>(284,549)</u>	<u>(154,700)</u>	<u>-</u>	<u>(2,574,884)</u>	<u>(2,637,152)</u>
<b>Cash flows from investing activities</b>						
Net investment proceeds (purchases)	9,629	-	-	(1,772)	7,857	(9,534)
Interest and dividends	<u>3,423</u>	<u>203</u>	<u>1,663</u>	<u>4,946</u>	<u>10,235</u>	<u>27,943</u>
Net cash provided by investing activities	<u>13,052</u>	<u>203</u>	<u>1,663</u>	<u>3,174</u>	<u>18,092</u>	<u>18,409</u>
<b>Net Increase (decrease) In cash and cash equivalents and restricted cash</b>	<u>292,458</u>	<u>11,386</u>	<u>133,946</u>	<u>17,470</u>	<u>455,260</u>	<u>(589,436)</u>
Cash and cash equivalents and restricted cash, beginning of year	<u>1,719,881</u>	<u>114,809</u>	<u>536,523</u>	<u>1,752</u>	<u>2,372,965</u>	<u>2,962,401</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR</b>	<u>\$ 2,012,339</u>	<u>\$ 126,195</u>	<u>\$ 670,469</u>	<u>\$ 19,222</u>	<u>\$ 2,828,225</u>	<u>\$ 2,372,965</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>						
Operating income (loss)	\$ 951,480	\$ (77,372)	\$ 262,054	\$ (191,957)	\$ 944,205	\$ 870,529
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,143,044	190,585	28,310	17,377	1,379,316	1,347,320
Provision for bad debt	63,059	334	-	18,327	81,720	114,590
Change in assets and liabilities:						
Accounts receivable	(212,850)	27,110	(4,399)	(14,898)	(205,037)	129,178
Inventory	43,550	-	-	-	43,550	(30,503)
Accounts payable	44,053	3,034	5,969	81,421	134,477	(742,174)
Accrued expenses	11,014	28	(1,421)	(1,042)	8,579	13,679
Compensated absences	<u>137</u>	<u>(280)</u>	<u>(3,530)</u>	<u>3,299</u>	<u>(374)</u>	<u>4,184</u>
Net cash provided by (used in) operating activities	<u>\$ 2,043,487</u>	<u>\$ 143,439</u>	<u>\$ 286,983</u>	<u>\$ (87,473)</u>	<u>\$ 2,386,436</u>	<u>\$ 1,706,803</u>

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

CITY OF DANVILLE, KENTUCKY  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
June 30, 2013

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	<u>Police and Firemen's Pension Fund</u>	<u>2012 Total</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 54,362	\$ 64,037
Investments	<u>742,531</u>	<u>666,461</u>
Total assets	<u>\$ 796,893</u>	<u>\$ 730,498</u>
<b>NET POSITION</b>		
Net position held in trust for pension benefits	<u>\$ 796,893</u>	<u>\$ 730,499</u>
<b>TOTAL NET POSITION</b>	<u>\$ 796,893</u>	<u>\$ 730,499</u>

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

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**for the year ended June 30, 2013**

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	<u>Police and Firemen's Pension Fund</u>	<u>2012 Total</u>
<b>Additions</b>		
Employers contributions	\$ 190,000	\$ 190,000
Employee Contributions	-	1,516
Interest and dividends	26,803	22,946
Realized gains (loss) on investments	28,267	7,197
Unrealized gain (loss) on investments	<u>57,565</u>	<u>4,261</u>
 Total additions	 <u>302,635</u>	 <u>225,920</u>
 <b>Deductions</b>		
Benefit payments	230,609	203,960
Trustee fee	<u>5,631</u>	<u>5,375</u>
 Total deductions	 <u>236,240</u>	 <u>209,335</u>
 Change in net position	 <u>66,395</u>	 <u>16,585</u>
 Net position, beginning of year	 <u>730,498</u>	 <u>713,913</u>
 <b>NET POSITION, END OF YEAR</b>	 <u><b>\$ 796,893</b></u>	 <u><b>\$ 730,498</b></u>

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

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Danville, Kentucky (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The City of Danville, Kentucky, is a municipal corporation operating as a "City Manager Plan Government" as provided by Kentucky Revised Statutes 83A.150. The City which is governed by an elected five member Board of Commissioners possesses all powers enumerated under KRS 83A.150 as well as KRS 82.082 - the home rule statute. The City has evaluated various organizations with which it is related and determined that there are no component units as defined by GASB. Therefore, there are no component units included in the City's reporting entity.

**B. Related Organizations**

The City's officials are responsible for appointing the members of the Boards of other organizations, but the City's accountability for these organizations do not extend beyond making the appointments. The City's Mayor, with the consent of the City Board of Commissioners, appoints the Board members of the Housing Authority of Danville, the Parking Authority of Danville, and the Danville Urban Renewal and Community Development Agency.

**C. Jointly Governed Organizations**

The City, in conjunction with Boyle County, the City of Junction City, and the City of Perryville, created the Danville-Boyle County Planning and Zoning Commission (DBCPZC). The DBCPZC's board is comprised of four members from the City of Danville, four members from Boyle County, one member from Junction City, and one member from Perryville. The City appropriated \$65,000 for an operating grant to the DBCPZC for the year ended June 30, 2013.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Airport Board (DBCAB). The DBCAB's board is comprised of three members from the City of Danville and three members from Boyle County. The City appropriated \$20,000 for an operating grant to the DBCAB for the year ended June 30, 2013.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Parks and Recreation Board (DBCPRB). The board is comprised of three members from the City of Danville, three members from Boyle County, and one member appointed jointly by the City of Danville and Boyle County. The City appropriated \$200,000 for an operating grant to the DBCPRB for the year ended June 30, 2013.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Tourism Commission (DBCTC). The DBCTC's board is comprised of seven members appointed jointly by the City of Danville and Boyle County. The City did not appropriate funds for the DBCTC for the year ended June 30, 2013.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**E. Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are an exception, as they are considered available when eligible expenditures have occurred even though they may be collected for up to one year after the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when the liability has matured, with the exception of interest and principal which are recognized as expenditures when funds are transferred to the debt service fund to make payments due shortly after the fiscal year end.

Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenue, and charges for services are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines, permits, net profit tax revenues and special assessments are considered to be measurable and available only when cash is received by the City.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Basis of Presentation, continued**

Funds are classified into these categories; governmental, proprietary and fiduciary.

The City reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Utilities Fund accounts for the activities of the water and sewer services provided to the residents of the City and the surrounding areas.

The Parking Fund accounts for the operation of the City's parking facilities (parking spaces, lots, and parking garage).

The Storm Water Fund accounts for operation and maintenance of the City's infrastructure such as inlets, pipes, culverts, and detention basins.

Additionally, the City reports the following fund types:

The Pension Trust Fund accounts for the activities of the Police & Firefighter's Pension Fund, which accumulates resources for pension benefit payments to qualified public safety employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments from the Utilities Fund to the General Fund to compensate the General Fund for administrative services provided to the Utilities Fund.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The principal operating revenues of the parking fund are parking space rental fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF DANVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Basis of Presentation, continued**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make use of estimates that affect reported amounts in the basic financial statements. Actual results could differ from estimates.

**F. Assets, Liabilities, and Net Position or Fund Balance**

**1. Cash Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments, which consist of highly liquid investments with original maturities of three months or less from the date of acquisition.

Kentucky Revised Statute 66.480 generally limits the City to investing in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, and interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

Kentucky Revised Statute 95.610 expands the above list of allowable investments for pension trust funds to include corporate notes and equity securities, real estate mortgages, real estate, and life insurance annuity and endowment contracts.

All investments are reported at fair value.

Certain cash and investment amounts are classified on the statement of net position as restricted because applicable bond indentures or other legal provisions limit their use. Restricted cash and cash equivalents are included and used for their respective purpose.

For the purpose of the statement of cash flows, the City considers cash equivalents to be highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased.

**2. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for un-collectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for un-collectibles. The property tax receivable allowance is based on varying percentages depending on the age of the receivable.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Assets, Liabilities, and Net Position or Fund Balance, continued**

**3. Inventories**

All inventories are valued at cost using the first-in first-out (FIFO) method.

**4. Restricted Assets**

Certain resources set aside for the repayment of the Utilities Fund debt have been classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The restricted assets have been accounted for in accordance with the provisions of the Utilities Fund revenue bond resolutions or with state or federal laws and regulations.

Debt Service Reserve - The City is required to set aside the lower of the maximum annual debt service, 125% of the average annual debt service, or 10% of the original net proceeds of the revenue bond issues. The City must continue deposits into the debt service reserve until the funds equal the amount required to retire all outstanding bonds and related accrued interest.

Depreciation Reserve - Revenue bond covenants require the City to set aside \$2,085 monthly until the 1967 and 2003 bonds are retired. The Depreciation Reserve may be used to provide funding for future improvements, extensions, additions or enlargements to the system. Any amount over \$500,000 in the depreciation fund may be used to redeem and retire bonds outstanding before maturity. Also, Kentucky Infrastructure Authority covenants require the City to transfer annually \$48,910 to a replacement reserve until \$489,100 is accumulated in the account.

In addition, the 2010 Rural Development Build America bond issuance required the City to make additional monthly deposits to a separate depreciation fund of \$240 per month until the account reached \$28,800, and \$362 per month to be used specifically as needed to replace or add short-lived assets in the City's water system.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure (i.e., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

CITY OF DANVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5. Capital Assets, continued**

Infrastructure, buildings, improvements, plant, equipment, and other capital assets of the government are depreciated using the straight line method over the following estimated useful lives.

Infrastructure	10-50 Years
Buildings	20-50 Years
Improvements	10-20 Years
Water & Sewer Distribution System	2-50 Years
Studies, Surveys, & Maps	2-10 Years
Machinery & Equipment	2-10 Years
Vehicles	3-10 Years

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**6. Compensated Absences**

All non-public safety employees earn vacation leave at a rate of  $\frac{5}{6}$  of a day per month (80 hours per year) up to ten years of service,  $1\frac{1}{4}$  days per month (120 hours per year) for greater than ten years of service, and  $1\frac{2}{3}$  days per month (160 hours per year) for greater than twenty years of service. Public safety employees earn vacation leave at a rate of  $1\frac{1}{4}$  days per month (120 hours per year) for police and  $1\frac{3}{4}$  days per month (168 hours per year) for firefighters assigned to 24-hour shifts). The City personnel policy states that employees may accrue unlimited vacation leave. However, after the original probation period, any employee who terminates employment with the City shall be compensated for no more than 240 hours of accrued vacation leave (except the Fire Department employees assigned to 24-hour shifts may be compensated for no more than 336 hours). Any vacation hours above 240 shall be converted to sick leave upon retirement from the City of Danville.

All employees occupying established full-time positions with the City are granted 1 day (8 hours) sick leave per each full month of service, except that Fire Department employees assigned to 24-hour shifts shall accrue twelve hours credit for each month of service. Sick leave credit may be utilized by employees in  $\frac{1}{4}$  day increments when they are unable to perform their duties because of sickness or injury. Employees may accrue an unlimited amount of sick leave. Employees who terminate employment with the City are not compensated for accrued but unused sick leave, except that employees who retire and participate in the CERS retirement program immediately upon termination of employment, shall have the accrued but unused sick leave utilized to purchase additional retirement benefits on their behalf, based on a schedule as outlined in the City's personnel policies and procedures manual.

GASB requires employers to accrue a liability of future vacation, sick and other leave benefits that meet the following conditions:

- a.) The compensated absence relates to past employment service.
- b.) Payment of the compensation is probable.

The liability for these compensated absences is recorded as current and non-current debt in the government-wide statements and in the business-type fund statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as incurred.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**7. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs and bond discounts are deferred and amortized over the term of the related issues. Bonds payable are reported net of the applicable discounts and issuance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Fund Balance**

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable. The City has adopted GASB 54 which further breaks down both non-spendable and spendable components into the following components:

Non-spendable - amounts that must be maintained intact legally or contractually.

Restricted – amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – amounts constrained for a specific purpose by the City using its highest level of decision making authority.

Assigned – for all governmental funds, other than the general fund, any remaining positive amounts not classified as non-spendable, restricted or committed. For the general fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts.

Unassigned – for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance.

For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City commission.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

CITY OF DANVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**9. Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund balance sheet includes reconciliation between fund balances in the governmental funds and net position reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. Capital assets and long-term debt are added to the governmental funds to compile the long-term view of the governmental activities column.

A similar reconciliation is included on the statement of revenues, expenditures and changes in fund balances for the governmental funds. These adjustments reflect the transition from the modified accrual accounting for governmental funds to the accrual basis of accounting for the statement of activities. Capital outlay is replaced with depreciation expense. Capital lease revenues are added, while principal payments on long-term debt are eliminated from the operating costs.

**G. Management's Review of Subsequent Events**

The City has evaluated and considered the need to recognize or disclose subsequent events through January 14, 2014, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2013, have not been evaluated by the City.

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

The City follows the following procedures in establishing the budgetary data reflected in the financial statements.

Kentucky Revised Statutes 91A.030 requires the preparation and adoption of an annual budget in the form of an appropriations ordinance before the City may expend any monies from any governmental or proprietary fund and prohibits expenditures or expenses in excess of appropriations. KRS further provides that the full amount of debt service be appropriated. All appropriations lapse at year-end.

To meet the legal requirements for appropriations, all budgets are presented on a modified accrual basis. For proprietary funds this means that certain capitalized receipts and disbursements are budgeted along with related revenue and expense, that depreciation, non-cash expenditure, is not budgeted, and that the full amount of debt service is budgeted.

Under Kentucky Revised Statutes, all local government units are required to have a June 30 fiscal year-end. The City of Danville has a June 30 fiscal year-end.

Prior to May 1, the city manager obtains estimates of proposed expenditures from various division and department heads. The finance department staff prepares revenue estimates.

Prior to June 1, the city manager submits to the city commission a proposed budget for the fiscal year commencing July 1.

Public hearings are conducted to obtain citizen comments and in order to comply with various federal and state mandates.

Prior to June 30, the budget is legally enacted through passage of an ordinance by the city commission.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**Budgetary Information, continued**

The city manager is authorized to transfer budgeted amounts within each fund; however, any revisions that alter the total expenditures of any fund must be approved by the city commission.

Formal budgetary integration is utilized as a management control device for all governmental fund types and the Utilities Fund.

An encumbrance system under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded is maintained. Encumbrances maintained at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are re-appropriated in the next budget year.

**Property Taxes**

The City bills and collects its property taxes through the Boyle County Sheriff's Office. The City elects to use annual property assessments prepared by the Boyle County Property Valuation Administrator. According to the Kentucky Revised Statutes, the assessment date for the City must conform to the January 1 assessment date of Boyle County.

For the year ended June 30, 2013, taxes were levied November 1, 2012 and were payable by December 31, 2012. A 10% penalty was imposed on all taxes delinquent as of January 1, 2013. In addition, an interest charge of 1/2% per month is levied on all delinquent taxes. As of May 1, 2013 delinquent property tax bills in excess of \$20 each shall have an enforceable lien filed against the property by the City.

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes up to \$1.00 per \$100 assessed valuation for general governmental services other than school purposes. Legislation passed by the Kentucky General Assembly imposed severe limits on the ability of a city to significantly increase property tax revenues. A city may not increase its revenues from taxes on real property, exclusive of increases due to assessment growth without giving notice of such an increase and holding a public hearing on the matter. If that increase is less than 4%, that is all that is necessary, but if the increase is more than 4%, residents of the City may petition for an election to be held on the question. If the majority of those voting in a valid election vote against the proposed rate increase, the rate must be rolled back to one which will not produce more than a 4% increase. City tax rates of 13.9 cents per \$100 on real property and 15.65 cents per \$100 on personal property for the fiscal year ended June 30, 2013, are within permissible limits under the above legislation. The City does not collect personal property taxes on motor vehicles or watercraft.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**3. CASH DEPOSITS AND INVESTMENTS**

As of June 30, 2013, the City had the following investments and maturities:

**PRIMARY GOVERNMENT (EXCEPT FIDUCIARY FUNDS)**

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities in years</u>				<u>Credit rating</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Over 10</u>	
U.S. Agencies	\$ 198,774	\$ 67,297	\$ 53,051	\$ 78,426	-	AAA
State and Municipal Bonds	80,863	-	-	80,863	-	BBB to AAA
Corporate Bonds	398,354	30,178	138,301	205,312	24,563	
Money Market						
Mutual Funds	23,171	23,171	-	-	-	AAA
Certificate of Deposits	416,185	416,185	-	-	-	N/A
<b>Totals</b>	<b><u>\$ 1,117,347</u></b>	<b><u>\$ 536,831</u></b>	<b><u>\$ 191,352</u></b>	<b><u>\$ 364,801</u></b>	<b><u>\$24,563</u></b>	

*Interest Rate Risk.* The City does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Over 90% percent of the City's investments are in bank certificates of deposits (fully insured or collateralized), U.S. Corporate bonds (rated BBB to AAA rated) and U.S. Agencies.

*Concentration of credit risk.* The City places no limit on the amount the City may invest in any one issuer. The City has 18% in U.S. Agencies, 36% in Corporate Bonds and 37% of its investments in bank certificates of deposit (at one bank).

*Custodial Credit Risk.* Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the City may not be able to recover the value of its deposits and investments that are in the possession of the financial institution. The City's investment policy dictates that all cash maintained in any financial institution named as a depository be insured or collateralized, the collateral held in the name of the City, and that investments be registered in the name of the City. Collateral must be held by an independent third-party custodian. The City is fully collateralized and all pledged investments were held in the City's name as of June 30, 2013.

CITY OF DANVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

3. CASH DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2013, the Police/Fire Pension Fund had the following restricted investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities in years</u>				<u>Credit rating</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Over 10</u>	
Municipal Bonds	\$ 29,187	\$ -	\$ 29,187	\$ -	\$ -	AAA
Corporate Bonds	26,253	-	26,253	-	-	BBB+
Money Market						
Mutual Funds	266,480	266,480	-	-	-	AAA
Foreign Equities	15,497	15,497	-	-	-	N/A
Domestic Equities	<u>405,114</u>	<u>405,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	N/A
Totals	<u>\$ 742,531</u>	<u>\$ 687,091</u>	<u>\$ 55,440</u>	<u>\$ -</u>	<u>\$ -</u>	

*Interest Rate Risk.* The investment policies for the pension funds do not place limits on investment maturities. Ninety-two percent of the pension fund investments mature in less than one year and eight percent matures in one to five years.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The pension funds investments are in AAA rated U.S. Agencies, A to BAA rated Corporate Bonds, six different Mutual Funds and thirty different Domestic Equities.

*Concentration of credit risk.* The pension fund places no limit on the amount the fund may invest in any one issuer. The pension fund has 55% of its investments invested in common stock of 20 companies. The remaining investments are concentrated as follows – 4% municipal bonds, 4% corporate bonds, 36% money market mutual funds, and 2% foreign equities. The pension fund has one investment that exceeded 5% of total investments, with Berkshire Hathaway B common stock.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 2,552,556	\$ 15,000	\$ -	\$ 2,567,556
Construction in progress	10,232	32,013	-	42,245
Total	<u>2,562,788</u>	<u>47,013</u>	<u>-</u>	<u>2,609,801</u>
Capital assets being depreciated:				
Land improvements	1,370,334	-	-	1,370,334
Buildings	10,646,797	1,241,362	-	11,888,159
Vehicles	3,337,801	312,391	(177,079)	3,473,113
Equipment	1,486,334	50,813	-	1,537,147
Total	<u>16,841,266</u>	<u>1,604,566</u>	<u>(177,079)</u>	<u>18,268,753</u>
Total non-infrastructure assets	<u>19,404,054</u>	<u>1,651,579</u>	<u>(177,079)</u>	<u>20,878,554</u>
Infrastructure assets	<u>84,356,042</u>	<u>-</u>	<u>-</u>	<u>84,356,042</u>
Total capital assets	<u>\$103,760,096</u>	<u>\$1,651,579</u>	<u>\$ (177,079)</u>	<u>\$105,234,596</u>
Accumulated depreciation:				
Land improvements	462,209	35,609	-	497,818
Buildings	1,722,117	278,418	-	2,000,535
Vehicles	2,776,312	142,901	(177,079)	2,742,134
Equipment	1,281,981	40,855	-	1,322,836
Infrastructure	79,283,048	255,510	-	79,538,558
Total	<u>85,525,667</u>	<u>753,293</u>	<u>(177,079)</u>	<u>86,101,881</u>
Total capital assets, net	<u>\$ 18,234,429</u>	<u>\$ 898,286</u>	<u>\$ -</u>	<u>\$ 19,132,715</u>
<u>Business-Type Activities</u>				
Capital assets not being depreciated:				
Land	\$ 1,309,568	\$ -	\$ -	\$ 1,309,568
Construction in progress	1,013,895	1,633,298	(645,609)	2,001,584
Total	<u>2,323,463</u>	<u>1,633,298</u>	<u>(645,609)</u>	<u>3,311,152</u>
Capital assets being depreciation:				
Buildings	8,436,255	-	-	8,436,255
Improvements	366,268	-	-	366,268
Vehicles	817,719	-	-	817,719
Equipment	1,442,233	48,360	-	1,490,593
Infrastructure	47,837,431	645,609	-	48,483,040
Total	<u>58,899,906</u>	<u>693,969</u>	<u>-</u>	<u>59,593,875</u>
Total capital assets	<u>61,223,369</u>	<u>2,327,267</u>	<u>(645,609)</u>	<u>62,905,027</u>
Accumulated depreciation:				
Buildings	1,323,417	198,102	-	1,521,519
Improvements	107,452	14,352	-	121,804
Vehicles	746,124	35,132	-	781,256
Equipment	864,038	77,377	-	941,415
Infrastructure	20,554,022	1,054,353	-	21,608,375
Total	<u>23,595,053</u>	<u>1,379,316</u>	<u>-</u>	<u>24,974,369</u>
Total capital assets, net	<u>\$ 37,628,316</u>	<u>\$ 947,951</u>	<u>\$ (645,609)</u>	<u>\$ 37,930,658</u>

CITY OF DANVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**4. CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the governmental functions as follows:

General Government	\$ 197,697
Public Services	417,802
Public Safety	<u>137,794</u>
Total Depreciation Expense	<u>\$ 753,293</u>

Depreciation expense was charged to proprietary functions as follows:

Utilities	\$ 1,143,044
Cemetery	3,844
Museum	13,533
Parking	190,585
Storm water	<u>28,310</u>
Total Depreciation Expense	<u>\$ 1,379,316</u>

**5. DEFINED BENEFIT PENSION PLANS**

The government maintains a single-employer, defined benefit pension plan, the Police and Firefighters' Retirement Fund (PFRF), which covers public safety employees who work in non-hazardous positions, which they have held since July 31, 1988. The City also participates in the Commonwealth of Kentucky County Employees' Retirement System (CERS), which covers all hazardous position public safety employees and all other governmental employees not already covered by PFRF. No medical insurance benefits are provided to retirees covered by the PFRF. Certain medical insurance benefits are provided to retirees covered by the CERS.

**Police and Firefighters' Retirement Fund (PFRF)**

**1 - Plan Description and Provisions**

All of the government's full-time police and fire employees who work in non-hazardous positions which they have held since July 31, 1988, participate in the PFRF, a single-employer, defined benefit pension plan. This plan was established by Ordinance No. 824, effective February 14, 1958, pursuant to Kentucky Revised Statutes Chapter 95. Prior to August 1, 1988, all full-time police and fire employees, both those working in hazardous and non-hazardous positions, were eligible to participate in the PFRF.

In accordance with the provisions of House Bill 398 passed by the 1988 Kentucky General Assembly, the City closed the PFRF to new members August 1, 1988, by passage of Ordinance No. 1400. After August 1, 1988, all new employees who would have been eligible to participate in the City's pension system must be enrolled as members of Kentucky's County Employees' Retirement System. Employees hired on or before August 1, 1988, who were participating in the City plan, were given an option of transferring from the existing City pension plan to CERS.

Plan Members	
<u>Group</u>	<u>Active Employees</u>
Retirees	8
Beneficiaries	5
Fully vested	0
Non-vested	0

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**5. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Police and Firefighters' Retirement Fund (PFRF) (continued)**

**1 - Plan Description and Provisions (continued)**

In cities of the third class, any member of the police or fire department having served twenty (20) years or longer in the police or fire department may petition the board of trustees for retirement; and if his petition is granted, the board may order paid to him monthly fifty percent (50%) of his monthly salary at the time of retirement. If this petition for retirement is denied, any policeman or firefighter has the right of appeal in accordance with the Rules of Civil Procedure.

The pension payable for periods of service between twenty (20) and twenty-five (25) years shall be fifty percent (50%) of salary plus two percent (2%) of salary for each year in excess of twenty (20). The pension payable for twenty-five (25) years of service shall be sixty percent (60%) of salary. The pension payable for periods of service between twenty-five (25) and thirty (30) years shall be sixty percent (60%) of salary plus three percent (3%) of salary for each year in excess of twenty-five (25). The pension payable for thirty (30) years of service shall be seventy-five percent (75%) of salary.

The pension or benefits paid for disability or death from the Policemen's and Firefighter's Retirement Fund in cities of the third class is as follows:

- a) If any member of the police and fire department becomes temporarily totally disabled, physically or mentally, the board of trustees of the pension fund shall order paid to him monthly, during his disability, until he has recovered and returned to active duty, a sum of not more than one-half (1/2) his salary per month, the amount to be determined by the board. This provision shall not apply if a salary is paid during the same period.
- b) If any member of the police or fire department becomes permanently disabled, physically or mentally, so as to render necessary his retirement from service in the department, the board of trustees shall retire him from service and order paid to him monthly fifty percent (50%) of his monthly salary at the time of his retirement.
- c) If any member of the police or fire department is killed or dies as the result of an injury received in the performance of duty, or dies of any disease contracted by reason of his occupation, or dies while in the service from any cause as a result of his service in the department, or dies in service or while on the retired list from any cause after one (1) year of service in the department and leaves a widow or a child under eighteen (18) years of age, the board of trustees shall order a pension paid to the widow, while unmarried, of one-half (1/2) of salary per month and for each child until it reaches the age of eighteen (18) years twenty-four dollars (\$24) per month. The board may provide a minimum benefit of no more than four hundred dollars (\$400) per month, initially, to the surviving spouse if the benefit can be supported on an actuarially sound basis by the fund. The board may increase the minimum benefit pursuant to the terms of subsection (4) of this section. If the deceased member was unmarried and childless, a pension shall be paid to his dependent father and mother of one-fourth (1/4) of salary per month. If one (1) parent is dead, the other shall receive the entire one-fourth (1/4) salary.

If an employee terminates his or her employment with the police or fire departments and is not eligible for any other benefits under the PFRF, the employee is entitled to a refund of his or her accumulated contributions to the fund without interest.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**5. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Police and Firefighters' Retirement Fund (PFRF) (continued)**

**2 – Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting** – The preparation of the financial statements of the PFRF generally conform to the provisions of the GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." The financial statements of the fund are prepared on the accrual basis. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The cost of administering the plans is financed by the City of Danville.

**Investments** – Investments are stated at fair value. Securities traded on a national exchange are valued at the last reported sales price. Gains or losses on the sale of fixed income securities are recognized using the completed transaction method. There are no significant investments (other than U.S. Government Agencies) in any one organization that represent more than 5% of net assets available for benefits. There are no investments or other assets legally reserved for purposes other than the payment of member benefits.

**3 – Funding Policy and Annual Pension Cost**

The contribution requirements of plan members and the City are established and may be amended by the Board of Trustees. Covered employees were required by statute to contribute four percent of their annual covered salary.

The City contributes on an actuarially funded basis amounts required to fund current service costs and interest on unfunded past service costs in compliance with Kentucky Revised Statutes. For 2012-2013 the City made a contribution of \$190,000. Actuarial assumptions and other information used to determine the annual required contributions are located in the Required Supplemental Information – Pensions section of the report, because this plan does not issue separately audited financial statements.

**Annual Pension Cost and Net Pension Obligation**

Annual contribution required	\$ 105,913
Interest on net pension obligation	(7,195)
Adjustment to annual required contributions	<u>8,012</u>
Annual pension cost	106,730
Contribution made	<u>(190,000)</u>
Decrease in net pension obligation	(83,270)
Net pension obligation at beginning of year	<u>(102,790)</u>
Net pension obligation at June 30, 2013	<u><u>\$ (186,060)</u></u>

<u>Three Year Trend Information</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Annual pension cost (APC)	\$ 155,712	\$ 136,891	\$ 106,730
Percentage of APC contributed	122%	139%	139%
Net pension obligation (liability)	(49,089)	(102,790)	(186,060)

CITY OF DANVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**5. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Commonwealth of Kentucky County Employees' Retirement System**

The City of Danville is a participating employer of 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 participating county, city, 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 state legislature.

**Contributions** – For the year ended June 30, 2013, plan members were required to contribute 5.00% of wages for non-hazardous job classifications and 8.00% of wages for hazardous job classifications. Employees hired after August 31, 2008 and not already in the retirement system must contribute an additional 1% to subsidize health insurance premiums that are primarily withheld from CERS retirees' benefit payments. 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 proceeding 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 contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2013, participating employers contributed 19.55%, of each employee's wages for non-hazardous job classifications and 37.60% for hazardous job classifications, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employer and employee) and the actual percentage contributed for the City for the current and previous two years are as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 1,720,243	100%
2012	\$ 1,622,397	100%
2011	\$ 1,436,513	100%

**Medical Insurance Plan**

**Plan description** – In addition to the pension benefits described above, Kentucky Revised Statutes require CERS to provide post-retirement healthcare benefits to eligible members and dependents. The CERS Medical Insurance benefit are cost-sharing multiple employer defined benefit plans. Changes made to the medical plan may be made by the CERS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The CERS Medical Insurance Funds offer coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the Medicare Eligible Health Plan.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**6. LONG TERM DEBT**

1995 and 2000 Rural Utility Service Revenue Bonds

The City purchased water systems from the Cities of Perryville and Junction City, Kentucky. The City agreed to assume bonds issued by the Cities of Perryville and Junction City to the Rural Utility Service. The water systems bonds for the City of Perryville had a balance of \$449,500 with an interest rate of 4.75% to be paid over thirty-six years. The Junction City water system bonds had a balance of \$489,000 with an interest rate of 4.50% to be paid over thirty years.

2003 Water and Sewer Refunding Revenue Bonds

On April 14, 2003, the Danville City Commission passed Ordinance No. 1644. This ordinance provided for the issuance of \$3,540,000 in Water and Sewer Refunding Revenue Bonds, Series 2003, for the purpose of refunding the City's outstanding Water and Sewer Revenue Bonds, Series 1993, in order to achieve debt service savings. Ordinance 1644 placed the 2003 bonds in parity with the 1967 bonds and adopted and confirmed the covenants and provisions established by the 1967 bond ordinance. Deferred issue costs of \$461,551 are amortized over the life of this issue.

Series 2008 USDA Rural Development Bonds

The City of Danville approved the issuance of \$1,480,000 in Rural Development Bonds for the purpose of sewer system improvements. The loan will be paid over forty years at a 4.375% interest rate.

Series 2010 USDA Rural Development Build America Bonds

On July 12, 2010, the Danville City Commission passed Ordinance No. 1774. The ordinance provided for the issuance of \$600,000 in Rural Development Build America Bonds for the purpose of sewer system improvements. The loan requires annual principal payments starting in February 2013 until maturity in February 2050, with an interest rate of 3.00%.

Series 2012 Water and Sewer Revenue Bond Anticipation Note

On October 31, 2012, the Danville City Commission passed Ordinance No. 1810. The ordinance provided for the issuance of \$250,000 in a note payable for the purpose of water and sewer system improvements. The loan requires semi-annual interest only payments starting April 1, 2013 until October 1, 2017, with an interest rate of 1.90%. The full amount of principal and any unpaid interest on this note is due on October 1, 2017.

Water and Sewer Revenue Bonds and Notes outstanding at June 30, 2013 are as follows:

<u>City of Danville Water &amp; Sewer Revenue Bonds</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Maturity Date Fiscal Year</u>	<u>Debt Outstanding June 30, 2013</u>
Series 1995	\$ 489,000	4.50%	2034	\$ 408,000
Series 2000	449,500	4.75%	2040	391,300
Series 2003	3,540,000	2 - 3.38%	2014	435,000
Series 2008	1,480,000	4.38%	2049	1,432,900
Series 2010	600,000	3.00%	2050	592,000
				<u>\$ 3,259,200</u>
<u>Anticipation Note</u>				
Series 2012	\$ 250,000	1.90%	2017	<u>\$ 200,000</u>
Total Bonds and Notes				<u>\$ 3,459,200</u>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**6. LONG TERM DEBT (CONTINUED)**

Revenue Bond Debt Service Requirements

The annual principal and interest requirements of the water and sewer revenue bonds payable as of June 30, 2013, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 479,000	\$ 131,831	\$ 610,831
2015	46,100	115,277	161,377
2016	48,800	113,310	162,110
2017	49,900	111,252	161,152
2018	52,800	109,122	161,922
2019-23	300,700	509,859	810,559
2024-28	373,100	439,775	812,875
2029-33	463,700	352,434	816,134
2034-38	437,900	255,772	693,672
2039-43	421,700	165,686	587,386
2044-48	456,800	81,024	537,824
2049-50	<u>128,700</u>	<u>5,697</u>	<u>134,397</u>
	<u>\$ 3,259,200</u>	<u>\$ 2,391,038</u>	<u>\$ 5,650,238</u>

**Total Debt Service by Bond Series**

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
Series 1995 RUS Revenue Bonds			
Junction City Water System	\$ 408,000	\$ 224,775	\$ 632,775
Series 2000 RUS Revenue Bonds			
Perryville Water System	391,300	311,101	702,401
Series 2003 Revenue Bonds	435,000	14,681	449,681
Series 2008 R.D. Bonds	1,432,900	1,438,046	2,870,946
Series 2010 R.D. Bonds	<u>592,000</u>	<u>402,435</u>	<u>994,435</u>
	<u>\$ 3,259,200</u>	<u>\$ 2,391,038</u>	<u>\$ 5,650,238</u>

**Bond Covenants and Provisions**

Under the bond Ordinance No. 1044 passed February 15, 1967, for the Water and Sewer Refunding and Improvement Revenue Bonds, certain covenants and provisions for the collection, segregation, and distribution of revenues of the water and sewer system were established. These covenants and provisions, which were adopted and confirmed by Ordinance No. 1644 in connection with the 2003 bond issuance and 2009 Ordinance, are as follows:

- 1) All cash revenues of the system are to be first deposited in the Water and Sewer Revenue Fund Account.
- 2) As a first charge on the Revenue Account, pro-rata monthly transfers of an amount sufficient to pay the principal and interest on the 1967 and 2003 bonds are to be made to the Bond and Interest Redemption Fund/Account.
- 3) Monthly transfers equal to 1/12 of 10% of the maximum annual debt service which will come due during any 12-month period ending February 1 are required to be made to the Bond and Interest Redemption Fund/Account as a Debt Service Reserve. These transfers must be made until an amount equivalent to the amount referred to in Note A (restricted assets, page 27) under the 1967 and 2003 bond issues has been accumulated.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**6. LONG TERM DEBT (CONTINUED)**

After observing the above priorities -

4) Monthly transfers to the Maintenance and Operation Fund/Account in a sum equal to the anticipated expenses of operating the system for the next month are to be made.

5) Monthly transfers equal to the greater of 60% of the balance in the Revenue Account or \$2,085 are to be made to the Depreciation Fund/Account. Withdrawals may be made from the Depreciation Account for extensions, additions, and enlargements of the system.

In addition, the 2010 bond issuance required the City to make additional monthly deposits to a separate depreciation fund of \$240 per month until the account reached \$28,800, and \$362 per month to be used specifically as needed to replace or add short-lived assets in the City's water system.

For the fiscal year ended June 30, 2013, the City is in substantial compliance with all covenants and provisions of the loan agreements.

**Water and Sewer Fund Kentucky Infrastructure Authority Loan**

On May 1, 1999, the City entered into an agreement with the Kentucky Infrastructure Authority to borrow, for new construction, \$6,925,703 with an interest rate of 3.8% to be repaid over a twenty year period. During the 2006 fiscal year the City added \$689,403 to the KIA Treatment Plant loan increasing the total loan receipts to \$7,615,106. During the 2004 fiscal year the City purchased the Water Systems from the Cities of Perryville and Junction City, Kentucky. The City agreed to assume KIA loans made to each city. The KIA loan for the Perryville system had a balance of \$222,048 with an interest rate of 4.2% to be repaid over an eight year period. The KIA loan for the Junction City system had a balance of \$945,224 with an interest rate of 5.375% to 5.750% to be repaid over a ten year period.

The Kentucky Infrastructure Authority Loans outstanding at June 30, 2013 are as follows:

<u>Description of Issue</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Maturity Date Fiscal Year</u>	<u>Debt Outstanding June 30, 2013</u>
KIA Loan C88-06				
Junction City Acquisition	945,224	2.25 to 5.25%	2014	\$ 185,000
KIA Loan A98-08				
Treatment Plant	7,615,106	3.8%	2021	<u>3,603,979</u>
				<u>\$ 3,788,979</u>

The annual principal and interest requirements of the above loans are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2014	\$ 608,812	\$ 150,043	\$ 758,855
2015	440,070	122,847	562,917
2016	456,951	105,077	562,028
2017	474,480	86,626	561,106
2018	492,682	67,466	560,148
2019-2021	<u>1,315,984</u>	<u>80,050</u>	<u>1,396,034</u>
	<u>\$ 3,788,979</u>	<u>\$ 612,110</u>	<u>\$ 4,401,088</u>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**6. LONG TERM DEBT (CONTINUED)**

For the fiscal year ended June 30, 2013, the City is in substantial compliance with all covenants and provisions of the KIA loan agreements.

**Parking Garage General Obligation Bonds**

Bond Series 2006 A and B were issued on December 1, 2006 to borrow money for parking garage construction of \$3,450,000 and \$1,200,000 with interest rates of 4.1455% and 5.7392% to be repaid over a thirty year period. Deferred issue costs of \$186,500 are amortized over the life of the issues.

**General Obligation Bond Debt Service Requirements**

The annual principal and interest requirements of the parking garage general obligation bonds payable as of June 30, 2013 are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 100,000	\$ 185,411	\$ 285,411
2015	105,000	180,940	285,940
2016	110,000	176,228	286,228
2017	115,000	171,315	286,315
2018	120,000	166,161	286,161
2019-23	685,000	774,291	1,434,291
2024-28	845,000	613,300	1,418,300
2029-33	1,070,000	411,583	1,431,583
2034-37	<u>1,005,000</u>	<u>145,591</u>	<u>1,150,591</u>
	<u>\$ 4,200,000</u>	<u>\$ 2,665,043</u>	<u>\$ 6,865,043</u>

**Storm Water Kentucky Bond Corporation 2010 First Series A Revenue Bond**

On August 25, 2010, the City entered into a lease agreement with the Kentucky Bond Corporation (KBC) to finance a project to improve the City's storm water sewer system. The cost of the project was \$775,000 and the lease terms require varying annual principal, interest, and program fee payments beginning in September 2010 and maturing February 1, 2030, with a varying interest rate between 1.00% to 4.00%.

The annual principal and interest requirements for the 2010 First Series A Revenue Bond with the Kentucky Bond Corporation are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 30,000	\$ 24,163	\$ 54,163
2015	30,000	23,488	53,488
2016	35,000	22,813	57,813
2017	35,000	21,938	56,938
2018	35,000	20,975	55,975
2019-23	185,000	88,338	273,338
2024-28	220,000	52,213	272,213
2029-30	<u>100,000</u>	<u>7,275</u>	<u>107,275</u>
	<u>\$ 670,000</u>	<u>\$ 261,203</u>	<u>\$ 931,203</u>

For the fiscal year ended June 30, 2013, the City is in substantial compliance with all covenants and provisions of the 2010 First Series A Revenue Bond.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**6. LONG TERM DEBT (CONTINUED)**

**Amount Due to Kentucky League of Cities**

The City's hazardous position police and fire department employees were transferred out of the City's Police and Firefighters Retirement Fund (PFRF) into the Commonwealth of Kentucky County Employees' Retirement System for Hazardous Position Employees (CERSH), as of August 1, 1988. As a requirement of this transfer, the City was obligated by state law to purchase past service credit not provided for by either the transfer of assets from the PFRF or by the present value of the excess of future employer contributions over employer normal cost. In other words, the funding for the City employees transferred into the CERSH had to be placed on equal footing with the funding for those already participating in the CERSH.

The original amount of this obligation was \$1,199,065. The City financed this obligation through the Kentucky League of Cities (KLC) note with a 4.10% interest rate. The outstanding loan balance at June 30, 2013 is \$391,000.

The annual principal and interest requirements for the KLC loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 72,000	\$ 15,257	\$ 87,257
2015	76,000	12,214	88,214
2016	74,000	9,074	83,074
2017	83,000	5,686	88,686
2018	<u>86,000</u>	<u>1,935</u>	<u>87,935</u>
Total	<u>\$ 391,000</u>	<u>\$ 44,165</u>	<u>\$ 435,165</u>

**Municipal Facility Construction Funded by Kentucky League of Cities**

The City borrowed \$7,317,347 for 30 years at 3.00% interest rate, which was approved by Ordinance No. 1743. The ordinance approved a maximum loan of \$7,500,000 and a sinking fund for tax funds and debt service payments. Under Ordinance No. 1812, the City authorized refunding one of the Municipal Facility Construction KLC Bonds in the amount of \$2,553,692.

The annual principal and interest requirements for the Municipal Facility KLC loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 102,244	\$ 188,711	\$ 290,955
2015	106,661	184,221	290,882
2016	110,940	179,872	290,811
2017	116,301	174,421	290,722
2018	121,024	169,619	290,644
2019-23	687,926	763,921	1,451,847
2024-28	849,166	600,009	1,449,175
2029-33	1,048,799	397,067	1,445,865
2034-38	<u>1,270,830</u>	<u>146,969</u>	<u>1,417,798</u>
	<u>\$ 4,413,891</u>	<u>\$ 2,804,809</u>	<u>\$ 7,218,700</u>

For the fiscal year ended June 30, 2013, the City is in substantial compliance with all covenants and provisions of the 2009 KLC agreement.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**6. LONG TERM DEBT (CONTINUED)**

**Park Improvement Funded by Kentucky League of Cities**

The City borrowed \$50,000 for 7 years at a 1.80% interest rate.

The annual principal and interest requirements for the Park Improvement KLC loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 7,124	\$ 1,140	\$ 8,264
2015	7,360	905	8,265
2016	7,603	662	8,265
2017	<u>7,854</u>	<u>367</u>	<u>8,221</u>
Total	<u>\$ 29,941</u>	<u>\$ 3,074</u>	<u>\$ 33,015</u>

For the fiscal year ended June 30, 2013, the City is in substantial compliance with all covenants and provisions of the KLC agreement.

**Fire Truck Lease by Kentucky Bond Corporation**

On August 25, 2010, the City entered into a lease agreement with the Kentucky Bond Corporation (KBC) to finance the acquisition of a fire truck. The cost of the fire truck was \$495,000 and the lease terms require varying annual principal, interest, and program fee payments beginning in September 2010 and maturing February 1, 2030, with a varying interest rate between 1.00% to 4.00%.

The annual principal and interest requirements for the Fire Truck Lease with the Kentucky Bond Corporation are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 20,000	\$ 14,894	\$ 34,894
2015	20,000	14,444	34,444
2016	20,000	13,973	33,973
2017	20,000	13,452	33,452
2018	20,000	12,881	32,881
2019-23	120,000	53,647	168,822
2024-28	140,000	29,649	168,100
2029-30	<u>65,000</u>	<u>3,101</u>	<u>68,101</u>
Total	<u>\$ 425,000</u>	<u>\$ 156,041</u>	<u>\$ 581,041</u>

For the fiscal year ended June 30, 2013, the City is in substantial compliance with all covenants and provisions of the KLC agreement.

CITY OF DANVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

6. LONG TERM DEBT (CONTINUED)

**Series 2012 General Obligation Refunding and Improvement Bonds**

Under Ordinance No. 1812, the City authorized refunding of part of the Municipal Facility Construction KLC Bonds and financing the purchase of a building to be used as a Public Works Warehouse. The bond was issued for \$4,440,000 at a variable interest rate between 1.00% and 3.25% for 25 years.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 140,000	\$ 105,350	\$ 245,350
2015	140,000	103,950	243,950
2016	140,000	102,550	242,550
2017	140,000	100,450	240,450
2018	150,000	97,550	247,550
2019-23	775,000	442,100	1,217,100
2024-28	865,000	360,200	1,225,200
2029-33	965,000	256,219	1,221,219
2034-38	<u>1,125,000</u>	<u>93,679</u>	<u>1,218,679</u>
	<u>\$ 4,440,000</u>	<u>\$ 1,662,048</u>	<u>\$ 6,102,048</u>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**6. LONG TERM DEBT (CONTINUED)**

**Summary of Debt Transactions**

Long-term liability activity for the year ended June 30, 2013, was as follows:

Amounts shown in ending balance of long-term liabilities include both current and long-term portions.

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 216,105	\$ 4,867	\$ -	\$ 220,972	\$ 11,049
Loan obligations:					
Amount due KLC	7,585,466	-	(2,750,634)	4,834,832	181,366
Amount due KLC	-	4,440,000	-	4,440,000	140,000
Amount due KBC	445,000	-	(20,000)	425,000	20,000
Less deferred amounts	<u>(134,021)</u>	<u>-</u>	<u>207,272</u>	<u>73,251</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 8,112,550</u>	<u>\$ 4,444,867</u>	<u>\$(2,563,362)</u>	<u>\$ 9,994,055</u>	<u>\$ 352,415</u>
<u>Business-type activities</u>					
Loan obligations:					
Bonds – Utility	\$ 3,726,700	\$ 200,000	\$ (467,500)	\$ 3,459,200	\$ 479,000
Bonds – Parking	4,295,000	-	(95,000)	4,200,000	100,000
Less deferred amounts:					
Issuance discounts	(148,234)	-	5,929	(142,305)	(5,930)
Refunding	<u>(102,572)</u>	<u>-</u>	<u>51,286</u>	<u>(51,286)</u>	<u>(51,286)</u>
Total bonds	<u>7,770,894</u>	<u>200,000</u>	<u>(505,285)</u>	<u>7,465,609</u>	<u>521,784</u>
KBC bond – Storm Water	700,000	-	(30,000)	670,000	30,000
Less deferred amounts:					
Refunding	<u>(22,364)</u>	<u>-</u>	<u>1,243</u>	<u>(21,121)</u>	<u>(1,243)</u>
Total KBC bond	<u>677,636</u>	<u>-</u>	<u>(28,757)</u>	<u>648,879</u>	<u>28,757</u>
KIA loans - Utility	4,277,133	-	(488,155)	3,788,978	608,812
Less deferred amounts:					
Deferred gain	<u>28,045</u>	<u>-</u>	<u>(14,021)</u>	<u>14,022</u>	<u>14,023</u>
Total KIA loans	<u>4,305,178</u>	<u>-</u>	<u>(502,176)</u>	<u>3,803,000</u>	<u>622,834</u>
Compensated absences	<u>73,517</u>	<u>-</u>	<u>(374)</u>	<u>73,143</u>	<u>3,657</u>
Business-type activities	<u>\$ 12,827,225</u>	<u>\$ 200,000</u>	<u>\$(1,036,592)</u>	<u>\$11,990,633</u>	<u>\$ 1,177,032</u>

Deferred amounts – Bond discounts, refunding issue costs and gains are netted from the loan obligation payable on the statement of net position.

**7. CONDUIT DEBT OBLIGATIONS**

The City occasionally issues Industrial Revenue Bonds to assist local private sector entities in financing new or expanded industrial, commercial, or residential facilities deemed to be in the public interest. The bonds are collateralized by the facilities financed with the bond proceeds and are payable solely from a pledge of revenues to be derived from those facilities. The bonds and related interest do not represent or constitute an indebtedness of the City or a pledge of faith and credit of the City. Accordingly, the bonds and related assets are not included in the City's financial statements.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**8. CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**9. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation claims. Significant losses are covered by commercial insurance for all major programs except unemployment compensation and workers' compensation, for which the City retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage from prior years. Also, there have been no settlements exceeding insurance coverage for each of the past three years. The City participates in two pooled self-insurance programs sponsored by the Kentucky League of Cities. These include unemployment compensation and workers' compensation.

**10. TRANSFERS OF FUNDS**

Transfers between funds consisted of the following for the fiscal year ended June 30, 2013:

<u>Type</u>	<u>From fund</u>	<u>To fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Municipal Aid	General	Street repairs	\$ 25,000
Operating	Municipal Aid	Streetscape	Operating expense	189,000
Operating	General	Museum	Operating expense	35,099
Operating	General	Cemetery	Operating expense	95,631
Operating	General	Garbage	Operating expense	96,737
Operating	General	Parking	Operating expense	152,293
				<u>\$ 593,760</u>

**11. RECLASSIFICATIONS**

Certain presentations of accounts previously reported have been reclassified in these financial statements. Such reclassifications had no effect on net income or fund balances.

**12. SUBSEQUENT EVENTS**

Financial Reporting for Pension Plans

In June 2012 the GASB approved a pair of related Statements that reflect substantial improvements to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans.

The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. It is designed to improve the decision - usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments. Under the pension standards now in effect, cost-sharing employers have not been required to present actuarial information about pensions. Instead, information has been required to be presented in the pension plan's own financial statements for all of the participating governments combined.

CITY OF DANVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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**12. SUBSEQUENT EVENTS (CONTINUED)**

Through its research, the GASB concluded that the needs of users of information regarding cost-sharing employers do not differ significantly from those interested in single and agent employers. Therefore, the GASB believes it is important to give users of the financial statements of cost-sharing employers access to better, more transparent financial information. Consequently, under the new standards the GASB is requiring that cost-sharing governments report a net pension liability, pension expense, and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan.

Statement No. 67 will take effect for pension plans in fiscal years beginning after June 15, 2013, (that is, for years ended June 30, 2014, or later). The City is currently evaluating the effects of this statement on its financial statements. The Kentucky League of Cities (KLC) prepared estimates of the financial statement impact for all cities participating in CERS. KLC estimated that the City of Danville's unfunded liability would be approximately \$14,000,000 based on the 2011 actuarial analysis. The actual liability for June 30, 2014, could be considerably different due to changes in system assumptions and liabilities.

Water Plant Expansion

On October 14, 2013, the water plan expansion project was awarded at \$23,789,000.

Insurance Premium Tax

On October 28, 2013, the City adopted Ordinance #1829 which increased the insurance premium tax from 6% to 8%.

Bond Issuance

On November 12, 2013, the City adopted Ordinance #1826 authorizing the issuance of \$8,600,000 of water and sewer revenue bonds, series 2015A and \$5,000,000 of water and sewer revenue bonds, series 2015B. The City also expects to receive a RUS grant not to exceed \$1,400,000. Principal and interest payments are expected to begin upon the year of issuance.

**CITY OF DANVILLE, KENTUCKY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
DEFINED BENEFIT RETIREMENT PLAN  
for the year ended June 30, 2013**

**I. SCHEDULE OF FUNDING PROGRESS**

Police and Fire Pension Fund						
Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) entry age ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
6/30/2001	\$ 1,091,744	\$ 2,719,227	\$ 1,627,483	40%	\$ 26,554	6129%
6/30/2002	\$ 1,004,846	\$ 2,751,583	\$ 1,746,737	37%	\$ 28,747	6076%
6/30/2003	\$ 888,977	\$ 2,729,660	\$ 1,840,683	33%	\$ 30,941	5949%
6/30/2004	\$ 897,495	\$ 2,592,904	\$ 1,695,409	35%	\$ 33,134	5117%
6/30/2005	\$ 829,247	\$ 2,615,080	\$ 1,785,833	32%	\$ 33,425	5343%
6/30/2006	\$ 768,326	\$ 2,629,048	\$ 1,860,722	29%	\$ 37,001	5029%
6/30/2007	\$ 808,057	\$ 2,674,820	\$ 1,866,763	30%	\$ 37,835	4934%
6/30/2008	\$ 706,604	\$ 2,475,132	\$ 1,768,528	29%	\$ 40,935	4320%
6/30/2009	\$ 588,646	\$ 2,479,936	\$ 1,891,290	24%	\$ 42,863	4412%
6/30/2010	\$ 635,803	\$ 2,393,785	\$ 1,757,982	27%	\$ 41,344	4252%
6/30/2011	\$ 713,914	\$ 2,234,779	\$ 1,520,865	32%	\$ 41,344	3679%
6/30/2012	\$ 730,498	\$ 2,089,227	\$ 1,358,729	35%	\$ -	0%
6/30/2013	\$ 796,894	\$ 2,554,636	\$ 1,757,742	31%	\$ -	0%

**II. SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Police and Fire Pension Fund		
Fiscal Year	Annual Required Contributions	Percentage Contributed
2002	\$ 147,840	88%
2003	\$ 156,352	83%
2004	\$ 146,174	79%
2005	\$ 153,398	87%
2006	\$ 161,384	86%
2007	\$ 163,201	81%
2008	\$ 157,004	110%
2009	\$ 166,417	118%
2010	\$ 155,834	111%
2011	\$ 137,286	122%
2012	\$ 105,913	138%
2013	\$ 130,496	146%

**III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON PENSION PLAN FUNDING PROGRESS**

	Police and Fire Pension Fund
Valuation date	July 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Amortization period	30 years closed
Actuarial asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases	3.0%
Post retirement benefit increases	3.0%
Inflation	None

**CITY OF DANVILLE, KENTUCKY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**for the year ended June 30, 2013**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 1,637,000	\$ 1,637,000	\$ 1,679,937	\$ 42,937
Licenses and fees	7,407,400	7,407,400	8,141,770	734,370
Intergovernmental revenue	1,201,315	1,201,315	490,122	(711,193)
Penalties and forfeitures	14,000	14,000	16,337	2,337
Other revenue	1,273,332	1,273,332	1,242,259	(31,073)
Total revenues	11,533,047	11,533,047	11,570,425	37,378
<b>Expenditures</b>				
Current operating				
General government	1,657,184	1,657,184	1,540,944	116,240
Public services	1,128,750	1,128,750	1,070,775	57,975
Public safety	6,720,087	6,720,087	6,000,851	719,236
Community services	1,563,891	1,563,891	1,195,894	367,997
Debt service	3,268,241	3,268,241	3,074,476	193,765
Capital outlay	3,032,885	3,032,885	1,648,046	1,384,839
Total expenditures	17,371,038	17,371,038	14,530,986	2,840,052
Excess (deficiency) of revenues over expenditures	(5,837,991)	(5,837,991)	(2,960,561)	2,877,430
<b>Other financing sources (uses)</b>				
Transfers (to) from other funds, net	(299,760)	(299,760)	(354,760)	(55,000)
Sale of property	-	-	-	-
Loan proceeds	4,576,412	4,576,412	4,589,925	13,513
Total other financing sources (uses)	4,276,652	4,276,652	4,235,165	(41,487)
Excess (deficiency) of revenues over expenditures and transfers	(1,561,339)	(1,561,339)	1,274,604	2,835,943
Fund balance, beginning of year	2,685,414	2,685,414	4,968,419	2,283,005
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,124,075</b>	<b>\$ 1,124,075</b>	<b>\$ 6,243,023</b>	<b>\$ 5,118,948</b>

**CITY OF DANVILLE, KENTUCKY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**STATEMENT OF REVENUES - BUDGET AND ACTUAL**  
**for the year ended June 30, 2013**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Taxes</b>				
Real and personal property	\$ 1,333,000	\$ 1,333,000	\$ 1,362,215	\$ 29,215
Tangible property	269,000	269,000	293,057	24,057
PILOT - Housing Authority	35,000	35,000	24,665	(10,335)
Total taxes	1,637,000	1,637,000	1,679,937	42,937
<b>Licenses and fees</b>				
Payroll licenses	9,500	9,500	11,611	2,111
Insurance licenses	1,220,000	1,220,000	1,285,060	65,060
Occupational licenses	4,550,000	4,550,000	4,941,739	391,739
Net profits	422,400	422,400	600,958	178,558
Liquor licenses	506,000	506,000	584,649	78,649
Franchise fees-Rural Electric Cooperative Corporation	22,500	22,500	24,698	2,198
Franchise fees-Kentucky Utilities	470,000	470,000	484,329	14,329
Franchise fees-Comcast	107,000	107,000	107,113	113
Franchise fees-Bank	100,000	100,000	101,413	1,413
Other licenses and fees	-	-	200	200
Total licenses and fees	7,407,400	7,407,400	8,141,770	734,370
<b>Intergovernmental revenue</b>				
Firefighters' grant	237,250	237,250	(8,250)	(245,500)
Police grant	-	-	30,029	30,029
Firefighters' incentive	101,000	101,000	97,278	(3,722)
Law enforcement incentive	121,000	121,000	137,473	16,473
FEMA grant	546,565	546,565	78,560	(468,005)
BASE court	27,000	27,000	27,045	45
Other intergovernmental revenue	168,500	168,500	127,987	(40,513)
Total intergovernmental revenue	1,201,315	1,201,315	490,122	(711,193)
<b>Fines and forfeitures</b>				
Arrest fees	10,000	10,000	16,337	6,337
Other penalties	4,000	-	-	-
Total fines and forfeitures	14,000	10,000	16,337	6,337
<b>Loan proceeds</b>				
Loan for buildings	4,576,412	4,576,412	4,589,925	13,513
Total loan proceeds	4,576,412	4,576,412	4,589,925	13,513
<b>Other revenue</b>				
Community tower rental	85,000	85,000	96,013	11,013
Fire protection	23,000	23,000	24,285	1,285
Community contracts	150,760	150,760	144,798	(5,962)
Management fees	842,607	842,607	814,867	(27,740)
Building rental	-	-	50	50
Change in fair value of investments	-	-	(28,197)	(28,197)
Interest	20,000	20,000	39,304	19,304
Tobacco crop	1,200	1,200	1,203	3
Boyle County cost sharing	90,000	90,000	90,000	-
Insurance proceeds	0	-	0	-
School officer	45,765	45,765	45,783	18
Miscellaneous	15,000	15,000	14,153	(847)
Total other revenue	1,273,332	1,273,332	1,242,259	(31,073)
Total revenue	\$ 16,109,459	\$ 16,105,459	\$ 16,160,350	\$ 54,891

**CITY OF DANVILLE, KENTUCKY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL**  
**for the year ended June 30, 2013**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>General government</b>				
<b>Legislative and executive</b>				
Personnel	\$ 540,843	\$ 540,843	\$ 494,340	\$ 46,503
Contractual	189,234	189,234	184,048	5,186
Other	65,400	65,400	86,137	(20,737)
Total legislative and executive	<u>795,477</u>	<u>795,477</u>	<u>764,525</u>	<u>30,952</u>
<b>Finance and administration</b>				
Personnel	304,187	304,187	240,666	63,521
Contractual	370,986	370,986	382,166	(11,180)
Other	18,850	18,850	12,163	6,687
Total finance and administration	<u>694,023</u>	<u>694,023</u>	<u>634,995</u>	<u>59,028</u>
<b>Information technology</b>				
Personnel	113,284	113,284	102,959	10,325
Contractual	31,150	31,150	18,316	12,834
Other	23,250	23,250	20,149	3,101
Total information technology	<u>167,684</u>	<u>167,684</u>	<u>141,424</u>	<u>26,260</u>
Total general government	<u>1,657,184</u>	<u>1,657,184</u>	<u>1,540,944</u>	<u>116,240</u>
<b>Public services</b>				
Personnel	315,259	315,259	256,215	59,044
Contractual	627,441	627,441	617,526	9,915
Other	186,050	186,050	197,034	(10,984)
Total public services	<u>1,128,750</u>	<u>1,128,750</u>	<u>1,070,775</u>	<u>57,975</u>
Total public services	<u>1,128,750</u>	<u>1,128,750</u>	<u>1,070,775</u>	<u>57,975</u>
<b>Public safety</b>				
<b>Police department</b>				
Personnel	2,810,125	2,810,125	2,503,334	306,791
Contractual	154,225	154,225	145,172	9,053
Other	249,050	249,050	351,860	(102,810)
Total police department	<u>3,213,400</u>	<u>3,213,400</u>	<u>3,000,366</u>	<u>213,034</u>
<b>Communications and administration services</b>				
Personnel	620,473	620,473	531,100	89,373
Contractual	42,952	42,952	40,251	2,701
Other	22,800	22,800	10,581	12,219
Total communications and administration services	<u>686,225</u>	<u>686,225</u>	<u>581,932</u>	<u>104,293</u>

**CITY OF DANVILLE, KENTUCKY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL, CONTINUED**  
**for the year ended June 30, 2013**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Public safety, continued</b>				
<b>Code enforcement</b>				
Personnel	\$ 195,132	\$ 195,132	\$ 184,955	\$ 10,177
Contractual	8,900	8,900	(1,456)	10,356
Other	<u>8,150</u>	<u>8,150</u>	<u>4,318</u>	<u>3,832</u>
Total code enforcement	<u>212,182</u>	<u>212,182</u>	<u>187,817</u>	<u>24,365</u>
<b>Fire and emergency services</b>				
Personnel	2,142,841	2,142,841	1,975,035	167,806
Contractual	248,889	248,889	125,005	123,884
Other	<u>216,550</u>	<u>216,550</u>	<u>130,696</u>	<u>85,854</u>
Total fire and emergency services	<u>2,608,280</u>	<u>2,608,280</u>	<u>2,230,736</u>	<u>377,544</u>
Total public safety	<u>6,720,087</u>	<u>6,720,087</u>	<u>6,000,851</u>	<u>719,236</u>
<b>Community services</b>				
<b>Community agencies</b>				
Grants	<u>137,800</u>	<u>137,800</u>	<u>133,300</u>	<u>4,500</u>
<b>Non-departmental</b>				
Grants	553,754	553,754	338,953	214,801
Police and fire retirement	190,000	190,000	190,000	-
Economic development initiative	432,500	432,500	432,500	-
Contingency - general fund	148,125	148,125	4,715	143,410
Loan costs	50,000	50,000	91,233	(41,233)
Insurance/judgement/claims	18,712	18,712	19,104	(392)
Workers' comp audit	13,000	13,000	(13,911)	26,911
Bird eradication	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total non-departmental	<u>1,426,091</u>	<u>1,426,091</u>	<u>1,062,594</u>	<u>363,497</u>
Total community services	<u>1,563,891</u>	<u>1,563,891</u>	<u>1,195,894</u>	<u>367,997</u>
<b>Debt service</b>				
CERS	87,113	87,113	87,113	-
City Hall	<u>3,181,128</u>	<u>3,181,128</u>	<u>2,987,363</u>	<u>193,765</u>
Total debt service	<u>3,268,241</u>	<u>3,268,241</u>	<u>3,074,476</u>	<u>193,765</u>
<b>Capital outlay</b>				
Fire department	36,000	36,000	38,110	(2,110)
Public services	2,287,000	2,287,000	1,379,158	907,842
Police department	189,000	189,000	179,965	9,035
Communications	25,000	-	50,813	(50,813)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital outlay	<u>3,032,885</u>	<u>3,007,885</u>	<u>1,648,046</u>	<u>1,359,839</u>
Total expenditures	<u>\$ 17,371,038</u>	<u>\$ 17,346,038</u>	<u>\$ 14,530,986</u>	<u>\$ 2,815,052</u>

## **SUPPLEMENTAL INFORMATION**

**CITY OF DANVILLE, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2013**

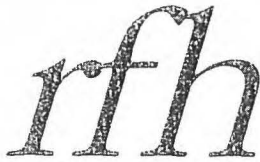
	Municipal Road Aid Fund	Police Safety Fund	Drug Forfeiture Fund	Hazard Mitigation Fund	Renaissance Fund	Streetscape Fund	Toys For Tots Fund	Other Expendable Trust Fund	Park Nonexpendable Trust Funds	Cemetery Nonexpendable Trust Fund	2013 Total	2012 Total
<b>ASSETS</b>												
Cash and cash equivalents	\$ 373,662	\$ 6,118	\$ 25,028	\$ 25,839	\$ 51,978	\$ 262,078	\$ 4,715	\$ 26,721	\$ 4,964	\$ 24,504	\$ 805,607	\$ 660,377
Receivables	-	1,407	-	-	-	3,420	-	-	-	-	4,827	5,737
Investments	-	-	-	-	-	-	-	5,829	-	-	5,829	5,822
Total assets	<u>\$ 373,662</u>	<u>\$ 7,525</u>	<u>\$ 25,028</u>	<u>\$ 25,839</u>	<u>\$ 51,978</u>	<u>\$ 265,498</u>	<u>\$ 4,715</u>	<u>\$ 32,550</u>	<u>\$ 4,964</u>	<u>\$ 24,504</u>	<u>\$ 816,263</u>	<u>\$ 671,936</u>
<b>LIABILITIES AND FUND BALANCE</b>												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000	\$ 4,477
Accrued wages	-	375	-	-	-	-	-	-	-	-	375	95
Accrued payroll taxes & benefits payable	-	29	-	-	-	-	-	-	-	-	29	7
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>404</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,404</u>	<u>4,579</u>
Fund balance, restricted	-	-	-	-	-	-	-	-	4,964	24,504	29,468	29,359
Fund balance, unassigned	<u>373,662</u>	<u>7,121</u>	<u>25,028</u>	<u>25,839</u>	<u>47,978</u>	<u>265,498</u>	<u>4,715</u>	<u>32,550</u>	<u>-</u>	<u>-</u>	<u>782,391</u>	<u>637,998</u>
Total fund balance	<u>373,662</u>	<u>7,121</u>	<u>25,028</u>	<u>25,839</u>	<u>47,978</u>	<u>265,498</u>	<u>4,715</u>	<u>32,550</u>	<u>4,964</u>	<u>24,504</u>	<u>811,859</u>	<u>667,357</u>
Total liabilities and fund balance	<u>\$ 373,662</u>	<u>\$ 7,525</u>	<u>\$ 25,028</u>	<u>\$ 25,839</u>	<u>\$ 51,978</u>	<u>\$ 265,498</u>	<u>\$ 4,715</u>	<u>\$ 32,550</u>	<u>\$ 4,964</u>	<u>\$ 24,504</u>	<u>\$ 816,263</u>	<u>\$ 671,936</u>

**CITY OF DANVILLE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2013**

	Municipal Road Aid Fund	Police Safety Fund	Drug Forfeiture Fund	Hazard Mitigation Fund	Renaissance Fund	Streetscape Fund	Toys For Tots Fund	Other Expendable Trust Funds	Park Nonexpendable Trust Fund	Cemetery Nonexpendable Trust Fund	2013 Total	2012 Total
<b>REVENUES</b>												
Intergovernmental	\$ 395,796	\$ 21,060	\$ -	\$ -	\$ 3,000	\$ 3,420	\$ -	\$ -	\$ -	\$ -	\$ 423,276	\$ 401,671
Penalties and forfeitures	-	-	2,538	-	-	-	-	-	-	-	2,538	1,705
Other revenues	1,354	13	129	95	193	608	16,385	107	19	90	18,993	18,229
Total revenues	<u>397,150</u>	<u>21,073</u>	<u>2,667</u>	<u>95</u>	<u>3,193</u>	<u>4,028</u>	<u>16,385</u>	<u>107</u>	<u>19</u>	<u>90</u>	<u>444,807</u>	<u>421,605</u>
<b>EXPENDITURES</b>												
Public safety	-	19,429	11,997	-	-	-	-	-	-	-	31,426	15,691
Public services	214,782	-	-	-	-	-	-	-	-	-	214,782	195,457
Community services	-	-	-	-	7,000	-	18,564	-	-	-	25,564	21,454
Capital outlay	-	-	-	-	-	3,533	-	-	-	-	3,533	10,232
Total expenditures	<u>214,782</u>	<u>19,429</u>	<u>11,997</u>	<u>-</u>	<u>7,000</u>	<u>3,533</u>	<u>18,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,305</u>	<u>242,834</u>
Excess (deficiency) of revenues over expenditures	182,368	1,644	(9,330)	95	(3,807)	495	(2,179)	107	19	90	169,502	178,771
Transfers (to) from other funds	<u>(214,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Excess (deficiency) of revenues over expenditures and transfers	(31,632)	1,644	(9,330)	95	(3,807)	189,495	(2,179)	107	19	90	144,502	153,771
Fund balance, beginning of year	<u>405,294</u>	<u>5,477</u>	<u>34,358</u>	<u>25,744</u>	<u>51,785</u>	<u>76,003</u>	<u>6,894</u>	<u>32,443</u>	<u>4,945</u>	<u>24,414</u>	<u>667,357</u>	<u>513,585</u>
Fund balance, end of year	<u>\$ 373,662</u>	<u>\$ 7,121</u>	<u>\$ 25,028</u>	<u>\$ 25,839</u>	<u>\$ 47,978</u>	<u>\$ 265,498</u>	<u>\$ 4,715</u>	<u>\$ 32,550</u>	<u>\$ 4,964</u>	<u>\$ 24,504</u>	<u>\$ 811,859</u>	<u>\$ 667,356</u>

**CITY OF DANVILLE, KENTUCKY**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**June 30, 2013**

	<u>Garbage Fund</u>	<u>Cemetery Fund</u>	<u>Museum Fund</u>	<u>2013 Total</u>	<u>2012 Total</u>
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ -	\$ -	\$ 19,222	\$ 19,222	\$ 1,752
Accounts receivable, net of allowance for uncollectible accounts of \$117,558	51,946	3,008	-	54,954	58,383
Investments	-	115,518	-	115,518	113,746
Due from (to) other funds	<u>72,071</u>	<u>26,682</u>	<u>-</u>	<u>98,753</u>	<u>(26,945)</u>
Total current assets	<u>124,017</u>	<u>145,208</u>	<u>19,222</u>	<u>288,447</u>	<u>146,936</u>
Noncurrent assets					
Restricted cash and cash equivalents	-	-	-	-	-
Capital assets, net	<u>-</u>	<u>77,044</u>	<u>344,142</u>	<u>421,186</u>	<u>438,563</u>
Total noncurrent assets	<u>-</u>	<u>77,044</u>	<u>344,142</u>	<u>421,186</u>	<u>438,563</u>
Total assets	<u>\$ 124,017</u>	<u>\$ 222,252</u>	<u>\$ 363,364</u>	<u>\$ 709,633</u>	<u>\$ 585,499</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 79,768	\$ 3,292	\$ 865	\$ 83,925	\$ 2,504
Accrued expenses	-	4,550	-	4,550	5,592
Current portion of compensated absences	-	286	-	286	121
Current portion of bonds and notes payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>79,768</u>	<u>8,128</u>	<u>865</u>	<u>88,761</u>	<u>8,217</u>
Non-current liabilities					
Bonds and notes payables	-	-	-	-	-
Compensated absences, net of current portion	<u>-</u>	<u>5,432</u>	<u>-</u>	<u>5,432</u>	<u>2,298</u>
Total non-current liabilities	<u>-</u>	<u>5,432</u>	<u>-</u>	<u>5,432</u>	<u>2,298</u>
Total liabilities	<u>79,768</u>	<u>13,560</u>	<u>865</u>	<u>94,193</u>	<u>10,515</u>
<b>NET POSITION</b>					
Net invested in capital assets	-	77,044	344,142	421,186	438,563
Net position, restricted	-	-	-	-	-
Net position, unrestricted	<u>44,249</u>	<u>131,648</u>	<u>18,357</u>	<u>194,254</u>	<u>136,421</u>
Total net position	<u>44,249</u>	<u>208,692</u>	<u>362,499</u>	<u>615,440</u>	<u>574,984</u>
Total liabilities and net position	<u>\$ 124,017</u>	<u>\$ 222,252</u>	<u>\$ 363,364</u>	<u>\$ 709,633</u>	<u>\$ 585,499</u>



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

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

To the Mayor and Board of Commissioners  
City of Danville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Danville, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Danville, Kentucky's basic financial statements and have issued our report thereon dated January 14, 2014.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

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

**Purpose of this Report**

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

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
January 14, 2014

**CITY OF DANVILLE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**for the year ended June 30, 2013**

	<b>Garbage Fund</b>	<b>Cemetery Fund</b>	<b>Museum Fund</b>	<b>2013 Total</b>	<b>2012 Total</b>
<b>Revenues</b>					
Fees for services	\$ 894,172	\$ 120,100	\$ -	\$ 1,014,272	\$ 980,030
Other revenues	-	-	-	-	-
Total revenues	<u>894,172</u>	<u>120,100</u>	<u>-</u>	<u>1,014,272</u>	<u>980,030</u>
<b>Operating Expenses</b>					
Personnel	-	107,933	-	107,933	111,950
Contractual	972,347	77,243	18,501	1,068,091	997,458
Depreciation	-	3,843	13,534	17,377	17,377
Other expenses	-	12,828	-	12,828	17,303
Total operating expenses	<u>972,347</u>	<u>201,847</u>	<u>32,035</u>	<u>1,206,229</u>	<u>1,144,088</u>
Operating income (loss)	<u>(78,175)</u>	<u>(81,747)</u>	<u>(32,035)</u>	<u>(191,957)</u>	<u>(164,058)</u>
<b>Nonoperating revenues (expenses)</b>					
Investment earnings	170	4,734	42	4,946	6,041
Other revenues (expense)	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>170</u>	<u>4,734</u>	<u>42</u>	<u>4,946</u>	<u>6,041</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	<u>(78,005)</u>	<u>(77,013)</u>	<u>(31,993)</u>	<u>(187,011)</u>	<u>(158,017)</u>
Transfers from other funds	<u>96,737</u>	<u>95,631</u>	<u>35,099</u>	<u>227,467</u>	<u>156,423</u>
Change in net position	<u>18,732</u>	<u>18,618</u>	<u>3,106</u>	<u>40,456</u>	<u>(1,594)</u>
Net position, beginning of year	<u>25,517</u>	<u>190,074</u>	<u>359,393</u>	<u>574,984</u>	<u>576,578</u>
Net position, end of year	<u>\$ 44,249</u>	<u>\$ 208,692</u>	<u>\$ 362,499</u>	<u>\$ 615,440</u>	<u>\$ 574,984</u>

**CITY OF DANVILLE**  
Danville, Kentucky

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**FINANCIAL STATEMENTS**  
June 30, 2012

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**City of Danville, Kentucky**  
Management's Discussion and Analysis (MD&A)  
June 30, 2012

The management team for the City of Danville presents this narrative to help our readers review the accompanying annual financial statements for the year ended June 30, 2012. We have prepared this overview and analysis of the City's financial activities to add additional information to the financial schedules and the note disclosures. Our analysis will examine the financial highlights for this fiscal year and help explain the format for our readers.

**Financial Highlights**

- As of June 30, 2012, the City's assets (page 9) exceeded liabilities by \$43,910,781. This amount includes \$37,027,967 of resources that are restricted to specific projects by laws, regulations, or contractual agreements, or that are invested in capital assets, net of related debt. \$6,882,814 of these resources is unrestricted and is available to fund the City's outstanding obligations and future programs.
- Unrestricted cash and investment balances (page 9) as of June 30, were \$5,958,871 and current liabilities payable from unrestricted resources (i.e. excluding principal and interest on long term debt) were \$1,004,668.
- Net assets increased by \$1,278,819 (page 10). Of this increase, \$918,475 is attributed to the net asset increase from business-type activities and \$994,914 is attributed to the net asset increase from governmental activities. The primary reasons for the increase in net assets of business-type activities is due to modest increases in user fees in the utilities fund and various government grants received during the fiscal year to fund various construction projects in the utilities fund. The primary reasons for the increase in net assets of governmental activities is due to ABC tax revenues of the general fund being stronger than anticipated and operating expenses coming in very favorable compared to the budget in the general fund.
- Fund balances (a measure of current financial resources) in the governmental funds increased \$1,378,077 to a total of \$5,635,776 (page 12). The primary reasons for the increase in fund balances in the governmental funds are the same as those noted above related to the increase in net assets. Of the total fund balances in the governmental funds, \$5,489,357 (page 11) is unassigned and available for future programs.
- The General Fund unassigned fund balance (page 11), as of June 30, 2012, was \$4,851,359, or about 49% of total general fund expenditures.
- The City's long term debt decreased \$1,241,709 during the year. The City did not issue any new debt during the fiscal year ended June 30, 2012. Scheduled debt payments amounted to \$1,296,059. Net amortization of discounts and issuance costs were \$49,831, and the long-term portion of compensated absences increased by a net of \$4,519.

**Overview of Financial Statements**

This discussion and analysis is intended to introduce the City's basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide additional information that our readers can use to analyze our finances.

**Government-wide Financial Statements** - The government-wide financial statements are designed to provide our readers with an overview of the City's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities.

The Statement of Net Assets presents information on all the City's assets and liabilities, including long-term debt and capital assets in the governmental funds. The difference between assets and liabilities is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as transactions occur, regardless of when the related cash flows are reported. Therefore, some revenues and expenses included in this statement may reflect cash flows that actually occur in future periods.

Government-wide statements are separated into two major categories: 1) *governmental activities* that are principally supported by taxes and intergovernmental revenues, and 2) *business-type activities* that are supported with user fees and charges. Governmental activities include administrative functions, streets, police, fire, recreation and community

programs. Business-type activities include the water and sewer utilities, the garbage, the cemetery, the museum, the storm water, and the parking funds.

The government-wide statements are found on pages 9 and 10 of this report.

**Fund financial statements** - Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. The City of Danville, like other state and local governments uses fund accounting to demonstrate compliance with the laws, regulations, and contractual agreements that establish the authority for the City's programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds.

**Governmental funds** – Funds are used to account for the City's basic services, the same services that are included in the governmental activities on the government-wide statements. However, the information in the fund statements is measured differently. Governmental funds focus on current financial resources rather than economic resources. Therefore, the statements include the short-term resources, such as cash, investments, receivables that will be collected in the next few months, and liabilities that will be retired with these monies. This information is important for assessing the City's current financial resources.

The reconciliation in the fund statements explains the difference between the governmental funds in the fund statements and the governmental activities found in the government-wide financial statements. These reconciliations are presented on pages 11 and 12 in the fund statements. These reconciliations will explain the adjustments necessary to add the long-term resources and liabilities for the government-wide statements to the current picture presented in the fund statements.

The City maintains eleven individual governmental funds. Major governmental funds include the General Fund only.

The larger funds are presented on pages 11 and 12 as major funds, while the other funds are presented in the combining statements for non-major funds on pages 46 and 47. The governmental fund statements include a balance sheet and statement of revenues, expenditures, and changes in fund balances.

The City adopts budgets for all funds in accordance with Kentucky Revised Statutes Section 91A.030. The budgetary comparison for the General Fund is presented as required supplemental information beginning on page 42.

**Proprietary funds** - The City's proprietary funds include six enterprise funds. The enterprise funds include operations for the water and sewer utilities, garbage disposal, storm water, museum, cemetery operations, and the parking fund. The utilities, parking, and storm water fund are presented as major funds on pages 13 through 15. The other funds are presented in combining statements for the non-major funds on pages 48 and 49.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Notes to the financial statements** - Notes provide additional information that is essential to a full understanding of the information included in the financial schedules. Notes provide additional details about the balances and transactions in the City's financial statements and are presented on pages 18 through 40.

**Other Information** - The last section of this report includes two types of supplementary information. *Required supplementary information* (pages 41 through 45) must be included to conform with generally accepted accounting principles, while *Other Supplementary Information* (pages 46 through 49) is presented to expand the City's financial presentations. Management's Discussion and Analysis is classified as *required supplementary information*. In addition, Defined Benefit Pension Trust Schedules of Funding Progress, Employer Contribution, and Notes are presented as *Required Supplementary Information*. The schedules outline key financial information about the city's police & fire pension fund.

### **Government-Wide Financial Analysis**

The first statement in the government-wide statements is the Statement of Net Assets. Let's review some of the more important issues in this statement. The following table summarizes the Statement of Net Assets (page 9).

**Net Assets of Governmental and Business-type Activities (in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 6,072	\$ 5,095	\$ 4,000	\$ 4,820	\$ 10,072	\$ 9,915
Capital assets	18,234	18,857	37,628	37,626	55,862	56,483
Total assets	24,306	23,952	41,628	42,446	65,934	66,398

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Long-term debt outstanding	7,897	8,136	12,754	13,760	20,651	21,896
Other liabilities	641	1,042	732	1,462	1,373	2,504
Total liabilities	8,538	9,178	13,486	15,222	22,024	24,400

Net assets:

Invested in capital assets, net of related debt	10,338	10,721	24,875	23,866	35,213	34,587
Restricted	0	0	1,815	1,706	1,815	1,706
Unrestricted (deficit)	5,430	4,053	1,452	1,652	6,882	5,705

Total Net Assets	\$ 15,768	\$ 14,774	\$ 28,142	\$ 27,224	\$ 43,910	\$ 41,998
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By far the largest portion of the City's net assets (80%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. \$1.8 million of the City's net assets (page 9) are restricted to comply with provisions of various laws, regulations, and contractual agreements. Restricted funds in the business-type activities reflect the reserves required by the water and sewer bond indentures.

The second statement in the government-wide statements is the Statement of Activities. The following table outlines the major components of this statement.

**Change in Net Assets of Governmental and Business-type Activities (in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 9,096	\$ 8,095	\$ 9,096	\$ 8,095
Operating grants and contributions	758	615			758	615
Capital grants and contributions			334	1,741	334	1,741
General revenues:						
Property taxes	1,685	1,586			1,685	1,586
License fees and permits	7,992	7,600			7,992	7,600
Penalties and forfeits	25	27			25	27
Management fees	779	752			779	752
Other	527	305	65	50	592	355
Total Revenues	11,766	10,885	9,495	9,886	21,261	20,771

Continued, next page

**Change in Net Assets of Governmental and Business-type Activities (in thousands), cont'd**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2012	2011	2012	2011	2012	2011
Program Expenses:						
General Government	1,671	1,751			1,671	1,751
Public Safety	6,397	6,338			6,397	6,338
Public Services	1,362	1,470			1,362	1,470
Community Services	802	971			802	971
Debt Service	283	275	607	601	890	876
Utilities			6,397	6,324	6,397	6,324
Garbage operations			919	862	919	862
Cemetery operations			197	197	197	197
Museum operations			28	28	28	28
Parking operations			310	331	310	331
Storm water			375	344	375	344
Total Expenses	10,515	10,805	8,833	8,687	19,348	19,492
Excess (deficiency) before transfers and special items	1,251	80	662	1,199	1,913	1,279
Transfers	(256)	(454)	256	454		
Increase (decrease) in net assets	\$ 995	\$ (374)	\$ 918	\$ 1,653	\$ 1,913	\$ 1,279

\$9.68 million of the governmental services are financed with property taxes and license fees.

Governmental activities increased the City's net assets by \$994,914. The primary reason for the increase has already been addressed in this report.

Business-type activities increased the City's net assets by \$918,475. This increase is net of depreciation expense of \$1,347,320 (a non cash item). The water & sewer fund remains healthy as operating costs continue to be in line with operating revenues. Effective July 1, 2011, water rates were increased by approximately 45% in order to provide partial funding for the construction of a new water plant.

**Financial Analysis of the Government's Funds**

The fund statements present the City's financial information in a more detailed format, but there are other differences as well. Fund statements provide important information about the City's compliance with laws and regulations that define the local government environment in Kentucky. The measurement principles in the governmental fund statements are also different than the government-wide statements. Fund statements focus on current resources, while the government-wide statements present the long-term view.

**Governmental funds** - Financial information for the City's governmental funds is summarized on pages 11 and 12. Governmental fund balances increased \$1,378,077. The reasons for this increase were addressed earlier in this report.

Non-major funds include the Municipal Road Aid, Police Safety, Drug Forfeiture, Hazard Mitigation, Renaissance, Streetscape, Toys for Tots, Cemetery Trusts, and Park Trust funds. These funds are combined for this report because their revenues and expenses are smaller than other funds of the City. You can find details about these funds in the combining statements for the non-major governmental funds on pages 46 and 47.

**Proprietary funds** - The fund statements for the proprietary funds look much like the business-type activities in the government-wide statements. Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

### General Fund Budgetary Highlights

Budgetary comparison schedules include information about both the original budget and the amended budget. Generally, budgets are amended to add projects that were not anticipated when the budget was first adopted. Revenue budgets are usually estimated lower to allow budgetary flexibility for additional projects.

During the fiscal year ended June 30, 2012, there were three budget amendments. Budgeted expenditures in the storm-water, garbage, and museum funds were increased to allow for additional expenditures in the amount of \$113,615, \$30,000, and \$2,000, respectively.

### Capital Asset and Debt Administration

The City invests substantial resources in capital assets that support the services provided to the public. All of the City's outstanding bonds and capital leases have been used to acquire or construct capital assets.

#### **Capital Assets**

The City's capital assets, net of accumulated depreciation are summarized below:

<u>City of Danville, Kentucky Capital Assets (net of depreciation )</u>			
	Governmental Activities	Business- Type Activities	Total
Land	\$ 2,552,556	\$ 1,309,568	\$ 3,862,124
Buildings	8,924,680	7,112,838	16,037,518
Improvements other than buildings	908,125	258,816	1,166,941
Vehicles	561,489	71,595	633,084
Equipment	204,353	578,195	782,548
Infrastructure	5,072,994	27,283,409	32,356,403
Construction in progress	10,232	1,013,895	1,024,127
Total	<u>\$ 18,234,429</u>	<u>\$ 37,628,316</u>	<u>\$ 55,862,745</u>

Major capital asset events during the fiscal year included the following:

\$307,450 was expended during the year related to various storm water sub-basin improvement projects. Two projects were completed during the current fiscal year at a total cost of \$382,921.

\$226,830 was expended during the year related to the Phylbin Village sewer project. This project was completed during the current fiscal year at a total cost of \$2,707,044.

During the current fiscal year, the City incurred preliminary design costs related to its new water treatment facility in the amount of \$704,270. This project is in the early stages at June 30, 2012 and no construction costs have been incurred as of June 30, 2012.

## Long-Term Debt

The principal outstanding on the City's long-term debt is summarized in the following table.

<b>City of Danville's Outstanding Debt</b>			
	Governmental Activities	Business- Type Activities	Total
KLC Funding Trust	\$ 7,585,466	\$	\$ 7,585,466
Ky. Bond Corporation-Lease	445,000	700,000	1,145,000
Series 2008 Rural Dev. Bonds		1,449,300	1,449,300
Series 2006 (A&B) Revenue Bonds		4,295,000	4,295,000
Series 2003 Revenue Bonds		860,000	860,000
Series 2000 RUS Revenue Bonds		398,400	398,400
Series 2010 Build America Bond		600,000	600,000
Series 1995 RUS Revenue Bonds		419,000	419,000
KIA Loan C88-06		265,000	265,000
KIA Loan – Treatment Plant		4,012,133	4,012,133
Total	\$ 8,030,466	\$ 12,998,833	\$ 21,029,299

The City's long term debt decreased \$1,241,709 during the fiscal year. The components of this net decrease were previously discussed on page 1 of this report.

## Economic Factors and Next Year's Budget

The City is currently in the planning phase of constructing a new water treatment plant. The City has budgeted \$9,750,000 for the fiscal year ended June 30, 2013 related to this project. The latest engineering studies estimate the ultimate cost of this project to be approximately \$27 million once completed. At the present time, the primary funding for this project is expected to be provided by the issuance of bonds and other debt instruments.

The City is also in the process of performing sub-basin improvements in the storm-water fund. Budgeted expenditures for the fiscal year ended June 30, 2013 related to these projects are \$922,900. These expenditures are to be funded primarily by loans in the amount of \$675,000 and grants in the amount of \$137,000.

Subsequent to year end, the City purchased a public works building which it had previously been leasing. The total cost of the building was approximately \$1,233,000. The City borrowed the money to finance this purchase plus an additional \$700,000 to finance the necessary remodeling of the building.

Going forward, City management will continue to closely monitor the City's finances/budget which is especially important in this uncertain economy.

## Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, 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 Manager's Office, 445 West Main Street, Danville, KY 40422, telephone number (859) 238-1200.



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

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Jerry W. Hensley, CPA

## INDEPENDENT AUDITORS' REPORT

J. Carroll Luby, CPA

Mayor and the Board of Commissioners  
City of Danville  
Danville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the City of Danville, Kentucky, as of June 30, 2012, and for the year then ended, 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 Danville, 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 general purpose 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 respective financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the City of Danville, Kentucky, as of June 30, 2012, and the 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 January 21, 2013, on our consideration of the City of Danville, Kentucky's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and 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 read in conjunction with this report in considering the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Danville, Kentucky's financial statements as a whole. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Ray, Foley, Hensley, & Company*

Ray, Foley, Hensley, & Company, PLLC  
January 21, 2013

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>2011 Total</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 3,782,004	\$ 942,411	\$ 4,724,415	\$ 4,457,863
Receivables, net	1,017,704	788,311	1,806,015	1,826,853
Investments	1,120,710	113,746	1,234,456	1,186,603
Inventory, at cost	-	241,915	241,915	211,413
Due from other funds	26,945	(26,945)	-	-
Prepaid expenses and other current assets	7,171	-	7,171	7,412
Total current assets	5,954,534	2,059,438	8,013,972	7,690,144
Non-current assets				
Restricted cash	117,060	1,430,554	1,547,614	1,721,203
Restricted investments	-	509,756	509,756	503,051
Capital assets, net	18,234,429	37,628,316	55,862,745	56,483,630
Total non-current assets	18,351,489	39,568,626	57,920,115	58,707,884
Total assets	<u>\$ 24,306,023</u>	<u>\$ 41,628,064</u>	<u>\$ 65,934,087</u>	<u>\$ 66,398,028</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 66,959	\$ 439,234	\$ 506,193	\$ 1,793,576
Accrued wages	173,145	77,390	250,535	221,121
Payroll taxes & benefits payable	173,752	-	173,752	45,327
Deposits	11,157	48,550	59,707	57,594
Current portion of compensated absences	10,805	3,676	14,481	14,255
Accrued interest payable	-	93,344	93,344	101,534
Current portion of bonds and notes payable	256,533	1,036,222	1,292,755	1,252,872
Total current liabilities	692,351	1,698,416	2,390,767	3,486,279
Non-current liabilities				
Bonds and notes payable, net of current portion	7,639,912	11,717,486	19,357,398	20,643,509
Compensated absences, net of current portion	205,300	69,841	275,141	270,848
Total non-current liabilities	7,845,212	11,787,327	19,632,539	20,914,357
Total liabilities	<u>8,537,563</u>	<u>13,485,743</u>	<u>22,023,306</u>	<u>24,400,636</u>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	10,337,984	24,874,608	35,212,592	34,587,249
Restricted	-	1,815,375	1,815,375	1,705,375
Unrestricted	5,430,476	1,452,338	6,882,814	5,704,768
Total net assets	15,768,460	28,142,321	43,910,781	41,997,392
Total liabilities and net assets	<u>\$ 24,306,023</u>	<u>\$ 41,628,064</u>	<u>\$ 65,934,087</u>	<u>\$ 66,398,028</u>

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

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense)			2011 Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Governmental activities</b>								
General government	\$ 1,670,623	\$ -	\$ 65,217	\$ -	\$ (1,605,406)	\$ -	\$ (1,605,406)	\$ (1,698,973)
Public services	1,362,483	-	401,671	-	(960,812)	-	(960,812)	(1,118,793)
Public safety	6,397,465	-	291,478	-	(6,105,987)	-	(6,105,987)	(6,126,014)
Community services	802,127	-	-	-	(802,127)	-	(802,127)	(971,453)
Debt service	282,566	-	-	-	(282,566)	-	(282,566)	(275,086)
Total governmental activities	10,515,264	-	758,366	-	(9,756,898)	-	(9,756,898)	(10,190,319)
<b>Business-type activities</b>								
Utilities	6,396,274	7,279,281	-	275,291	-	1,158,298	1,158,298	1,817,849
Parking	310,300	255,866	-	-	-	(54,434)	(54,434)	(74,841)
Garbage	919,230	864,031	-	-	-	(55,199)	(55,199)	(103,199)
Cemetery	196,573	115,999	-	-	-	(80,574)	(80,574)	(93,861)
Museum	28,285	-	-	-	-	(28,285)	(28,285)	(28,082)
Storm water	374,941	580,955	-	58,688	-	264,702	264,702	232,998
Debt service	607,435	-	-	-	-	(607,435)	(607,435)	(601,382)
Total business-type activities	8,833,038	9,096,132	-	333,979	-	597,073	597,073	1,149,482
Total	19,348,302	9,096,132	758,366	333,979	(9,756,898)	597,073	(9,159,825)	(9,040,837)
<b>General revenues</b>								
Taxes					1,684,910	-	1,684,910	1,586,278
Licenses and fees					7,992,216	-	7,992,216	7,599,867
Fines and forfeitures					24,735	-	24,735	27,102
Management fees					779,175	-	779,175	751,776
Other					519,065	65,506	584,571	354,633
Total general revenues					11,000,101	65,506	11,065,607	10,319,656
Gain on sale of property					7,607	-	7,607	-
Transfers					(255,896)	255,896	-	-
Total general revenues and transfers					10,751,812	321,402	11,073,214	10,319,656
<b>Change in net assets</b>					994,914	918,475	1,913,389	1,278,819
Net assets, beginning of year					14,773,546	27,223,846	41,997,392	40,718,573
<b>NET ASSETS, END OF YEAR</b>					\$ 15,768,460	\$ 28,142,321	\$ 43,910,781	\$ 41,997,392

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

**CITY OF DANVILLE, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

	General Fund	Other Nonmajor Governmental Funds	2012 Total Governmental Funds	2011 Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,121,627	\$ 660,377	\$ 3,782,004	\$ 3,077,407
Receivables, net of allowance for uncollectible accounts of \$39,436	1,011,967	5,737	1,017,704	794,774
Investments	1,114,888	5,822	1,120,710	1,075,686
Restricted cash	117,060	-	117,060	139,258
Due from other funds	26,945	-	26,945	-
Prepaid expenses and other assets	7,171	-	7,171	7,412
Total assets	<u>\$ 5,399,658</u>	<u>\$ 671,936</u>	<u>\$ 6,071,594</u>	<u>\$ 5,094,537</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 62,482	\$ 4,477	\$ 66,959	\$ 612,168
Accrued wages	173,050	95	173,145	157,410
Accrued payroll taxes & benefits payable	173,745	7	173,752	45,327
Deposits	11,157	-	11,157	11,144
Compensated absences	10,805	-	10,805	10,789
	<u>431,239</u>	<u>4,579</u>	<u>435,818</u>	<u>836,838</u>
<b>FUND BALANCE</b>				
Fund balance, restricted	117,060	29,359	146,419	168,465
Fund balance, unassigned	<u>4,851,359</u>	<u>637,998</u>	<u>5,489,357</u>	<u>4,089,234</u>
Total fund balance	<u>4,968,419</u>	<u>667,357</u>	<u>5,635,776</u>	<u>4,257,699</u>
Total liabilities and fund balance	<u>\$ 5,399,658</u>	<u>\$ 671,936</u>	<u>\$ 6,071,594</u>	<u>\$ 5,094,537</u>
Amounts reported for governmental activities in the statement of net assets are different because:				
Fund balances reported above			\$ 5,635,776	\$ 4,257,699
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$85,525,667 and \$84,787,848 for the fiscal years ended June 30, 2012 and 2011, respectively.			18,234,429	18,857,080
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets:				
Loan and lease purchase agreements			(7,896,445)	(8,136,252)
Accrued compensated absences			(205,300)	(204,981)
Net assets of governmental activities			<u>\$ 15,768,460</u>	<u>\$ 14,773,546</u>

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

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2012**

	General Fund	Other Nonmajor Governmental Funds	2012 Total Governmental Funds	2011 Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 1,684,910	\$ -	\$ 1,684,910	\$ 1,586,278
Licenses and fees	7,992,216	-	7,992,216	7,599,867
Intergovernmental revenue	356,695	401,671	758,366	615,289
Fines and forfeitures	23,030	1,705	24,735	27,102
Other revenues	1,280,011	18,229	1,298,240	1,056,688
Total revenues	11,336,862	421,605	11,758,467	10,885,224
<b>EXPENDITURES</b>				
Current operating				
General government	1,472,607	-	1,472,607	1,579,157
Public services	973,509	15,691	989,200	1,097,049
Public safety	6,035,169	195,457	6,230,626	6,182,692
Community services	780,673	21,454	802,127	971,453
Debt services	522,373	-	522,373	447,761
Capital outlay	104,936	10,232	115,168	913,830
Total expenditures	9,889,267	242,834	10,132,101	11,191,942
Excess of revenues over expenditures	1,447,595	178,771	1,626,366	(306,718)
Other financing sources (uses):				
Transfers (to) from other funds	(230,896)	(25,000)	(255,896)	(454,160)
Sale of property	7,607	-	7,607	10,000
Loan proceeds	-	-	-	495,000
Total other financing sources (uses)	(223,289)	(25,000)	(248,289)	50,840
Net change in fund balance	1,224,306	153,771	1,378,077	(255,878)
Fund balance, beginning of year	3,744,113	513,586	4,257,699	4,513,577
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 4,968,419</b>	<b>\$ 667,357</b>	<b>\$ 5,635,776</b>	<b>\$ 4,257,699</b>

Amounts reported for *governmental activities* in the Statement

of Activities are different because:

Net change in fund balance - total governmental funds, reported above

\$ 1,378,077 \$ (255,878)

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the Statement of Activities and depreciated over their estimated economic lives.

    Increase in capital assets

115,168 911,931

    Depreciation expense

(737,819) (723,189)

Bond and note payments are recognized as expenditures

of current financial resources in the fund financial statement but are reductions of liabilities in the Statement of Net Assets.

239,807 172,675

Loan proceeds

- (495,000)

Generally, expenditures recognized in the general fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the Statement of Activities when they are incurred:

    Accrued interest expense

- 10,476

    Compensated absences

(319) 4,452

Change in net assets of governmental activities

\$ 994,914 \$ (374,533)

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

**CITY OF DANVILLE, KENTUCKY**  
**BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**June 30, 2012**

	Utilities Fund	Parking Fund	Storm Water	Other Nonmajor Proprietary Funds	2012 Total	2011 Total
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 422,882	\$ 106,189	\$ 411,588	\$ 1,752	\$ 942,411	\$ 1,380,456
Accounts receivable, net of allowance for uncollectible accounts fo \$548,567	594,767	51,534	83,627	58,383	788,311	1,032,079
Investments	-	-	-	113,746	113,746	110,917
Due from (to) other funds	-	-	-	(26,945)	(26,945)	-
Inventory, at cost	241,915	-	-	-	241,915	211,413
Total current assets	1,259,564	157,723	495,215	146,936	2,059,438	2,734,865
Non-current assets						
Restricted cash and cash equivalents	1,296,999	8,620	124,935	-	1,430,554	1,581,945
Restricted investments	509,756	-	-	-	509,756	503,051
Capital assets, net	28,222,251	7,723,174	1,244,328	438,563	37,628,316	37,626,550
Total non-current assets	30,029,006	7,731,794	1,369,263	438,563	39,568,626	39,711,546
Total assets	\$ 31,288,570	\$ 7,889,517	\$ 1,864,478	\$ 585,499	\$ 41,628,064	\$ 42,446,411
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	\$ 361,899	\$ 46	\$ 74,785	\$ 2,504	\$ 439,234	\$ 1,181,408
Accrued expenses	64,042	1,507	6,249	5,592	77,390	63,711
Deposits	48,550	-	-	-	48,550	46,450
Current portion of compensated absences	3,227	51	277	121	3,676	3,466
Accrued interest payable	65,190	15,960	12,194	-	93,344	101,534
Current portion of bonds and notes payable	918,394	89,070	28,758	-	1,036,222	1,007,662
Total current liabilities	1,461,302	106,634	122,263	8,217	1,698,416	2,404,231
Non-current liabilities						
Bonds and notes payable	7,010,912	4,057,696	648,878	-	11,717,486	12,752,467
Compensated absences, net of current portion	61,314	969	5,260	2,298	69,841	65,867
Total non-current liabilities	7,072,226	4,058,665	654,138	2,298	11,787,327	12,818,334
Total liabilities	8,533,528	4,165,299	776,401	10,515	13,485,743	15,222,565
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	20,292,945	3,576,408	566,692	438,563	24,874,608	23,866,421
Restricted	1,806,755	8,620	-	-	1,815,375	1,705,375
Unrestricted	655,342	139,190	521,385	136,421	1,452,338	1,652,050
Total net assets	22,755,042	3,724,218	1,088,077	574,984	28,142,321	27,223,846
Total liabilities and net assets	\$ 31,288,570	\$ 7,889,517	\$ 1,864,478	\$ 585,499	\$ 41,628,064	\$ 42,446,411

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

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**for the year ended June 30, 2012**

	Utilities Fund	Parking Fund	Storm Water	Other Nonmajor Proprietary Funds	2012 Total	2011 Total
<b>Revenues</b>						
Water sales	\$ 3,842,335	\$ -	\$ -	\$ -	\$ 3,842,335	\$ 3,068,407
Water surcharge	241,989	-	-	-	241,989	215,465
Sewer charges	2,845,056	-	-	-	2,845,056	2,792,993
Connection fees	56,882	-	-	-	56,882	55,558
Parking rental fees	-	255,866	-	-	255,866	256,245
Other fees for services	-	-	580,955	980,030	1,560,985	1,417,193
Other revenues	293,019	-	-	-	293,019	289,455
<b>Total revenues</b>	<b>7,279,281</b>	<b>255,866</b>	<b>580,955</b>	<b>980,030</b>	<b>9,096,132</b>	<b>8,095,316</b>
<b>Operating expenses</b>						
Water	2,700,847	-	-	-	2,700,847	2,835,003
Sewer	1,537,701	-	-	-	1,537,701	1,465,889
Perryville	136,257	-	-	-	136,257	132,856
Personnel	-	49,510	225,429	111,950	386,889	353,793
Contractual	-	60,939	106,923	997,458	1,165,320	1,116,946
Management fees	728,843	-	-	-	728,843	699,530
Depreciation	1,114,601	190,585	24,757	17,377	1,347,320	1,271,979
Other operating expenses	178,025	9,266	17,832	17,303	222,426	209,149
<b>Total operating expenses</b>	<b>6,396,274</b>	<b>310,300</b>	<b>374,941</b>	<b>1,144,088</b>	<b>8,225,603</b>	<b>8,085,145</b>
<b>Operating income (loss)</b>	<b>883,007</b>	<b>(54,434)</b>	<b>206,014</b>	<b>(164,058)</b>	<b>870,529</b>	<b>10,171</b>
<b>Non-operating revenues (expenses)</b>						
Grants	275,291	-	58,688	-	333,979	1,742,622
Interest expense	(383,169)	(199,091)	(25,175)	-	(607,435)	(601,382)
Other non-operating revenues (expenses)	57,295	472	1,698	6,041	65,506	47,782
<b>Non-operating revenues (expenses)</b>	<b>(50,583)</b>	<b>(198,619)</b>	<b>35,211</b>	<b>6,041</b>	<b>(207,950)</b>	<b>1,189,022</b>
<b>Income (loss) before other revenues expenses, gains, losses and transfers</b>	<b>832,424</b>	<b>(253,053)</b>	<b>241,225</b>	<b>(158,017)</b>	<b>662,579</b>	<b>1,199,193</b>
<b>Transfers (to) from other funds</b>	<b>-</b>	<b>99,473</b>	<b>-</b>	<b>156,423</b>	<b>255,896</b>	<b>454,160</b>
<b>Change in net assets</b>	<b>832,424</b>	<b>(153,580)</b>	<b>241,225</b>	<b>(1,594)</b>	<b>918,475</b>	<b>1,653,353</b>
<b>Net assets, beginning of year</b>	<b>21,922,618</b>	<b>3,877,798</b>	<b>846,852</b>	<b>576,578</b>	<b>27,223,846</b>	<b>25,570,493</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 22,755,042</b>	<b>\$ 3,724,218</b>	<b>\$ 1,088,077</b>	<b>\$ 574,984</b>	<b>\$ 28,142,321</b>	<b>\$ 27,223,846</b>

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

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
for the year ended June 30, 2012

	Utilities Fund	Parking Fund	Storm Water	Other Nonmajor Proprietary Funds	2012 Total	2011 Total
<b>Cash flows from operating activities</b>						
Receipts from customers	\$ 7,588,168	\$ 234,630	\$ 537,054	\$ 980,048	\$ 9,339,900	\$ 7,614,382
Payments to suppliers	(3,134,558)	(79,445)	(101,112)	(1,085,029)	(4,400,144)	(2,886,024)
Payments to employees	(2,124,861)	(48,887)	(222,543)	(107,819)	(2,504,110)	(2,389,386)
Payments to general fund for management services	(728,843)	-	-	-	(728,843)	(699,530)
Net cash provided by (used in) operating activities	1,599,906	106,298	213,399	(212,800)	1,706,803	1,639,442
<b>Cash flows from noncapital financing activities</b>						
Transfers (to) from other funds	-	99,473	-	156,423	255,896	454,160
Deposits, net	2,100	-	-	-	2,100	(6,263)
Due (to) from other funds	(23,465)	-	(2,525)	52,935	26,945	-
Other revenues	37,563	-	-	-	37,563	15,453
Net cash provided by (used in) noncapital financing activities	16,198	99,473	(2,525)	209,358	322,504	463,350
<b>Cash flows from capital and related financing activities</b>						
Purchases of capital assets	(985,023)	-	(364,064)	-	(1,349,087)	(3,067,774)
Principal paid on notes and bonds	(925,852)	(95,000)	(30,000)	-	(1,050,852)	(1,044,669)
Interest (paid) accrued on notes and bonds	(390,694)	(199,419)	(25,510)	-	(615,623)	(588,568)
Borrowings of notes and bonds	-	-	-	-	-	1,375,000
Bond issuance costs	-	5,929	1,242	-	7,171	(17,676)
Refunding of debt	37,260	-	-	-	37,260	37,260
Capital improvement grant proceeds	275,291	-	58,688	-	333,979	1,740,693
Net cash provided by (used) in capital and related financing activities	(1,989,018)	(288,490)	(359,644)	-	(2,637,152)	(1,565,734)
<b>Cash flows from investing activities</b>						
Investments reduction increase	(6,705)	-	-	(2,829)	(9,534)	15,396
Interest and dividends	19,732	472	1,698	6,041	27,943	34,257
Net cash provided by investing activities	13,027	472	1,698	3,212	18,409	49,653
<b>Net increase (decrease) in cash and cash equivalents and restricted cash</b>	(359,887)	(82,247)	(147,072)	(230)	(589,436)	586,711
Cash and cash equivalents and restricted cash, beginning of year	2,079,768	197,056	683,595	1,982	2,962,401	2,375,690
Cash and cash equivalents and restricted cash, end of year	\$ 1,719,881	\$ 114,809	\$ 536,523	\$ 1,752	\$ 2,372,965	\$ 2,962,401
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>						
Operating income (loss)	\$ 883,007	\$ (54,434)	\$ 206,014	\$ (164,058)	\$ 870,529	\$ 10,171
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,114,601	190,585	24,757	17,377	1,347,320	1,271,979
Provision for bad debt	69,298	170	-	45,122	114,590	78,706
Change in assets and liabilities:						
Accounts receivable	239,589	(21,406)	(43,901)	(45,104)	129,178	(559,640)
Inventory	(30,503)	-	-	-	(30,503)	4,138
Prepaid expenses and other assets	-	-	-	-	-	(1,928)
Accounts payable	(686,309)	(9,240)	23,643	(70,268)	(742,174)	820,733
Accrued expenses	9,102	367	934	3,276	13,679	9,194
Compensated absences	1,121	256	1,952	855	4,184	6,089
Net cash provided by (used in) operating activities	\$ 1,599,906	\$ 106,298	\$ 213,399	\$ (212,800)	\$ 1,706,803	\$ 1,639,442

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

CITY OF DANVILLE, KENTUCKY  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2012

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	Police and Firemen's Pension Fund	2011 Total
<b>ASSETS</b>		
Cash and cash equivalents	\$ 64,037	\$ 32,725
Investments	<u>666,461</u>	<u>681,188</u>
Total assets	<u>\$ 730,498</u>	<u>\$ 713,913</u>
<b>NET ASSETS</b>		
Net assets held in trust for pension benefits	<u>\$ 730,498</u>	<u>\$ 713,913</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 730,498</u>	<u>\$ 713,913</u>

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

CITY OF DANVILLE, KENTUCKY  
STATEMENT OF CHANGES IN NET ASSETS  
FIDUCIARY FUNDS  
for the year ended June 30, 2012

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	Police and Firemen's Pension Fund	2011 Total
<b>Additions</b>		
Employers contributions	\$ 190,000	\$ 190,000
Employee Contributions	1,516	1,717
Interest and dividends	22,946	26,504
Realized gains (loss) on investments	7,197	4,591
Unrealized gain (loss) on investments	<u>4,261</u>	<u>74,205</u>
Total additions	<u>225,920</u>	<u>297,017</u>
<b>Deductions</b>		
Benefit payements	203,960	213,800
Trustee fee	<u>5,375</u>	<u>5,107</u>
Total deductions	<u>209,335</u>	<u>218,907</u>
Change in net assets	<u>16,585</u>	<u>78,110</u>
Net assets, beginning of year	<u>713,913</u>	<u>635,803</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 730,498</u></u>	<u><u>\$ 713,913</u></u>

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

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Danville, Kentucky (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The City of Danville, Kentucky, is a municipal corporation operating as a "City Manager Plan Government" as provided by Kentucky Revised Statutes 83A.150. The City which is governed by an elected five member Board of Commissioners possesses all powers enumerated under KRS 83A.150 as well as KRS 82.082 - the home rule statute. The City has evaluated various organizations with which it is related and determined that there are no component units as defined by GASB. Therefore, there are no component units included in the City's reporting entity.

**B. Related Organizations**

The City's officials are responsible for appointing the members of the Boards of other organizations, but the City's accountability for these organizations do not extend beyond making the appointments. The City's Mayor, with the consent of the City Board of Commissioners, appoints the Board members of the Housing Authority of Danville, the Parking Authority of Danville, and the Danville Urban Renewal and Community Development Agency.

**C. Jointly Governed Organizations**

The City, in conjunction with Boyle County, the City of Junction City, and the City of Perryville, created the Danville-Boyle County Planning and Zoning Commission (DBCPZC). The DBCPZC's board is comprised of four members from the City of Danville, four members from Boyle County, one member from Junction City, and one member from Perryville. The City appropriated \$65,000 for an operating grant to the DBCPZC for the year ended June 30, 2012.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Airport Board (DBCAB). The DBCAB's board is comprised of three members from the City of Danville and three members from Boyle County. The City appropriated \$18,000 for an operating grant to the DBCAB for the year ended June 30, 2012.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Parks and Recreation Board (DBCPRB). The board is comprised of three members from the City of Danville, three members from Boyle County, and one member appointed jointly by the City of Danville and Boyle County. The City appropriated \$200,000 for an operating grant to the DBCPRB for the year ended June 30, 2012.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Tourism Commission (DBCTC). The DBCTC's board is comprised of seven members appointed jointly by the City of Danville and Boyle County. The City did not appropriate funds for the DBCTC for the year ended June 30, 2012.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Government-Wide and Fund Financial Statements**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**E. Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are an exception, as they are considered available when eligible expenditures have occurred even though they may be collected for up to one year after the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when the liability has matured, with the exception of interest and principal which are recognized as expenditures when funds are transferred to the debt service fund to make payments due shortly after the fiscal year end.

Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenue, and charges for services are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines, permits, net profit tax revenues and special assessments are considered to be measurable and available only when cash is received by the City.

Funds are classified into these categories; governmental, proprietary and fiduciary.

The City reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Utilities Fund accounts for the activities of the water and sewer services provided to the residents of the City and the surrounding areas.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Basis of Presentation, continued**

The Parking Fund accounts for the operation of the City's parking facilities (parking spaces, lots, and parking garage).

The Storm Water Fund accounts for operation and maintenance of the City's infrastructure such as inlets, pipes, culverts, and detention basins.

Additionally, the City reports the following fund types:

The Pension Trust Fund accounts for the activities of the Police & Firefighter's Pension Fund, which accumulates resources for pension benefit payments to qualified public safety employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments from the Utilities Fund to the General Fund to compensate the General Fund for administrative services provided to the Utilities Fund.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The principal operating revenues of the parking fund are parking space rental fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make use of estimates that affect reported amounts in the basic financial statements. Actual results could differ from estimates.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Assets, Liabilities, and Net Assets or Fund Balance**

**1. Cash Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments, which consist of highly liquid investments with original maturities of three months or less from the date of acquisition.

Kentucky Revised Statute 66.480 generally limits the City to investing in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, and interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

Kentucky Revised Statute 95.610 expands the above list of allowable investments for pension trust funds to include corporate notes and equity securities, real estate mortgages, real estate, and life insurance annuity and endowment contracts.

All investments are reported at fair value.

Certain cash and investment amounts are classified on the statement of net assets as restricted because applicable bond indentures or other legal provisions limit their use. Restricted cash and cash equivalents are included and used for their respective purpose.

For the purpose of the statement of cash flows, the City considers cash equivalents to be highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased.

**2. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for un-collectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for un-collectibles. The property tax receivable allowance is based on varying percentages depending on the age of the receivable.

**3. Inventories**

All inventories are valued at cost using first-in first-out (FIFO) method.

**4. Restricted Assets**

Certain resources set aside for the repayment of the Utilities Fund debt have been classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The restricted assets have been accounted for in accordance with the provisions of the Utilities Fund revenue bond resolutions or with state or federal laws and regulations.

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, and Net Assets or Fund Balance, continued

4. Restricted Assets, continued

Debt Service Reserve - The City is required to set aside the lower of the maximum annual debt service, 125% of the average annual debt service, or 10% of the original net proceeds of the revenue bond issues. The City must continue deposits into the debt service reserve until the funds equal the amount required to retire all outstanding bonds and related accrued interest.

Depreciation Reserve - Revenue bond covenants require the City to set aside \$2,085 monthly until the 1967 and 2003 bonds are retired. The Depreciation Reserve may be used to provide funding for future improvements, extensions, additions or enlargements to the system. Any amount over \$500,000 in the depreciation fund may be used to redeem and retire bonds outstanding before maturity. Also, Kentucky Infrastructure Authority covenants require the City to transfer annually \$48,910 to a replacement reserve until \$489,100 is accumulated in the account.

In addition, the 2010 Rural Development Build America bond issuance required the City to make additional monthly deposits to a separate depreciation fund of \$240 per month until the account reached \$28,800, and \$362 per month to be used specifically as needed to replace or add short-lived assets in the City's water system.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (i.e., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Infrastructure, buildings, improvements, plant, equipment, and other capital assets of the government are depreciated using the straight line method over the following estimated useful lives.

Infrastructure	10-50 Years
Buildings	20-50 Years
Improvements	10-20 Years
Water & Sewer Distribution System	2-50 Years
Studies, Surveys, & Maps	2-10 Years
Machinery & Equipment	2-10 Years
Vehicles	3-10 Years

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Assets, Liabilities, and Net Assets or Fund Balance, continued**

**6. Compensated Absences**

All non-public safety employees earn vacation leave at a rate of 5/6 of a day per month (80 hours per year) up to ten years of service, 1 1/4 days per month (120 hours per year) for greater than ten years of service, and 1 2/3 days per month (160 hours per year) for greater than twenty years of service. Public safety employees earn vacation leave at a rate of 1 1/4 days per month (120 hours per year) for police and 1 3/4 days per month (168 hours per year) for firefighters assigned to 24-hour shifts). The City personnel policy states that employees may accrue unlimited vacation leave. However, after the original probation period, any employee who terminates employment with the City shall be compensated for no more than 240 hours of accrued vacation leave (except the Fire Department employees assigned to 24-hour shifts may be compensated for no more than 336 hours). Any vacation hours above 240 shall be converted to sick leave upon retirement from the City of Danville.

All employees occupying established full-time positions with the City are granted 1 day (8 hours) sick leave per each full month of service, except that Fire Department employees assigned to 24-hour shifts shall accrue twelve hours credit for each month of service. Sick leave credit may be utilized by employees in 1/4 day increments when they are unable to perform their duties because of sickness or injury. Employees may accrue an unlimited amount of sick leave. Employees who terminate employment with the City are not compensated for accrued but unused sick leave, except that employees who retire and participate in the CERS retirement program immediately upon termination of employment, shall have the accrued but unused sick leave utilized to purchase additional retirement benefits on their behalf, based on a schedule as outlined in the City's personnel policies and procedures manual.

GASB requires employers to accrue a liability of future vacation, sick and other leave benefits that meet the following conditions:

- a.) The compensated absence relates to past employment service.
- b.) Payment of the compensation is probable.

The liability for these compensated absences is recorded as current and non-current debt in the government-wide statements and in the business-type fund statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as incurred.

**7. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs and bond discounts are deferred and amortized over the term of the related issues. Bonds payable are reported net of the applicable discounts and issuance costs.

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Assets, Liabilities, and Net Assets or Fund Balance, continued**

**7. Long-term Obligations, continued**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Fund Balance**

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable. The City has adopted GASB 54 which further breaks down both nonspendable and spendable components into the following components:

Nonspendable - amounts that must be maintained intact legally or contractually.

Restricted – amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – amounts constrained for a specific purpose by the City using its highest level of decision making authority.

Assigned – for all governmental funds, other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the general fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts.

Unassigned – for the general fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed or assigned.

For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance.

For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City commission.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**9. Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund balance sheet includes reconciliation between fund balances in the governmental funds and net assets reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. Capital assets and long-term debt are added to the governmental funds to compile the long-term view of the governmental activities column.

A similar reconciliation is included on the statement of revenues, expenditures and changes in fund balances for the governmental funds. These adjustments reflect the transition from the modified accrual accounting for governmental funds to the accrual basis of accounting for the statement of activities. Capital outlay is replaced with depreciation expense. Capital lease revenues are added, while principal payments on long-term debt are eliminated from the operating costs.

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

The City follows the following procedures in establishing the budgetary data reflected in the financial statements.

Kentucky Revised Statutes 91A.030 requires the preparation and adoption of an annual budget in the form of an appropriations ordinance before the City may expend any monies from any governmental or proprietary fund and prohibits expenditures or expenses in excess of appropriations. KRS further provides that the full amount of debt service be appropriated. All appropriations lapse at year-end.

To meet the legal requirements for appropriations, all budgets are presented on a modified accrual basis. For proprietary funds this means that certain capitalized receipts and disbursements are budgeted along with related revenue and expense, that depreciation, non-cash expenditure, is not budgeted, and that the full amount of debt service is budgeted.

Under Kentucky Revised Statutes, all local government units are required to have a June 30 fiscal year-end. The City of Danville has a June 30 fiscal year-end.

Prior to May 1, the city manager obtains estimates of proposed expenditures from various division and department heads. The finance department staff prepares revenue estimates.

Prior to June 1, the city manager submits to the city commission a proposed budget for the fiscal year commencing July 1.

Public hearings are conducted to obtain citizen comments and in order to comply with various federal and state mandates.

Prior to June 30, the budget is legally enacted through passage of an ordinance by the city commission.

The city manager is authorized to transfer budgeted amounts within each fund; however, any revisions that alter the total expenditures of any fund must be approved by the city commission.

Formal budgetary integration is utilized as a management control device for all governmental fund types and the Utilities Fund.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**Budgetary Information, continued**

An encumbrance system under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded is maintained. Encumbrances maintained at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are re-appropriated in the next budget year.

**Property taxes**

The City bills and collects its property taxes through the Boyle County Sheriff's Office. The City elects to use annual property assessments prepared by the Boyle County Property Valuation Administrator. According to the Kentucky Revised Statutes, the assessment date for the City must conform to the January 1 assessment date of Boyle County.

For the year ended June 30, 2012, taxes were levied November 1, 2011 and were payable by December 31, 2011. A 10% penalty was imposed on all taxes delinquent as of January 1, 2012. In addition, an interest charge of 1/2% per month is levied on all delinquent taxes. As of May 1, 2011 delinquent property tax bills in excess of \$20 each shall have an enforceable lien filed against the property by the City.

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes up to \$1.00 per \$100 assessed valuation for general governmental services other than school purposes. Legislation passed by the Kentucky General Assembly imposed severe limits on the ability of a city to significantly increase property tax revenues. A city may not increase its revenues from taxes on real property, exclusive of increases due to assessment growth without giving notice of such an increase and holding a public hearing on the matter. If that increase is less than 4%, that is all that is necessary, but if the increase is more than 4%, residents of the City may petition for an election to be held on the question. If the majority of those voting in a valid election vote against the proposed rate increase, the rate must be rolled back to one which will not produce more than a 4% increase. City tax rates of 13.9 cents per \$100 on real property and 16.0 cents per \$100 on personal property for the fiscal year ended June 30, 2012, are within permissible limits under the above legislation. The City does not collect personal property taxes on motor vehicles or watercraft.

**3. CASH DEPOSITS AND INVESTMENTS**

As of June 30, 2012, the City had the following investments and maturities:

**PRIMARY GOVERNMENT (EXCEPT FIDUCIARY FUNDS)**

Investment type	Fair Value	Investment Maturities in years				Credit rating
		Less than 1	1-5	6-10	Over 10	
U.S. Agencies	\$ 238,064	\$ 30,689	\$ 96,766	\$ 110,609	-	AAA
State and Municipal Bonds	84,380	-	-	84,380	-	BBB to AAA
Corporate Bonds	336,543	-	201,286	135,257	-	
Money Market						
Mutual Funds	47,450	47,450	-	-	-	AAA
Certificate of Deposits	414,273	414,273	-	-	-	N/A
Totals	<u>\$ 1,120,710</u>	<u>\$ 492,412</u>	<u>\$ 298,052</u>	<u>\$ 330,246</u>	<u>\$ -</u>	

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**3. CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

*Interest Rate Risk.* The City does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Over 88% percent of the City's investments are in bank certificates of deposits (fully insured or collateralized), U.S. Corporate bonds (rated BBB to AAA rated) and U.S. Agencies.

*Concentration of credit risk.* The City places no limit on the amount the City may invest in any one issuer. The City has 21% in U.S. Agencies, 30% in Corporate Bonds and 37% of its investments in bank certificates of deposit (at one bank).

*Custodial Credit Risk.* Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the City may not be able to recover the value of its deposits and investments that are in the possession of the financial institution. The City's investment policy dictates that all cash maintained in any financial institution named as a depository be insured or collateralized, the collateral held in the name of the City, and that investments be registered in the name of the City. Collateral must be held by an independent third-party custodian. The City is fully collateralized and all pledged investments were held in the City's name as of June 30, 2012.

As of June 30, 2012, the Police/Fire Pension Fund had the following restricted investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities in years</u>				<u>Credit rating</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Over 10</u>	
U.S. Agencies	\$ 15,237	\$ 15,237	\$ -	\$ -	\$ -	AAA
Corporate Bonds	55,528	30,260	25,268	-	-	A to BAA
Money Market						
Mutual Funds	245,126	245,126	-	-	-	AAA
Domestic Equities	350,570	350,570	-	-	-	N/A
Totals	<u>\$ 666,461</u>	<u>\$ 641,193</u>	<u>\$ 25,268</u>	<u>\$ -</u>	<u>\$ -</u>	

*Interest Rate Risk.* The investment policies for the pension funds do not place limits on investment maturities. Ninety-six percent of the pension fund investments mature in less than one year and four percent matures in one to five years.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The pension funds investments are in AAA rated U.S. Agencies, A to BAA rated Corporate Bonds, six different Mutual Funds and thirty different Domestic Equities.

*Concentration of credit risk.* The pension fund places no limit on the amount the fund may invest in any one issuer. The pension fund has 53% of its investments invested in common stock of 20 companies. The remaining investments are concentrated as follows – 2% U.S. Agencies, 8% Corporate Bonds, and 37% Mutual Funds. There are no investments in any one organization (other than U.S. Agencies) that exceed 5% of the total investments.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Governmental Activities</u>				
Land	\$ 2,552,556	\$ -	\$ -	\$ 2,552,556
Land improvements	1,370,334	-	-	1,370,334
Buildings	10,646,797	-	-	10,646,797
Vehicles	3,337,801	-	-	3,337,801
Equipment	1,381,398	104,936	-	1,486,334
Construction in progress	-	10,232	-	10,232
Total	<u>16,736,330</u>	<u>115,168</u>	<u>-</u>	<u>16,851,498</u>
Total Non-Infrastructure Assets	<u>19,288,886</u>	<u>115,168</u>	<u>-</u>	<u>19,404,054</u>
Infrastructure assets	<u>84,356,042</u>	<u>-</u>	<u>-</u>	<u>84,356,042</u>
Total capital assets	<u>\$103,644,928</u>	<u>\$ 115,168</u>	<u>\$ -</u>	<u>\$103,760,096</u>
Accumulated Depreciation:				
Land improvements	426,601	35,608	-	462,209
Buildings	1,469,561	252,556	-	1,722,117
Vehicles	2,609,401	166,911	-	2,776,312
Equipment	1,256,855	25,126	-	1,281,981
Infrastructure	79,025,430	257,618	-	79,283,048
Total	<u>84,787,848</u>	<u>737,819</u>	<u>-</u>	<u>85,525,667</u>
Total capital assets, net	<u>\$18,857,080</u>	<u>\$ (622,651)</u>	<u>\$ -</u>	<u>\$18,234,429</u>
<u>Business-Type Activities</u>				
Land	\$ 1,261,796	\$ 47,772	\$ -	\$ 1,309,568
Buildings	8,436,255	-	-	8,436,255
Improvements	366,268	-	-	366,268
Vehicles	817,719	-	-	817,719
Equipment	1,434,683	7,550	-	1,442,233
Infrastructure	44,795,238	3,042,193	-	47,837,431
Construction in progress	2,762,324	1,341,536	(3,089,965)	1,013,895
Total	<u>\$ 59,874,283</u>	<u>\$ 4,439,051</u>	<u>\$(3,089,965)</u>	<u>\$61,223,369</u>
Accumulated Depreciation:				
Buildings	1,125,315	198,102	-	1,323,417
Improvements	93,101	14,351	-	107,452
Vehicles	710,319	35,805	-	746,124
Equipment	783,734	80,304	-	864,038
Infrastructure	19,535,264	991,759	-	20,554,022
Total	<u>22,247,733</u>	<u>1,347,320</u>	<u>-</u>	<u>23,595,053</u>
Total capital assets, net	<u>\$ 37,626,550</u>	<u>\$ 3,091,731</u>	<u>\$(3,089,965)</u>	<u>\$37,628,316</u>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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**4. CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the governmental functions as follows:

General Government	\$ 197,697
Public Services	373,283
Public Safety	<u>166,839</u>
Total Depreciation Expense	<u>\$ 737,819</u>

Depreciation expense was charged to proprietary functions as follows:

Utilities	\$ 1,114,601
Cemetery	3,843
Museum	13,534
Parking	190,585
Storm water	<u>24,757</u>
Total Depreciation Expense	<u>\$ 1,347,320</u>

**5. DEFINED BENEFIT PENSION PLANS**

The government maintains a single-employer, defined benefit pension plan, the Police and Firefighters' Retirement Fund (PFRF), which covers public safety employees who work in non-hazardous positions, which they have held since July 31, 1988. The City also participates in the Commonwealth of Kentucky County Employees' Retirement System (CERS), which covers all hazardous position public safety employees and all other governmental employees not already covered by PFRF. No medical insurance benefits are provided to retirees covered by the PFRF. Certain medical insurance benefits are provided to retirees covered by the CERS.

**Police and Firefighters' Retirement Fund (PFRF)**

**1 - Plan Description and Provisions**

All of the government's full-time police and fire employees who work in non-hazardous positions which they have held since July 31, 1988, participate in the PFRF, a single-employer, defined benefit pension plan. This plan was established by Ordinance No. 824, effective February 14, 1958, pursuant to Kentucky Revised Statutes Chapter 95. Prior to August 1, 1988, all full-time police and fire employees, both those working in hazardous and non-hazardous positions, were eligible to participate in the PFRF.

In accordance with the provisions of House Bill 398 passed by the 1988 Kentucky General Assembly, the City closed the PFRF to new members August 1, 1988, by passage of Ordinance No. 1400. After August 1, 1988, all new employees who would have been eligible to participate in the City's pension system must be enrolled as members of Kentucky's County Employees' Retirement System. Employees hired on or before August 1, 1988, who were participating in the City plan, were given an option of transferring from the existing City pension plan to CERS.

Plan Members	
<u>Group</u>	<u>Active Employees</u>
Retirees	8
Beneficiaries	5
Fully vested	0
Non-vested	0

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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**5. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Police and Firefighters' Retirement Fund (PFRF) (continued)**

**1 - Plan Description and Provisions (continued)**

In cities of the third class, any member of the police or fire department having served twenty (20) years or longer in the police or fire department may petition the board of trustees for retirement; and if his petition is granted, the board may order paid to him monthly fifty percent (50%) of his monthly salary at the time of retirement. If this petition for retirement is denied, any policeman or firefighter has the right of appeal in accordance with the Rules of Civil Procedure.

The pension payable for periods of service between twenty (20) and twenty-five (25) years shall be fifty percent (50%) of salary plus two percent (2%) of salary for each year in excess of twenty (20). The pension payable for twenty-five (25) years of service shall be sixty percent (60%) of salary. The pension payable for periods of service between twenty-five (25) and thirty (30) years shall be sixty percent (60%) of salary plus three percent (3%) of salary for each year in excess of twenty-five (25). The pension payable for thirty (30) years of service shall be seventy-five percent (75%) of salary.

The pension or benefits paid for disability or death from the Policemen's and Firefighter's Retirement Fund in cities of the third class is as follows:

- a) If any member of the police and fire department becomes temporarily totally disabled, physically or mentally, the board of trustees of the pension fund shall order paid to him monthly, during his disability, until he has recovered and returned to active duty, a sum of not more than one-half (1/2) his salary per month, the amount to be determined by the board. This provision shall not apply if a salary is paid during the same period.
- b) If any member of the police or fire department becomes permanently disabled, physically or mentally, so as to render necessary his retirement from service in the department, the board of trustees shall retire him from service and order paid to him monthly fifty percent (50%) of his monthly salary at the time of his retirement.
- c) If any member of the police or fire department is killed or dies as the result of an injury received in the performance of duty, or dies of any disease contracted by reason of his occupation, or dies while in the service from any cause as a result of his service in the department, or dies in service or while on the retired list from any cause after one (1) year of service in the department and leaves a widow or a child under eighteen (18) years of age, the board of trustees shall order a pension paid to the widow, while unmarried, of one-half (1/2) of salary per month and for each child until it reaches the age of eighteen (18) years twenty-four dollars (\$24) per month. The board may provide a minimum benefit of no more than four hundred dollars (\$400) per month, initially, to the surviving spouse if the benefit can be supported on an actuarially sound basis by the fund. The board may increase the minimum benefit pursuant to the terms of subsection (4) of this section. If the deceased member was unmarried and childless, a pension shall be paid to his dependent father and mother of one-fourth (1/4) of salary per month. If one (1) parent is dead, the other shall receive the entire one-fourth (1/4) salary.

If an employee terminates his or her employment with the police or fire departments and is not eligible for any other benefits under the PFRF, the employee is entitled to a refund of his or her accumulated contributions to the fund without interest.

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012

5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Police and Firefighters' Retirement Fund (PFRF) (continued)

2 – Summary of Significant Accounting Policies and Plan Asset Matters

**Basis of Accounting** – The preparation of the financial statements of the PFRF generally conform to the provisions of the GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." The financial statements of the fund are prepared on the accrual basis. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The cost of administering the plans is financed by the City of Danville.

**Investments** – Investments are stated at fair value. Securities traded on a national exchange are valued at the last reported sales price. Gains or losses on the sale of fixed income securities are recognized using the completed transaction method. There are no significant investments (other than U.S. Government Agencies) in any one organization that represent more than 5% of net assets available for benefits. There are no investments or other assets legally reserved for purposes other than the payment of member benefits.

3 – Funding Policy and Annual Pension Cost

The contribution requirements of plan members and the City are established and may be amended by the Board of Trustees. Covered employees were required by statute to contribute four percent of their annual covered salary.

The City contributes on an actuarially funded basis amounts required to fund current service costs and interest on unfunded past service costs in compliance with Kentucky Revised Statutes. For 2011-2012 the City made a contribution of \$190,000. Actuarial assumptions and other information used to determine the annual required contributions are located in the Required Supplemental Information – Pensions section of the report, because this plan does not issue separately audited financial statements.

Annual Pension Cost and Net Pension Obligation

Annual contribution required	\$ 137,286
Interest on net pension obligation	3,478
Adjustment to annual required contributions	(3,873)
Annual pension cost	136,891
Contribution made	(190,000)
Decrease in net pension obligation	(53,109)
Net pension obligation at beginning of year	(49,681)
Net pension obligation at June 30, 2012	<u>\$ (102,790)</u>

<u>Three Year Trend Information</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Annual pension cost (APC)	\$ 166,448	\$ 155,712	\$ 136,891
Percentage of APC contributed	111%	122%	139%
Net pension obligation (liability)	(14,801)	(49,089)	(102,790)

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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**5. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Commonwealth of Kentucky County Employees' Retirement System**

The City of Danville is a participating employer of 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 participating county, city, 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 state legislature.

**Contributions** – For the year ended June 30, 2012, plan members were required to contribute 5.00% of wages for non-hazardous job classifications and 8.00% of wages for hazardous job classifications. Employees hired after August 31, 2008 and not already in the retirement system must contribute an additional 1% to subsidize health insurance premiums that are primarily withheld from CERS retirees' benefit payments. 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 proceeding 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 contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2012, participating employers contributed 18.96%, of each employee's wages for non-hazardous job classifications and 35.76% for hazardous job classifications, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employer and employee) and the actual percentage contributed for the City for the current and previous two years are as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 1,622,397	100%
2011	\$ 1,436,513	100%
2010	\$ 1,424,259	100%

**Medical Insurance Plan**

**Plan description** – In addition to the pension benefits described above, Kentucky Revised Statutes require CERS to provide post-retirement healthcare benefits to eligible members and dependents. The CERS Medical Insurance benefit are cost-sharing multiple employer defined benefit plans. Changes made to the medical plan may be made by the CERS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The CERS Medical Insurance Funds offer coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the Medicare Eligible Health Plan.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**6. LONG TERM DEBT**

1995 and 2000 Rural Utility Service Revenue Bonds

The City purchased water systems from the Cities of Perryville and Junction City, Kentucky. The City agreed to assume bonds issued by the Cities of Perryville and Junction City to the Rural Utility Service. The water systems bonds for the City of Perryville had a balance of \$449,500 with an interest rate of 4.75% to be paid over thirty-six years. The Junction City water system bonds had a balance of \$489,000 with an interest rate of 4.50% to be paid over thirty years.

2003 Water and Sewer Refunding Revenue Bonds

On April 14, 2003, the Danville City Commission passed Ordinance No. 1644. This ordinance provided for the issuance of \$3,540,000 in Water and Sewer Refunding Revenue Bonds, Series 2003, for the purpose of refunding the City's outstanding Water and Sewer Revenue Bonds, Series 1993, in order to achieve debt service savings. Ordinance 1644 placed the 2003 bonds in parity with the 1967 bonds and adopted and confirmed the covenants and provisions established by the 1967 bond ordinance. Deferred issue costs of \$461,551 are amortized over the life of this issue.

Series 2008 USDA Rural Development Bonds

The City of Danville approved the issuance of \$1,480,000 in Rural Development Bonds for the purpose of sewer system improvements. The loan will be paid over forty years at a 4.375% interest rate.

Series 2010 USDA Rural Development Build America Bonds

On July 12, 2010, the Danville City Commission passed Ordinance No. 1774. The ordinance provided for the issuance of \$600,000 in Rural Development Build America Bonds for the purpose of sewer system improvements. The loan requires annual principal payments starting in February 2013 until maturity in February 2050, with an interest rate of 3.00%.

Water and Sewer Revenue Bonds outstanding at June 30, 2012 are as follows:

<u>City of Danville Water &amp; Sewer Revenue Bonds</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Maturity Date Fiscal Year</u>	<u>Debt Outstanding June 30, 2012</u>
Series 1995	\$ 489,000	4.50%	2034	\$ 419,000
Series 2000	449,500	4.75%	2040	398,400
Series 2003	3,540,000	2 to 3.375%	2014	860,000
Series 2008	1,480,000	4.375%	2049	1,449,300
Series 2010	600,000	3.00%	2050	600,000
				<u>\$ 3,726,700</u>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**6. LONG TERM DEBT (CONTINUED)**

Revenue Bond Debt Service Requirements

The annual principal and interest requirements of the water and sewer revenue bonds payable as of June 30, 2012, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 467,500	\$ 147,645	\$ 615,145
2014	479,000	131,831	610,831
2015	46,100	115,277	161,377
2016	48,800	113,310	162,110
2017	49,900	111,252	161,152
2018-22	288,100	522,132	810,232
2023-27	357,200	455,045	812,245
2028-32	444,000	371,483	815,483
2033-37	450,000	274,109	724,109
2038-42	430,000	183,410	613,410
2043-47	438,600	98,618	537,218
2048-50	<u>227,500</u>	<u>14,572</u>	<u>242,072</u>
	<u>\$ 3,726,700</u>	<u>\$2,538,684</u>	<u>\$ 6,265,384</u>

Total Debt Service by Bond Series

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
Series 1995 RUS Revenue Bonds			
Junction City Water System	\$ 419,000	\$ 243,383	\$ 662,383
Series 2000 RUS Revenue Bonds			
Perryville Water System	398,400	330,025	728,425
Series 2003 Revenue Bonds	860,000	43,388	903,388
Series 2008 Rural Dev. Bonds	1,449,300	1,501,453	2,950,753
Series 2010 Rural Dev. Bonds	<u>600,000</u>	<u>420,435</u>	<u>1,020,435</u>
	<u>\$ 3,726,700</u>	<u>\$ 2,538,684</u>	<u>\$ 6,265,384</u>

Bond Covenants and Provisions

Under the bond Ordinance No. 1044 passed February 15, 1967, for the Water and Sewer Refunding and Improvement Revenue Bonds, certain covenants and provisions for the collection, segregation, and distribution of revenues of the water and sewer system were established. These covenants and provisions, which were adopted and confirmed by Ordinance No. 1644 in connection with the 2003 bond issuance and 2009 Ordinance, are as follows:

- 1) All cash revenues of the system are to be first deposited in the Water and Sewer Revenue Fund Account.
- 2) As a first charge on the Revenue Account, pro-rata monthly transfers of an amount sufficient to pay the principal and interest on the 1967 and 2003 bonds are to be made to the Bond and Interest Redemption Fund/Account.
- 3) Monthly transfers equal to 1/12 of 10% of the maximum annual debt service which will come due during any 12-month period ending February 1 are required to be made to the Bond and Interest Redemption Fund/Account as a Debt Service Reserve. These transfers must be made until an amount equivalent to the amount referred to in Note A (restricted assets, page 27) under the 1967 and 2003 bond issues has been accumulated.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**6. LONG TERM DEBT (CONTINUED)**

After observing the above priorities -

4) Monthly transfers to the Maintenance and Operation Fund/Account in a sum equal to the anticipated expenses of operating the system for the next month are to be made.

5) Monthly transfers equal to the greater of 60% of the balance in the Revenue Account or \$2,085 are to be made to the Depreciation Fund/Account. Withdrawals may be made from the Depreciation Account for extensions, additions, and enlargements of the system.

In addition, the 2010 bond issuance required the City to make additional monthly deposits to a separate depreciation fund of \$240 per month until the account reached \$28,800, and \$362 per month to be used specifically as needed to replace or add short-lived assets in the City's water system.

For the fiscal year ended June 30, 2012, the City is in substantial compliance with all covenants and provisions of the loan agreements.

**Water and Sewer Fund Kentucky Infrastructure Authority Loan**

On May 1, 1999, the City entered into an agreement with the Kentucky Infrastructure Authority to borrow, for new construction, \$6,925,703 with an interest rate of 3.8% to be repaid over a twenty year period. During the 2006 fiscal year the City added \$689,403 to the KIA Treatment Plant loan increasing the total loan receipts to \$7,615,106. During the 2004 fiscal year the City purchased the Water Systems from the Cities of Perryville and Junction City, Kentucky. The City agreed to assume KIA loans made to each city. The KIA loan for the Perryville system had a balance of \$222,048 with an interest rate of 4.2% to be repaid over an eight year period. The KIA loan for the Junction City system had a balance of \$945,224 with an interest rate of 5.375% to 5.750% to be repaid over a ten year period.

The Kentucky Infrastructure Authority Loans outstanding at June 30, 2012 are as follows:

<u>Description of Issue</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Maturity Date Fiscal Year</u>	<u>Debt Outstanding June 30, 2012</u>
KIA Loan C88-06				
Junction City Acquisition	945,224	2.25 to 5.25%	2014	265,000
KIA Loan A98-08				
Treatment Plant	7,615,106	3.8%	2021	4,012,133
				<u>\$ 4,277,133</u>

The annual principal and interest requirements of the above loans are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2013	\$ 488,155	\$ 170,885	\$ 659,040
2014	608,812	150,043	758,855
2015	440,070	122,847	562,917
2016	456,951	105,077	562,028
2017	474,480	86,626	561,106
2018-2021	1,808,666	147,516	1,956,182
	<u>\$ 4,277,133</u>	<u>\$ 782,995</u>	<u>\$ 5,060,128</u>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**6. LONG TERM DEBT (CONTINUED)**

For the fiscal year ended June 30, 2012, the City is in substantial compliance with all covenants and provisions of the KIA loan agreements.

**Parking Garage General Obligation Bonds**

Bond Series 2006 A and B were issued on December 1, 2006 to borrow money for parking garage construction of \$3,450,000 and \$1,200,000 with interest rates of 4.1455% and 5.7392% to be repaid over a thirty year period. Deferred issue costs of \$186,500 are amortized over the life of the issues.

**General Obligation Bond Debt Service Requirements**

The annual principal and interest requirements of the parking garage general obligation bonds payable as of June 30, 2012 are as follows:

Year Ending June 30	Principal	Interest	Total
2013	95,000	189,548	284,548
2014	100,000	185,411	285,411
2015	105,000	180,940	285,940
2016	110,000	176,228	286,228
2017	115,000	171,315	286,315
2018-22	660,000	774,291	1,434,291
2023-27	805,000	613,300	1,418,300
2028-32	1,020,000	411,583	1,431,583
2033-37	1,005,000	145,591	1,150,591
	<u>\$ 4,015,000</u>	<u>\$ 2,848,207</u>	<u>\$ 6,863,207</u>

**Storm Water Kentucky Bond Corporation 2010 First Series A Revenue Bond**

On August 25, 2010, the City entered into a lease agreement with the Kentucky Bond Corporation (KBC) to finance a project to improve the City's storm water sewer system. The cost of the project was \$775,000 and the lease terms require varying annual principal, interest, and program fee payments beginning in September 2010 and maturing February 1, 2030, with a varying interest rate between 1.00% to 4.00%.

The annual principal and interest requirements for the 2010 First Series A Revenue Bond with the Kentucky Bond Corporation are as follows:

Year Ending June 30	Principal	Interest	Total
2013	30,000	24,838	54,838
2014	30,000	24,163	54,163
2015	30,000	23,488	53,488
2016	35,000	22,813	57,813
2017	35,000	21,938	56,938
2018-22	180,000	85,988	265,988
2023-27	210,000	54,850	264,850
2028-30	150,000	12,000	162,000
	<u>\$ 700,000</u>	<u>\$ 270,075</u>	<u>\$ 970,075</u>

For the fiscal year ended June 30, 2012, the City is in substantial compliance with all covenants and provisions of the 2010 First Series A Revenue Bond.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**6. LONG TERM DEBT (CONTINUED)**

**Amount Due to Kentucky League of Cities**

The City's hazardous position police and fire department employees were transferred out of the City's Police and Firefighters Retirement Fund (PFRF) into the Commonwealth of Kentucky County Employees' Retirement System for Hazardous Position Employees (CERSH), as of August 1, 1988. As a requirement of this transfer, the City was obligated by state law to purchase past service credit not provided for by either the transfer of assets from the PFRF or by the present value of the excess of future employer contributions over employer normal cost. In other words, the funding for the City employees transferred into the CERSH had to be placed on equal footing with the funding for those already participating in the CERSH.

The original amount of this obligation was \$1,199,065. The City financed this obligation through the Kentucky League of Cities (KLC) note with a 4.10% interest rate. The outstanding loan balance at June 30, 2012 is \$460,000.

The annual principal and interest requirements for the KLC loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	69,000	18,113	87,113
2014	72,000	15,257	87,257
2015	76,000	12,214	88,214
2016	74,000	9,074	83,074
2017	83,000	5,686	88,686
2018	86,000	1,935	87,935
Total	<u>\$ 460,000</u>	<u>\$ 62,279</u>	<u>\$ 522,279</u>

**Municipal Facility Construction Funded by Kentucky League of Cities**

The City borrowed \$7,317,347 for 30 years at 3.00% interest rate, which was approved by Ordinance No. 1743. The ordinance approved maximum loan of \$7,500,000 and a sinking fund for tax funds and debt service payments.

The annual principal and interest requirements for the Municipal Facility KLC loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 160,636	\$ 280,022	\$ 440,658
2014	166,628	274,029	440,657
2015	173,344	267,307	440,651
2016	179,848	260,797	440,645
2017	187,927	252,700	440,627
2017-21	1,057,022	1,002,532	2,059,553
2022-26	1,287,698	798,592	2,086,290
2027-31	1,568,987	549,799	2,118,786
2032-36	1,912,862	245,517	2,158,380
2037-38	393,676	9,757	403,433
Total	<u>\$ 7,088,627</u>	<u>\$ 3,941,051</u>	<u>\$ 11,029,678</u>

For the fiscal year ended June 30, 2012, the City is in substantial compliance with all covenants and provisions of the 2009 KLC agreement.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**6. LONG TERM DEBT (CONTINUED)**

**Park Improvement Funded by Kentucky League of Cities**

The City borrowed \$50,000 for 7 years at a 1.80% interest rate.

The annual principal and interest requirements for the Park Improvement KLC loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 6,897	\$ 1,367	\$ 8,264
2014	7,124	1,140	8,264
2015	7,360	905	8,265
2016	7,603	662	8,265
2017	<u>7,855</u>	<u>367</u>	<u>8,222</u>
Total	<u>\$ 36,839</u>	<u>\$ 4,441</u>	<u>\$ 41,280</u>

For the fiscal year ended June 30, 2012, the City is in substantial compliance with all covenants and provisions of the KLC agreement.

**Fire Truck Lease by Kentucky Bond Corporation**

On August 25, 2010, the City entered into a lease agreement with the Kentucky Bond Corporation (KBC) to finance the acquisition of a fire truck. The cost of the fire truck was \$495,000 and the lease terms require varying annual principal, interest, and program fee payments beginning in September 2010 and maturing February 1, 2030, with a varying interest rate between 1.00% to 4.00%.

The annual principal and interest requirements for the Fire Truck Lease with the Kentucky Bond Corporation are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 20,000	\$ 15,344	\$ 35,344
2014	20,000	14,894	34,894
2015	20,000	14,444	34,444
2016	20,000	13,973	33,973
2017	20,000	13,452	33,452
2018-2022	115,000	53,822	168,822
2023-2027	135,000	33,100	168,100
2028-2030	<u>95,000</u>	<u>6,219</u>	<u>101,219</u>
Total	<u>\$ 445,000</u>	<u>\$ 165,247</u>	<u>\$ 610,247</u>

For the fiscal year ended June 30, 2012, the City is in substantial compliance with all covenants and provisions of the KLC agreement.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**6. LONG TERM DEBT (CONTINUED)**

**Summary of Debt Transactions**

Long-term liability activity for the year ended June 30, 2012, was as follows:

Amounts shown in ending balance of long-term liabilities include both current and long-term portions.

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 215,770	\$ 335	\$ -	\$ 216,105	\$ 10,805
Loan obligations:					
Amount due KLC	7,810,672	-	(225,206)	7,585,466	236,533
Amount due to KBC	465,000	-	(20,000)	445,000	20,000
Less deferred amounts	<u>(139,420)</u>	<u>-</u>	<u>5,399</u>	<u>(134,021)</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 8,352,022</u>	<u>\$ 335</u>	<u>\$ (239,807)</u>	<u>\$ 8,112,550</u>	<u>\$ 267,338</u>
<u>Business-type activities</u>					
Loan obligations:					
Bonds – Utility & Parking	\$ 8,559,200	\$ -	\$ (537,500)	\$ 8,021,700	\$ 562,500
Less deferred amounts:					
Issuance discounts	(154,165)	-	5,929	(148,234)	(5,930)
Refunding	<u>(153,853)</u>	<u>-</u>	<u>51,283</u>	<u>(102,572)</u>	<u>(51,283)</u>
Total bonds	<u>8,251,182</u>	<u>-</u>	<u>(480,288)</u>	<u>7,770,894</u>	<u>505,287</u>
KBC bond – Storm Water	730,000	-	(30,000)	700,000	30,000
Less deferred amounts:					
Refunding	<u>(23,606)</u>	<u>-</u>	<u>1,242</u>	<u>(22,364)</u>	<u>(1,242)</u>
Total KBC bond	<u>706,394</u>	<u>-</u>	<u>(28,758)</u>	<u>677,636</u>	<u>28,758</u>
KIA loans - Utility	4,760,486	-	(483,353)	4,277,133	488,155
Less deferred amounts:					
Deferred gain	<u>42,067</u>	<u>-</u>	<u>(14,022)</u>	<u>28,045</u>	<u>14,022</u>
Total KIA loans	<u>4,802,553</u>	<u>-</u>	<u>(497,375)</u>	<u>4,305,178</u>	<u>502,177</u>
Compensated absences	<u>69,333</u>	<u>4,184</u>	<u>-</u>	<u>73,517</u>	<u>3,676</u>
Business-type activities	<u>\$ 13,829,462</u>	<u>\$ 4,184</u>	<u>\$(1,006,421)</u>	<u>\$12,827,225</u>	<u>\$ 1,039,898</u>

Deferred amounts – Bond discounts, refunding issue costs and gains are netted from the loan obligation payable on the statement of net assets.

**7. CONDUIT DEBT OBLIGATIONS**

The City occasionally issues Industrial Revenue Bonds to assist local private sector entities in financing new or expanded industrial, commercial, or residential facilities deemed to be in the public interest. The bonds are collateralized by the facilities financed with the bond proceeds and are payable solely from a pledge of revenues to be derived from those facilities. The bonds and related interest do not represent or constitute an indebtedness of the City or a pledge of faith and credit of the City. Accordingly, the bonds and related assets are not included in the City's financial statements.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**8. CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**9. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation claims. Significant losses are covered by commercial insurance for all major programs except unemployment compensation and workers' compensation, for which the City retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage from prior years. Also, there have been no settlements exceeding insurance coverage for each of the past three years. The City participates in two pooled self-insurance programs sponsored by the Kentucky League of Cities. These include unemployment compensation and workers' compensation.

**10. TRANSFERS OF FUNDS**

Transfers between funds consisted of the following for the fiscal year ended June 30, 2012:

<u>Type</u>	<u>From fund</u>	<u>To fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Municipal Aid	General	Street repairs	\$ 25,000
Operating	General	Museum	Operating expense	14,470
Operating	General	Cemetery	Operating expense	71,377
Operating	General	Garbage	Operating expense	70,576
Operating	General	Parking	Operating expense	99,473
				<u>\$ 280,896</u>

**11. RECLASSIFICATIONS**

Certain presentations of accounts previously reported have been reclassified in these financial statements. Such reclassifications had no effect on net income or fund balances.

**12. SUBSEQUENT EVENTS**

The City has evaluated and considered the need to recognize or disclose subsequent events through January 21, 2013, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2012, have not been evaluated by the City.

## **SUPPLEMENTAL INFORMATION**

CITY OF DANVILLE, KENTUCKY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
DEFINED BENEFIT RETIREMENT PLAN  
for the year ended June 30, 2012

I. SCHEDULE OF FUNDING PROGRESS

Police and Fire Pension Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/2001	\$ 1,091,744	\$ 2,719,227	\$ 1,627,483	40%	\$ 26,554	6129%
6/30/2002	\$ 1,004,846	\$ 2,751,583	\$ 1,746,737	37%	\$ 28,747	6076%
6/30/2003	\$ 888,977	\$ 2,729,660	\$ 1,840,683	33%	\$ 30,941	5949%
6/30/2004	\$ 897,495	\$ 2,592,904	\$ 1,695,409	35%	\$ 33,134	5117%
6/30/2005	\$ 829,247	\$ 2,615,080	\$ 1,785,833	32%	\$ 33,425	5343%
6/30/2006	\$ 768,326	\$ 2,629,048	\$ 1,860,722	29%	\$ 37,001	5029%
6/30/2007	\$ 808,057	\$ 2,674,820	\$ 1,866,763	30%	\$ 37,835	4934%
6/30/2008	\$ 706,604	\$ 2,475,132	\$ 1,768,528	29%	\$ 40,935	4320%
6/30/2009	\$ 588,646	\$ 2,479,936	\$ 1,891,290	24%	\$ 42,863	4412%
6/30/2010	\$ 635,803	\$ 2,393,785	\$ 1,757,982	27%	\$ 41,344	4252%
6/30/2011	\$ 713,914	\$ 2,234,779	\$ 1,520,865	32%	\$ 41,344	3679%
6/30/2012	\$ 730,498	\$ 2,089,227	\$ 1,358,729	35%	\$ -	0%

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Police and Fire Pension Fund		
Fiscal Year	Annual Required Contributions	Percentage Contributed
2001	\$ 137,014	89%
2002	\$ 147,840	88%
2003	\$ 156,352	83%
2004	\$ 146,174	79%
2005	\$ 153,398	87%
2006	\$ 161,384	86%
2007	\$ 163,201	81%
2008	\$ 157,004	110%
2009	\$ 166,417	118%
2010	\$ 155,834	111%
2011	\$ 137,286	138%
2012	\$ 105,913	179%

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON PENSION PLAN FUNDING PROGRESS

	Police and Fire Pension Fund
Valuation date	July 1, 2012
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Amortization period	30 years closed
Actuarial asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	3.0%
Post retirement benefit increases	3.0%
Inflation	None

**CITY OF DANVILLE, KENTUCKY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**for the year ended June 30, 2012**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 1,585,000	\$ 1,585,000	\$ 1,684,910	\$ 99,910
Licenses and fees	7,028,700	7,028,700	7,992,216	963,516
Intergovernmental revenue	783,000	783,000	356,695	(426,305)
Penalties and forfeitures	16,500	16,500	23,030	6,530
Other revenue	<u>1,145,457</u>	<u>1,145,457</u>	<u>1,280,011</u>	<u>134,554</u>
Total revenues	<u>10,558,657</u>	<u>10,558,657</u>	<u>11,336,862</u>	<u>778,205</u>
<b>Expenditures</b>				
Current operating				
General government	1,726,861	1,726,861	1,472,607	254,254
Public services	1,021,665	1,021,665	973,509	48,156
Public safety	7,163,267	7,163,267	6,035,169	1,128,098
Community services	944,559	944,559	780,673	163,886
Debt service	570,878	570,878	522,373	48,505
Capital outlay	<u>122,642</u>	<u>122,642</u>	<u>104,936</u>	<u>17,706</u>
Total expenditures	<u>11,549,872</u>	<u>11,549,872</u>	<u>9,889,267</u>	<u>1,660,605</u>
Excess (deficiency) of revenues over expenditures	(991,215)	(991,215)	1,447,595	2,438,810
<b>Other financing sources (uses)</b>				
Transfers (to) from other funds, net	(404,160)	(404,160)	(230,896)	173,264
Sale of property	-	-	7,607	7,607
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	(404,160)	(404,160)	(223,289)	180,871
Excess (deficiency) of revenues over expenditures and transfers	(1,395,375)	(1,395,375)	1,224,306	2,619,681
Fund balance, beginning of year	<u>4,080,789</u>	<u>4,080,789</u>	<u>4,019,001</u>	<u>(61,788)</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 2,685,414</u>	<u>\$ 2,685,414</u>	<u>\$ 5,243,307</u>	<u>\$ 2,557,893</u>

CITY OF DANVILLE, KENTUCKY  
REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF REVENUES - BUDGET AND ACTUAL  
for the year ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Taxes</b>				
Real and personal property	\$ 1,305,000	\$ 1,305,000	\$ 1,357,595	\$ 52,595
Tangible property	245,000	245,000	283,866	38,866
PILOT - Housing Authority	35,000	35,000	43,449	8,449
Total taxes	1,585,000	1,585,000	1,684,910	99,910
<b>Licenses and fees</b>				
Payroll licenses	9,500	9,500	9,427	(73)
Insurance licenses	1,300,000	1,300,000	1,226,653	(73,347)
Occupational licenses	4,250,000	4,250,000	4,955,216	705,216
Net profits	420,200	420,200	500,465	80,265
Liquor licenses	348,000	348,000	599,063	251,063
Franchise fees-Rural Electric Cooperative Corporation	21,000	21,000	24,034	3,034
Franchise fees-Kentucky Utilities	470,000	470,000	469,103	(897)
Franchise fees-Comcast	110,000	110,000	108,530	(1,470)
Franchise fees-Bank	100,000	100,000	99,125	(875)
Other licenses and fees	-	-	600	600
Total licenses and fees	7,028,700	7,028,700	7,992,216	963,516
<b>Intergovernmental revenue</b>				
Firefighters' grant	546,500	546,500	6,794	(539,706)
Police grant	-	-	38,647	38,647
Firefighters' incentive	88,500	88,500	109,806	21,306
Law enforcement incentive	121,000	121,000	136,231	15,231
BASE court	27,000	27,000	33,291	6,291
Other intergovernmental revenue	-	-	31,926	31,926
Total intergovernmental revenue	783,000	783,000	356,695	(426,305)
<b>Fines and forfeitures</b>				
Arrest fees	16,500	16,500	12,811	(3,689)
Other penalties	-	-	10,219	10,219
Total fines and forfeitures	16,500	16,500	23,030	6,530
<b>Other revenue</b>				
Community tower rental	84,150	84,150	73,985	(10,165)
Fire protection	22,000	22,000	23,659	1,659
Community contracts	42,400	42,400	150,913	108,513
Management fees	860,507	860,507	779,175	(81,332)
Building rental	200	200	-	(200)
Change in fair value of investments	-	-	18,041	18,041
Interest	20,000	20,000	40,981	20,981
Tobacco crop	1,200	1,200	1,203	3
Boyle County cost sharing	90,000	90,000	90,000	-
Insurance proceeds	0	-	5,972	5,972
School officer	0	-	45,765	45,765
Miscellaneous	25,000	25,000	50,317	25,317
Total other revenue	1,145,457	1,145,457	1,280,011	134,554
Total revenue	\$ 10,558,657	\$ 10,558,657	\$ 11,336,862	\$ 778,205

CITY OF DANVILLE, KENTUCKY  
REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
for the year ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>General government</b>				
<b>Legislative and executive</b>				
Personnel	\$ 500,373	\$ 500,373	\$ 499,435	\$ 938
Contractual	303,250	303,250	134,309	168,941
Other	47,250	47,250	52,965	(5,715)
Total legislative and executive	850,873	850,873	686,709	164,164
<b>Finance and administration</b>				
Personnel	296,840	296,840	257,751	39,089
Contractual	352,833	352,833	363,805	(10,972)
Other	22,700	22,700	13,109	9,591
Total finance and administration	672,373	672,373	634,665	37,708
<b>Information technology</b>				
Personnel	156,165	156,165	106,963	49,202
Contractual	23,550	23,550	25,442	(1,892)
Other	23,900	23,900	18,828	5,072
Total information technology	203,615	203,615	151,233	52,382
Total general government	1,726,861	1,726,861	1,472,607	254,254
<b>Public services</b>				
Personnel	273,715	273,715	260,175	13,540
Contractual	603,250	603,250	572,240	31,010
Other	144,700	144,700	141,094	3,606
Total public services	1,021,665	1,021,665	973,509	48,156
Total public services	1,021,665	1,021,665	973,509	48,156
<b>Public safety</b>				
<b>Police department</b>				
Personnel	2,650,880	2,650,880	2,595,500	55,380
Contractual	141,300	141,300	158,462	(17,162)
Other	191,500	191,500	215,880	(24,380)
Total police department	2,983,680	2,983,680	2,969,842	13,838
<b>Communications and administration services</b>				
Personnel	605,909	605,909	595,587	10,322
Contractual	40,250	40,250	37,667	2,583
Other	14,100	14,100	8,870	5,230
Total communications and administration services	660,259	660,259	642,124	18,135

**CITY OF DANVILLE, KENTUCKY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL, CONTINUED**  
**for the year ended June 30, 2012**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Public safety, continued</b>				
<b>Code enforcement</b>				
Personnel	\$ 185,294	\$ 185,294	\$ 192,758	\$ (7,464)
Contractual	7,250	7,250	7,160	90
Other	7,600	7,600	6,435	1,165
Total code enforcement	200,144	200,144	206,353	(6,209)
<b>Fire and emergency services</b>				
Personnel	2,444,029	2,444,029	1,970,493	473,536
Contractual	174,705	174,705	142,251	32,454
Other	700,450	700,450	104,106	596,344
Total fire and emergency services	3,319,184	3,319,184	2,216,850	1,102,334
Total public safety	7,163,267	7,163,267	6,035,169	1,128,098
<b>Community services</b>				
<b>Community agencies</b>				
Grants	135,800	135,800	127,800	8,000
<b>Non-departmental</b>				
Grants	335,525	335,525	326,722	8,803
Police and fire retirement	190,000	190,000	190,000	-
Economic development initiative	120,000	120,000	145,000	(25,000)
Contingency - general fund	111,131	111,131	(2,640)	113,771
Loan costs	-	-	-	-
Insurance/judgement/claims	20,000	20,000	18,423	1,577
Workers' comp audit	12,103	12,103	(24,632)	36,735
Bird eradication	20,000	20,000	-	20,000
Total non-departmental	808,759	808,759	652,873	155,886
Total community services	944,559	944,559	780,673	163,886
<b>Debt service</b>				
CERS	85,696	85,696	85,696	-
City Hall	485,182	485,182	436,677	48,505
Total debt service	570,878	570,878	522,373	48,505
<b>Capital outlay</b>				
Fire department	47,000	47,000	11,257	35,743
Communications	-	-	20,438	(20,438)
Other	75,642	75,642	73,241	2,401
Total capital outlay	122,642	122,642	104,936	17,706
Total expenditures	\$ 11,549,872	\$ 11,549,872	\$ 9,889,267	\$ 1,660,605

CITY OF DALLAS, KENTUCKY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012

	Municipal Road Aid Fund	Police Safety Fund	Drug Forfeiture Fund	Hazard Mitigation Fund	Renaissance Fund	Streetscape Fund	Toys For Tots Fund	Other Expendable Trust Fund	Park Nonexpendable Trust Funds	Cemetery Nonexpendable Trust Fund	2012 Total	2011 Total
<b>ASSETS</b>												
Cash and cash equivalents	\$ 406,320	\$ 3,793	\$ 34,358	\$ 25,744	\$ 54,785	\$ 72,503	\$ 6,894	\$ 26,621	\$ 4,945	\$ 24,414	\$ 660,377	\$ 673,359
Receivables	-	1,786	-	-	-	3,951	-	-	-	-	5,737	-
Investments	-	-	-	-	-	-	-	5,822	-	-	5,822	5,802
Total assets	<u>\$ 406,320</u>	<u>\$ 5,579</u>	<u>\$ 34,358</u>	<u>\$ 25,744</u>	<u>\$ 54,785</u>	<u>\$ 76,454</u>	<u>\$ 6,894</u>	<u>\$ 32,443</u>	<u>\$ 4,945</u>	<u>\$ 24,414</u>	<u>\$ 671,936</u>	<u>\$ 679,161</u>
<b>LIABILITIES AND FUND BALANCE</b>												
Accounts payable	\$ 1,026	\$ -	\$ -	\$ -	\$ 3,000	\$ 451	\$ -	\$ -	\$ -	\$ -	\$ 4,477	\$ 165,362
Accrued wages	-	95	-	-	-	-	-	-	-	-	95	198
Accrued payroll taxes & benefits payable	-	7	-	-	-	-	-	-	-	-	7	15
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>1,026</u>	<u>102</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,579</u>	<u>165,575</u>
Fund balance, restricted	-	-	-	-	-	-	-	-	4,945	24,414	29,359	29,207
Fund balance, unassigned	<u>405,294</u>	<u>5,477</u>	<u>34,358</u>	<u>25,744</u>	<u>51,785</u>	<u>76,003</u>	<u>6,894</u>	<u>32,443</u>	<u>-</u>	<u>-</u>	<u>637,998</u>	<u>484,379</u>
Total fund balance	<u>405,294</u>	<u>5,477</u>	<u>34,358</u>	<u>25,744</u>	<u>51,785</u>	<u>76,003</u>	<u>6,894</u>	<u>32,443</u>	<u>4,945</u>	<u>24,414</u>	<u>667,357</u>	<u>513,586</u>
Total liabilities and fund balance	<u>\$ 406,320</u>	<u>\$ 5,579</u>	<u>\$ 34,358</u>	<u>\$ 25,744</u>	<u>\$ 54,785</u>	<u>\$ 76,454</u>	<u>\$ 6,894</u>	<u>\$ 32,443</u>	<u>\$ 4,945</u>	<u>\$ 24,414</u>	<u>\$ 671,936</u>	<u>\$ 679,161</u>

**CITY OF DANVILLE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2012**

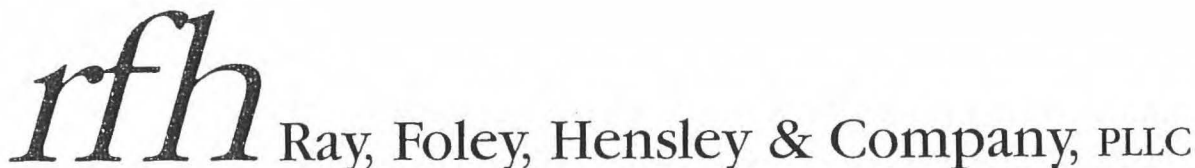
	Municipal Road Aid Fund	Police Safety Fund	Drug Forfeiture Fund	Hazard Mitigation Fund	Renaissance Fund	Streetscape Fund	Toys For Tots Fund	Other Expendable Trust Funds	Park Nonexpendable Trust Fund	Cemetery Nonexpendable Trust Fund	2012 Total	2011 Total
<b>REVENUES</b>												
Intergovernmental	\$ 369,135	\$ 19,636	\$ -	\$ -	\$ 3,000	\$ 9,900	\$ -	\$ -	\$ -	\$ -	\$ 401,671	\$ 350,732
Penalties and forfeitures	-	-	1,705	-	-	-	-	-	-	-	1,705	11,373
Other revenues	2,418	5	187	134	269	303	14,602	159	25	127	18,229	33,367
Total revenues	371,553	19,641	1,892	134	3,269	10,203	14,602	159	25	127	421,605	395,472
<b>EXPENDITURES</b>												
Public safety	-	11,804	3,887	-	-	-	-	-	-	-	15,691	16,335
Public services	191,328	-	-	-	-	4,129	-	-	-	-	195,457	282,389
Community services	-	-	-	-	3,000	-	18,454	-	-	-	21,454	27,728
Capital outlay	-	-	-	-	-	10,231	-	-	-	-	10,231	-
Total expenditures	191,328	11,804	3,887	-	3,000	14,360	18,454	-	-	-	242,833	326,452
Excess (deficiency) of revenues over expenditures	180,225	7,837	(1,995)	134	269	(4,157)	(3,852)	159	25	127	178,772	69,020
Transfers (to) from other funds	(65,000)	-	-	-	-	40,000	-	-	-	-	(25,000)	(50,000)
Excess (deficiency) of revenues over expenditures and transfers	115,225	7,837	(1,995)	134	269	35,843	(3,852)	159	25	127	153,772	19,020
Fund balance, beginning of year	290,069	(2,360)	36,353	25,610	51,516	40,160	10,746	32,284	4,920	24,287	513,585	494,566
Fund balance, end of year	\$ 405,294	\$ 5,477	\$ 34,358	\$ 25,744	\$ 51,785	\$ 76,003	\$ 6,894	\$ 32,443	\$ 4,945	\$ 24,414	\$ 667,357	\$ 513,586

**CITY OF DANVILLE, KENTUCKY  
COMBINING BALANCE SHEET  
NONMAJOR PROPRIETARY FUNDS  
June 30, 2012**

	<u>Garbage Fund</u>	<u>Cemetery Fund</u>	<u>Museum Fund</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ -	\$ -	\$ 1,752	\$ 1,752	\$ 1,982
Accounts receivable, net of allowance for uncollectible accounts of \$117,558	52,521	5,862	-	58,383	58,401
Investments	-	113,746	-	113,746	110,917
Due from (to) other funds	(26,899)	(46)	-	(26,945)	25,990
Total current assets	<u>25,622</u>	<u>119,562</u>	<u>1,752</u>	<u>146,936</u>	<u>197,290</u>
Noncurrent assets					
Restricted cash and cash equivalents	-	-	-	-	-
Capital assets, net	-	80,887	357,676	438,563	455,940
Total noncurrent assets	<u>-</u>	<u>80,887</u>	<u>357,676</u>	<u>438,563</u>	<u>455,940</u>
Total assets	<u>\$ 25,622</u>	<u>\$ 200,449</u>	<u>\$ 359,428</u>	<u>\$ 585,499</u>	<u>\$ 653,230</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 105	\$ 2,364	\$ 35	\$ 2,504	\$ 72,772
Accrued expenses	-	5,592	-	5,592	2,316
Current portion of compensated absences	-	121	-	121	78
Current portion of bonds and notes payable	-	-	-	-	-
Total current liabilities	<u>105</u>	<u>8,077</u>	<u>35</u>	<u>8,217</u>	<u>75,166</u>
Non-current liabilities					
Bonds and notes payables	-	-	-	-	-
Compensated absences, net of current portion	-	2,298	-	2,298	1,486
Total non-current liabilities	<u>-</u>	<u>2,298</u>	<u>-</u>	<u>2,298</u>	<u>1,486</u>
Total liabilities	<u>105</u>	<u>10,375</u>	<u>35</u>	<u>10,515</u>	<u>76,652</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	-	80,887	357,676	438,563	455,940
Net assets, restricted	-	-	-	-	-
Net assets, unrestricted	<u>25,517</u>	<u>109,187</u>	<u>1,717</u>	<u>136,421</u>	<u>120,638</u>
Total net assets	<u>25,517</u>	<u>190,074</u>	<u>359,393</u>	<u>574,984</u>	<u>576,578</u>
Total liabilities and net assets	<u>\$ 25,622</u>	<u>\$ 200,449</u>	<u>\$ 359,428</u>	<u>\$ 585,499</u>	<u>\$ 653,230</u>

**CITY OF DANVILLE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**for the year ended June 30, 2012**

	<u>Garbage Fund</u>	<u>Cemetery Fund</u>	<u>Museum Fund</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>Revenues</b>					
Fees for services	\$ 864,031	\$ 115,999	\$ -	\$ 980,030	\$ 840,388
Other revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,118</u>
Total revenues	864,031	115,999	-	980,030	861,506
<b>Operating Expenses</b>					
Personnel	-	111,950	-	111,950	79,141
Contractual	919,230	63,477	14,751	997,458	957,550
Depreciation	-	3,843	13,534	17,377	17,379
Other expenses	<u>-</u>	<u>17,303</u>	<u>-</u>	<u>17,303</u>	<u>32,578</u>
Total operating expenses	919,230	196,573	28,285	1,144,088	1,086,648
Operating income (loss)	<u>(55,199)</u>	<u>(80,574)</u>	<u>(28,285)</u>	<u>(164,058)</u>	<u>(225,142)</u>
<b>Nonoperating revenues (expenses)</b>					
Investment earnings	162	5,863	16	6,041	11,028
Other revenues (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	162	5,863	16	6,041	11,028
Income (loss) before other revenues, expenses, gains, losses and transfers	(55,037)	(74,711)	(28,269)	(158,017)	(214,114)
Transfers from other funds	<u>70,576</u>	<u>71,377</u>	<u>14,470</u>	<u>156,423</u>	<u>207,499</u>
Change in net assets	15,539	(3,334)	(13,799)	(1,594)	(6,615)
Net assets, beginning of year	<u>9,978</u>	<u>193,408</u>	<u>373,192</u>	<u>576,578</u>	<u>583,193</u>
Net assets, end of year	<u>\$ 25,517</u>	<u>\$ 190,074</u>	<u>\$ 359,393</u>	<u>\$ 574,984</u>	<u>\$ 576,578</u>



Certified Public Accountants and Consultants

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

Stephen R. Allen, CPA/PFS  
Dennis H. England, CPA  
Michael D. Foley, CPA  
Lyman Hager, Jr., CPA/PFS  
Jerry W. Hensley, CPA

J. Carroll Luby, CPA

Mayor and Board of Commissioners  
City of Danville  
Danville, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Danville (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
January 21, 2013

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**CITY OF DANVILLE**  
Danville, Kentucky

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**FINANCIAL STATEMENTS**  
June 30, 2011

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**City of Danville, Kentucky**  
Management's Discussion and Analysis (MD&A)  
June 30, 2011

The management team for the City of Danville presents this narrative to help our readers review the accompanying annual financial statements for the year ended June 30, 2011. We have prepared this overview and analysis of the City's financial activities to add additional information to the financial schedules and the note disclosures. Our analysis will examine the financial highlights for this fiscal year and help explain the format for our readers.

**Financial Highlights**

- As of June 30, 2011, the City's assets (page 9) exceeded liabilities by \$41,997,391. This amount includes \$36,292,624 of resources that are restricted to specific projects by laws, regulations, or contractual agreements, or that are invested in capital assets, net of related debt. \$5,704,767 of these resources is unrestricted and is available to fund the City's outstanding obligations and future programs.
- Unrestricted cash and investment balances (page 9) as of June 30, were \$5,644,466 and current liabilities payable from unrestricted resources (i.e. excluding principal and interest on long term debt) were \$2,144,404.
- Net assets increased by \$1,276,409 (page 10). Of this increase, \$1,650,942 is attributed to the net asset increase from business-type activities. The primary reason for the increase in net assets of business-type activities is due to various government grants received during the fiscal year to fund various construction projects in the utilities fund. Net assets of governmental activities decreased by \$374,533. The primary reason for the decrease in net assets of governmental activities is due to depreciation expense of \$723,189, a non-cash expense.
- Fund balances (a measure of current financial resources) in the governmental funds decreased \$255,878 to a total of \$4,257,699 (page 12). The primary reason for the decrease in fund balances in the governmental funds is due to operating transfers totaling \$454,160 made to the City's business-type funds. Other items contributing to the decrease were accruals recorded in the financial statements to reflect amounts paid to the City's firefighters for incentive back pay and severance pay to the City's former city manager subsequent to year end. Together these accruals amounted to \$339,326. Of the total fund balances in the governmental funds, \$4,089,234 (page 11) is unassigned and available for future programs.
- The General Fund unassigned fund balance (page 11), as of June 30, 2011, was \$3,465,007, or about 32% of total general fund expenditures.
- The City's long term debt increased \$663,403 during the year. The City borrowed \$495,000 in August 2010 to fund the purchase of a fire truck. In July 2010, the City issued Rural Development Build America Bonds in the amount of \$600,000 for the purpose of funding certain water system improvements. In August 2010, the City entered into a lease with the Kentucky Bond Corporation in the amount of \$775,000 to finance a project to improve the City's storm water sewer system. Scheduled debt payments amounted to \$1,217,344. Net amortization of discounts and issuance costs were \$9,110, and the long-term portion of compensated absences increased by a net of \$1,637.

**Overview of Financial Statements**

This discussion and analysis is intended to introduce the City's basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide additional information that our readers can use to analyze our finances.

**Government-wide Financial Statements** - The government-wide financial statements are designed to provide our readers with an overview of the City's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities.

The Statement of Net Assets presents information on all the City's assets and liabilities, including long-term debt and capital assets in the governmental funds. The difference between assets and liabilities is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as transactions occur, regardless of when the related cash flows are reported. Therefore, some revenues and expenses included in this statement may reflect cash flows that actually occur in future periods.

Government-wide statements are separated into two major categories: 1) *governmental activities* that are principally supported by taxes and intergovernmental revenues, and 2) *business-type activities* that are supported with user fees and charges. Governmental activities include administrative functions, streets, police, fire, recreation and community programs. Business-type activities include the water and sewer utilities, the garbage, the cemetery, the museum, the storm water, and the parking funds.

The government-wide statements are found on pages 9 and 10 of this report.

**Fund financial statements** - Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. The City of Danville, like other state and local governments uses fund accounting to demonstrate compliance with the laws, regulations, and contractual agreements that establish the authority for the City's programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds.

**Governmental funds** – Funds are used to account for the City's basic services, the same services that are included in the governmental activities on the government-wide statements. However, the information in the fund statements is measured differently. Governmental funds focus on current financial resources rather than economic resources. Therefore, the statements include the short-term resources, such as cash, investments, receivables that will be collected in the next few months, and liabilities that will be retired with these monies. This information is important for assessing the City's current financial resources.

The reconciliation in the fund statements explains the difference between the governmental funds in the fund statements and the governmental activities found in the government-wide financial statements. These reconciliations are presented on pages 11 and 12 in the fund statements. These reconciliations will explain the adjustments necessary to add the long-term resources and liabilities for the government-wide statements to the current picture presented in the fund statements.

The City maintains eleven individual governmental funds. Major governmental funds include the General Fund only.

The larger funds are presented on pages 11 and 12 as major funds, while the other funds are presented in the combining statements for non-major funds on pages 47 and 48. The governmental fund statements include a balance sheet and statement of revenues, expenditures, and changes in fund balances.

The City adopts budgets for all funds in accordance with Kentucky Revised Statutes Section 91A.030. The budgetary comparison for the General Fund is presented as required supplemental information beginning on page 43.

**Proprietary funds** - The City's proprietary funds include six enterprise funds. The enterprise funds include operations for the water and sewer utility, garbage disposal, storm water, museum, cemetery operations, and the parking fund. The water and sewer fund and the parking fund are presented as major funds on pages 13 through 15. The other funds are presented in combining statements for the non-major funds on pages 49 and 50.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Notes to the financial statements** - Notes provide additional information that is essential to a full understanding of the information included in the financial schedules. Notes provide additional details about the balances and transactions in the City's financial statements and are presented on pages 18 through 41.

**Other Information** - The last section of this report includes two types of supplementary information. *Required supplementary information* (pages 42 through 46) must be included to conform with generally accepted accounting principles, while *Other Supplementary Information* (pages 47 through 50) is presented to expand the City's financial presentations. Management's Discussion and Analysis is classified as *required supplementary information*. In addition, Defined Benefit Pension Trust Schedules of Funding Progress, Employer Contribution, and Notes are presented as *Required Supplementary Information*. The schedules outline key financial information about the city's police & fire pension fund. Finally, the schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is located on page 54.

### **Government-Wide Financial Analysis**

The first statement in the government-wide statements is the Statement of Net Assets. Let's review some of the more important issues in this statement. The following table summarizes the Statement of Net Assets (page 9).

**Net Assets of Governmental and Business-type Activities (in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 5,095	\$ 5,405	\$ 4,820	\$ 3,770	\$ 9,915	\$ 9,175
Capital assets	18,857	18,668	37,626	35,831	56,483	54,499
Total assets	23,952	24,073	42,446	39,601	66,398	63,674

**Continued, next page**

**Continued**

Long-term debt outstanding	8,136	7,824	13,760	13,410	21,896	21,234
Other liabilities	1,042	1,101	1,462	620	2,504	1,721
Total liabilities	9,178	8,925	15,222	14,030	24,400	22,955

Net assets:

Invested in capital assets, net of related debt	10,721	10,844	23,866	22,421	34,587	33,265
Restricted	0	0	1,706	1,945	1,706	1,945
Unrestricted (deficit)	4,053	4,304	1,652	1,205	5,705	5,509

Total Net Assets	\$ 14,774	\$ 15,148	\$ 27,224	\$ 25,571	\$ 41,998	\$ 40,719
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By far the largest portion of the City's net assets (82%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. \$1.7 million of the City's net assets (page 9) are restricted to comply with provisions of various laws, regulations, and contractual agreements. Restricted funds in the business-type activities reflect the reserves required by the water and sewer bond indentures.

The second statement in the government-wide statements is the Statement of Activities. The following table outlines the major components of this statement.

**Change in Net Assets of Governmental and Business-type Activities (in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 8,095	\$ 7,965	\$ 8,095	\$ 7,965
Operating grants and contributions	615	616			615	616
Capital grants and contributions			1,741	130	1,741	130
General revenues:						
Property taxes	1,586	1,582			1,586	1,582
License fees and permits	7,600	7,005			7,600	7,005
Penalties and forfeits	27	23			27	23
Management fees	752	660			752	660
Other	305	352	50	69	355	421
Total Revenues	10,885	10,238	9,886	8,164	20,771	18,402

**Continued, next page**

**Change in Net Assets of Governmental and Business-type Activities (in thousands), cont'd**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2011	2010	2011	2010	2011	2010
Program Expenses:						
General Government	1,751	1,391			1,751	1,391
Public Safety	6,338	5,748			6,338	5,748
Public Services	1,470	1,368			1,470	1,368
Community Services	971	876			971	876
Debt Service	275	248	601	644	876	892
Utilities			6,324	6,156	6,324	6,156
Garbage operations			862	758	862	758
Cemetery operations			197	179	197	179
Museum operations			28	28	28	28
Parking operations			331	308	331	308
Storm water			344	255	344	255
Total Expenses	10,805	9,631	8,687	8,328	19,492	17,959
Excess (deficiency) before transfers and special items	80	607	1,199	(164)	1,279	443
Transfers	(454)	(591)	454	591		
Increase (decrease) in net assets	\$ (374)	\$ 16	\$ 1,653	\$ 427	\$ 1,279	\$ 443

\$9.19 million of the governmental services are financed with property taxes and license fees.

Governmental activities decreased the City's net assets by \$374,533. The primary reason for the decrease has already been addressed in this report.

Business-type activities increased the City's net assets by \$1,653,352. This increase is net of depreciation expense of \$1,271,979 (a non cash item). The water & sewer fund remains healthy as operating costs continue to be in line with operating revenues. Subsequent to the end of the fiscal year, water rates were increased by approximately 45% in order to provide partial funding for the construction of a new water plant.

**Financial Analysis of the Government's Funds**

The fund statements present the City's financial information in a more detailed format, but there are other differences as well. Fund statements provide important information about the City's compliance with laws and regulations that define the local government environment in Kentucky. The measurement principles in the governmental fund statements are also different than the government-wide statements. Fund statements focus on current resources, while the government-wide statements present the long-term view.

**Governmental funds** - Financial information for the City's governmental funds is summarized on pages 11 and 12. Governmental fund balances decreased \$255,878. The reasons for this decrease were addressed earlier in this report.

Non-major funds include the Municipal Road Aid, Police Safety, Drug Forfeiture, Hazard Mitigation, Renaissance, Streetscape, Toys for Tots, Cemetery Trusts, and Park Trust funds. These funds are combined for this report because their revenues and expenses are smaller than other funds of the City. You can find details about these funds in the combining statements for the non-major governmental funds on pages 47 and 48.

**Proprietary funds** - The fund statements for the proprietary funds look much like the business-type activities in the government-wide statements. Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

### General Fund Budgetary Highlights

Budgetary comparison schedules include information about both the original budget and the amended budget. Generally, budgets are amended to add projects that were not anticipated when the budget was first adopted. Revenue budgets are usually estimated lower to allow budgetary flexibility for additional projects.

There were no budget amendments during the fiscal year ended June 30, 2011.

### Capital Asset and Debt Administration

The City invests substantial resources in capital assets that support the services provided to the public. All of the City's outstanding bonds and capital leases have been used to acquire or construct capital assets.

#### **Capital Assets**

The City's capital assets, net of accumulated depreciation are summarized below:

<u>City of Danville, Kentucky Capital Assets (net of depreciation)</u>			
	Governmental Activities	Business- Type Activities	Total
Land	\$ 2,552,556	\$ 1,261,796	\$ 3,814,352
Buildings	9,177,236	7,310,940	16,488,176
Improvements other than buildings	943,733	273,167	1,216,900
Vehicles	728,400	107,400	835,800
Equipment	124,543	650,949	775,492
Infrastructure	5,330,612	25,259,974	30,590,586
Construction in progress	-	2,762,324	2,762,324
Total	<u>\$ 18,857,080</u>	<u>\$ 37,626,550</u>	<u>\$ 56,483,630</u>

Major capital asset events during the fiscal year included the following:

\$263,419 was expended during the year for the New City Hall/Police Station Project. This project was substantially complete as of June 30, 2010, and the costs incurred this year represented some final miscellaneous project wrap up costs. The total capitalized cost of this project (including the current year expenditures) was \$7,379,041.

\$296,667 was expended during the year related to various storm water sub-basin improvement projects. One project was completed during the current fiscal year at a total cost of \$445,788.

\$2,264,320 was expended during the year related to the Phylbin Village sewer project. This project was in progress as of June 30, 2011.

\$479,093 was expended during the year for a new fire truck.

## Long-Term Debt

The principal outstanding on the City's long-term debt is summarized in the following table.

<b><u>City of Danville's Outstanding Debt</u></b>			
	Governmental Activities	Business- Type Activities	Total
KLC Funding Trust	\$ 7,810,672	\$	\$ 7,810,672
Ky. Bond Corporation-Lease	465,000	730,000	1,195,000
Series 2008 Rural Dev. Bonds		1,465,000	1,465,000
Series 2006 (A&B) Revenue Bonds		4,390,000	4,390,000
Series 2003 Revenue Bonds		1,270,000	1,270,000
Series 2000 RUS Revenue Bonds		405,200	405,200
Series 2010 Build America Bond		600,000	600,000
Series 1995 RUS Revenue Bonds		429,000	429,000
KIA Loan C88-06		340,000	340,000
KIA Loan A89-06		15,276	15,276
KIA Loan – Treatment Plant		4,405,209	4,405,209
Total	\$ 8,275,672	\$ 14,049,685	\$ 22,325,357

The City's long term debt increased \$663,403 during the fiscal year. The components of this net increase were previously discussed on page 1 of this report.

## **Economic Factors and Next Year's Budget**

The City is currently in the process of performing three major water and sewer system improvement projects: 1) Phylben Village, 2) Spears Creek watershed sanitary sewer system and 3) Clarks Run pump station project. The City has budgeted \$1,569,673 during the fiscal year ended June 30, 2012 related to these projects. Funding for these projects will be primarily provided by grants and loans from the Housing and Urban Development Agency (HUD), Appalachian Regional Commission (ARC), Kentucky Infrastructure Authority (KIA), and the Rural Development Agency (RD).

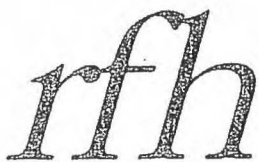
Additionally, the City is currently in the planning phase of constructing a new water treatment plant. The City has budgeted \$725,000 during the fiscal year ended June 30, 2012 related to this project. The latest engineering studies estimate the ultimate cost of this project to be approximately \$27 million once completed. At the present time, the primary funding for this project is expected to be provided by the issuance of bonds and other debt instruments.

The City is also in the process of performing sub-basin improvements in the storm-water fund. Budgeted expenditures for the fiscal year ended June 30, 2012 related to these projects are \$370,000. These expenditures are to be funded primarily by loan funds already received.

Going forward, City management will continue to closely monitor the City's finances/budget which is especially important in this uncertain economy.

## **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, 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 Manager's Office, 445 West Main Street, Danville, KY 40422, telephone number (859) 238-1200.



# Ray, Foley, Hensley & Company, PLLC

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## INDEPENDENT AUDITORS' REPORT

J. Carroll Luby, CPA

Mayor and the Board of Commissioners  
City of Danville  
Danville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the City of Danville, Kentucky, as of June 30, 2011, and for the year then ended, 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 Danville, 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 general purpose 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the City of Danville, Kentucky, as of June 30, 2011, and the 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 February 7, 2012, on our consideration of the City of Danville, Kentucky's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and 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 read in conjunction with this report in considering the results of our audit.

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Members American Institute of Certified Public Accountants and Kentucky Society of Certified Public Accountants

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Danville, Kentucky's financial statements as a whole. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Ray, Foley, Hensley, & Company*

Ray, Foley, Hensley, & Company, PLLC  
February 7, 2012

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>2010 Total</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 3,077,407	\$ 1,380,456	\$ 4,457,863	\$ 3,653,148
Receivables, net	794,774	1,030,151	1,824,925	1,323,678
Investments	1,075,686	110,917	1,186,603	1,177,122
Inventory, at cost		211,412	211,412	215,550
Prepaid expenses and other current assets	<u>7,412</u>	<u>1,928</u>	<u>9,340</u>	<u>7,783</u>
Total current assets	4,955,279	2,734,864	7,690,143	6,377,281
Non-current assets				
Restricted cash	139,258	1,581,945	1,721,203	2,294,547
Restricted investments		503,051	503,051	503,097
Capital assets, net	<u>18,857,080</u>	<u>37,626,550</u>	<u>56,483,630</u>	<u>54,499,090</u>
Total non-current assets	<u>18,996,338</u>	<u>39,711,546</u>	<u>58,707,884</u>	<u>57,296,734</u>
Total assets	<u>\$ 23,951,617</u>	<u>\$ 42,446,410</u>	<u>\$ 66,398,027</u>	<u>\$ 63,674,015</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 612,168	\$ 1,181,408	\$ 1,793,576	\$ 928,835
Accrued wages	157,410	76,242	233,652	194,072
Payroll taxes & benefits payable	45,327		45,327	161,655
Deposits	11,144	46,450	57,594	63,846
Current portion of compensated absences	10,789	3,466	14,255	14,186
Accrued interest payable		89,003	89,003	88,720
Current portion of bonds and notes payable	<u>245,210</u>	<u>1,007,662</u>	<u>1,252,872</u>	<u>1,099,154</u>
Total current liabilities	1,082,048	2,404,231	3,486,279	2,550,468
Non-current liabilities				
Bonds and notes payable, net of current portion	7,891,042	12,752,467	20,643,509	20,135,461
Compensated absences, net of current portion	<u>204,981</u>	<u>65,867</u>	<u>270,848</u>	<u>269,514</u>
Total non-current liabilities	<u>8,096,023</u>	<u>12,818,334</u>	<u>20,914,357</u>	<u>20,404,975</u>
Total liabilities	<u>9,178,071</u>	<u>15,222,565</u>	<u>24,400,636</u>	<u>22,955,443</u>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	10,720,828	23,866,421	34,587,249	33,264,475
Restricted		1,705,375	1,705,375	1,944,811
Unrestricted	<u>4,052,718</u>	<u>1,652,049</u>	<u>5,704,767</u>	<u>5,509,286</u>
Total net assets	<u>14,773,546</u>	<u>27,223,845</u>	<u>41,997,391</u>	<u>40,718,572</u>
Total liabilities and net assets	<u>\$ 23,951,617</u>	<u>\$ 42,446,410</u>	<u>\$ 66,398,027</u>	<u>\$ 63,674,015</u>

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

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense)			2010 Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Governmental activities</b>								
General government	\$ 1,751,092	\$ -	\$ 52,119	\$ -	\$ (1,698,973)	\$ -	\$ (1,698,973)	\$ (1,350,750)
Public services	1,469,525	-	350,732	-	(1,118,793)	-	(1,118,793)	(1,110,655)
Public safety	6,338,452	-	212,438	-	(6,126,014)	-	(6,126,014)	(5,430,592)
Community services	971,453	-	-	-	(971,453)	-	(971,453)	(875,563)
Debt service	275,086	-	-	-	(275,086)	-	(275,086)	(248,038)
<b>Total governmental activities</b>	<b>10,805,608</b>	<b>-</b>	<b>615,289</b>	<b>-</b>	<b>(10,190,319)</b>	<b>-</b>	<b>(10,190,319)</b>	<b>(9,015,598)</b>
<b>Business-type activities</b>								
Utilities	6,323,604	6,400,760	-	1,740,693	-	1,817,849	1,817,849	317,490
Parking	331,086	256,245	-	-	-	(74,841)	(74,841)	(29,325)
Garbage	861,942	758,743	-	-	-	(103,199)	(103,199)	(98,044)
Cemetery	196,624	102,763	-	-	-	(93,861)	(93,861)	(70,792)
Museum	28,082	-	-	-	-	(28,082)	(28,082)	(27,545)
Storm water	343,807	576,805	-	-	-	232,998	232,998	318,930
Debt service	601,382	-	-	-	-	(601,382)	(601,382)	(643,981)
<b>Total business-type activities</b>	<b>8,686,527</b>	<b>8,095,316</b>	<b>-</b>	<b>1,740,693</b>	<b>-</b>	<b>1,149,482</b>	<b>1,149,482</b>	<b>(233,267)</b>
<b>Total</b>	<b>19,492,135</b>	<b>8,095,316</b>	<b>615,289</b>	<b>1,740,693</b>	<b>(10,190,319)</b>	<b>1,149,482</b>	<b>(9,040,837)</b>	<b>(9,248,865)</b>
<b>General revenues</b>								
Taxes					1,586,278	-	1,586,278	1,581,613
Licenses and fees					7,599,867	-	7,599,867	7,005,393
Fines and forfeitures					27,102	-	27,102	22,653
Management fees					751,776	-	751,776	659,788
Other					304,923	49,710	354,633	421,655
<b>Total general revenues</b>					<b>10,269,946</b>	<b>49,710</b>	<b>10,319,656</b>	<b>9,691,102</b>
Transfers					(454,160)	454,160	-	-
<b>Change in net assets</b>					<b>(374,533)</b>	<b>1,653,352</b>	<b>1,278,819</b>	<b>442,237</b>
Net assets, beginning of year					15,148,079	25,570,493	40,718,572	40,276,335
<b>NET ASSETS, END OF YEAR</b>					<b>\$ 14,773,546</b>	<b>\$ 27,223,845</b>	<b>\$ 41,997,391</b>	<b>\$ 40,718,572</b>

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

**CITY OF DANVILLE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2011

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds	2010 Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,404,048	\$ 673,359	\$ 3,077,407	\$ 2,719,172
Receivables, net of allowance for uncollectible accounts of \$44,929	794,774	-	794,774	774,461
Investments	1,069,884	5,802	1,075,686	1,050,855
Restricted cash	139,258	-	139,258	852,833
Prepaid expenses and other assets	7,412	-	7,412	7,783
Total assets	<u>\$ 4,415,376</u>	<u>\$ 679,161</u>	<u>\$ 5,094,537</u>	<u>\$ 5,405,104</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 446,806	\$ 165,362	\$ 612,168	\$ 568,161
Accrued wages	157,212	198	157,410	139,555
Accrued payroll taxes & benefits payable	45,312	15	45,327	161,655
Deposits	11,144	-	11,144	11,133
Due to other funds	-	-	-	-
Compensated absences	10,789	-	10,789	11,023
	<u>671,263</u>	<u>165,575</u>	<u>836,838</u>	<u>891,527</u>
<b>FUND BALANCE</b>				
Fund balance, restricted	139,258	29,207	168,465	596,449
Fund balance, unassigned	<u>3,604,855</u>	<u>484,379</u>	<u>4,089,234</u>	<u>3,917,128</u>
Total fund balance	<u>3,744,113</u>	<u>513,586</u>	<u>4,257,699</u>	<u>4,513,577</u>
Total liabilities and fund balance	<u>\$ 4,415,376</u>	<u>\$ 679,161</u>	<u>\$ 5,094,537</u>	<u>\$ 5,405,104</u>
Amounts reported for governmental activities in the statement of net assets are different because:				
Fund balances reported above			\$ 4,257,699	\$ 4,513,577
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$84,787,848 and \$84,064,659 for the fiscal years ended June 30, 2011 and 2010, respectively.			18,857,080	18,668,336
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets:				
Loan and lease purchase agreements			(8,136,252)	(7,824,401)
Accrued compensated absences			(204,981)	(209,433)
Net assets of governmental activities			<u>\$ 14,773,546</u>	<u>\$ 15,148,079</u>

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

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2011**

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds	2010 Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 1,586,278	\$ -	\$ 1,586,278	\$ 1,581,613
Licenses and fees	7,599,867	-	7,599,867	7,005,393
Intergovernmental revenue	264,557	350,732	615,289	615,588
Fines and forfeitures	15,729	11,373	27,102	22,653
Other revenues	<u>1,023,321</u>	<u>33,367</u>	<u>1,056,688</u>	<u>1,012,411</u>
Total revenues	<u>10,489,752</u>	<u>395,472</u>	<u>10,885,224</u>	<u>10,237,658</u>
<b>EXPENDITURES</b>				
Current operating				
General government	1,579,157	-	1,579,157	1,518,426
Public services	1,080,714	16,335	1,097,049	996,830
Public safety	5,900,303	282,389	6,182,692	5,564,936
Community services	943,725	27,728	971,453	875,563
Debt services	447,761	-	447,761	321,860
Capital outlay	<u>913,830</u>	<u>-</u>	<u>913,830</u>	<u>4,060,709</u>
Total expenditures	<u>10,865,490</u>	<u>326,452</u>	<u>11,191,942</u>	<u>13,338,324</u>
Excess of revenues over expenditures	(375,738)	69,020	(306,718)	(3,100,666)
Other financing sources (uses):				
Transfers (to) from other funds	(404,160)	(50,000)	(454,160)	(590,910)
Sale of property	10,000	-	10,000	-
Loan proceeds	<u>495,000</u>	<u>-</u>	<u>495,000</u>	<u>50,000</u>
Total other financing sources (uses)	<u>100,840</u>	<u>(50,000)</u>	<u>50,840</u>	<u>(540,910)</u>
Net change in fund balance	(274,898)	19,020	(255,878)	(3,641,576)
Fund balance, beginning of year	<u>4,019,011</u>	<u>494,566</u>	<u>4,513,577</u>	<u>8,155,153</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,744,113</u>	<u>\$ 513,586</u>	<u>\$ 4,257,699</u>	<u>\$ 4,513,577</u>
Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:				
Net change in fund balance - total governmental funds, reported above			\$ (255,878)	\$ (3,641,576)
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the Statement of Activities and depreciated over their estimated economic lives.				
Increase in capital assets			911,931	4,177,756
Depreciation expense			(723,189)	(577,560)
Bond and note payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the Statement of Net Assets.				
			172,675	63,000
Loan proceeds			(495,000)	(50,000)
Generally, expenditures recognized in the general fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the Statement of Activities when they are incurred:				
Accrued interest expense			10,476	10,822
Compensated absences			<u>4,452</u>	<u>33,120</u>
Change in net assets of governmental activities			<u>\$ (374,533)</u>	<u>\$ 15,562</u>

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

**CITY OF DANVILLE, KENTUCKY**  
**BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**June 30, 2011**

	Utilities Fund	Parking Fund	Other Nonmajor Proprietary Funds	2011 Total	2010 Total
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 886,064	\$ 188,436	\$ 305,956	\$ 1,380,456	\$ 933,976
Accounts receivable, net of allowance for uncollectible accounts fo \$502,003	903,654	30,298	96,199	1,030,151	549,217
Investments	-	-	110,917	110,917	126,267
Due from (to) other funds	(23,465)	-	23,465	-	-
Prepaid expenses and other assets			1,928	1,928	-
Inventory, at cost	211,412	-	-	211,412	215,550
Total current assets	1,977,665	218,734	538,465	2,734,864	1,825,010
Non-current assets					
Restricted cash and cash equivalents	1,193,704	8,620	379,621	1,581,945	1,441,714
Restricted investments	503,051	-	-	503,051	503,097
Capital assets, net	28,351,829	7,913,759	1,360,962	37,626,550	35,830,754
Total non-current assets	30,048,584	7,922,379	1,740,583	39,711,546	37,775,565
Total assets	\$ 32,026,249	\$ 8,141,113	\$ 2,279,048	\$ 42,446,410	\$ 39,600,575
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 1,048,208	\$ 9,286	\$ 123,914	\$ 1,181,408	\$ 360,674
Accrued expenses	54,940	1,140	20,162	76,242	54,517
Deposits	46,450	-	-	46,450	52,713
Current portion of compensated absences	3,171	38	257	3,466	3,163
Accrued interest payable	72,715	16,288	-	89,003	88,720
Current portion of bonds and notes payable	888,592	89,070	30,000	1,007,662	956,479
Total current liabilities	2,114,076	115,822	174,333	2,404,231	1,516,266
Non-current liabilities					
Bonds and notes payable	7,929,306	4,146,767	676,394	12,752,467	12,453,735
Compensated absences, net of current portion	60,249	726	4,892	65,867	60,081
Total non-current liabilities	7,989,555	4,147,493	681,286	12,818,334	12,513,816
Total liabilities	10,103,631	4,263,315	855,619	15,222,565	14,030,082
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	19,533,931	3,677,922	654,568	23,866,421	22,420,540
Restricted	1,696,755	8,620	-	1,705,375	1,944,811
Unrestricted	691,932	191,256	768,861	1,652,049	1,205,142
Total net assets	21,922,618	3,877,798	1,423,429	27,223,845	25,570,493
Total liabilities and net assets	\$ 32,026,249	\$ 8,141,113	\$ 2,279,048	\$ 42,446,410	\$ 39,600,575

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

CITY OF DANVILLE, KENTUCKY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
for the year ended June 30, 2011

	Utilities Fund	Parking Fund	Other Nonmajor Proprietary Funds	Total	2010 Total
<b>Revenues</b>					
Water sales	\$ 3,068,407	\$ -	\$ -	\$ 3,068,407	\$ 3,026,604
Water surcharge	215,465	-	-	215,465	190,300
Sewer charges	2,792,993	-	-	2,792,993	2,784,432
Connection fees	55,558	-	-	55,558	59,065
Parking rental fees	-	256,245	-	256,245	278,296
Other fees for services	-	-	1,417,193	1,417,193	1,310,326
Other revenues	268,337	-	21,118	289,455	315,678
<b>Total revenues</b>	<b>6,400,760</b>	<b>256,245</b>	<b>1,438,311</b>	<b>8,095,316</b>	<b>7,964,701</b>
<b>Operating expenses</b>					
Water	2,835,003	-	-	2,835,003	2,673,013
Sewer	1,465,889	-	-	1,465,889	1,456,653
Perryville	132,856	-	-	132,856	134,613
Personnel	-	45,497	308,296	353,793	363,756
Contractual	-	75,322	1,041,624	1,116,946	931,972
Management fees	699,530	-	-	699,530	659,788
Depreciation	1,050,876	190,584	30,519	1,271,979	1,265,126
Other operating expenses	139,450	19,683	50,016	209,149	199,125
<b>Total operating expenses</b>	<b>6,323,604</b>	<b>331,086</b>	<b>1,430,455</b>	<b>8,085,145</b>	<b>7,684,046</b>
<b>Operating income (loss)</b>	<b>77,156</b>	<b>(74,841)</b>	<b>7,856</b>	<b>10,171</b>	<b>280,655</b>
<b>Non-operating revenues (expenses)</b>					
Grants	1,740,693	-	-	1,740,693	130,059
Interest expense	(398,427)	(202,955)	-	(601,382)	(643,981)
Other non-operating revenues (expenses)	34,723	670	14,317	49,710	69,032
<b>Non-operating revenues (expenses)</b>	<b>1,376,989</b>	<b>(202,285)</b>	<b>14,317</b>	<b>1,189,021</b>	<b>(444,890)</b>
<b>Income (loss) before other revenues expenses, gains, losses and transfers</b>	<b>1,454,145</b>	<b>(277,126)</b>	<b>22,173</b>	<b>1,199,192</b>	<b>(164,235)</b>
<b>Transfers (to) from other funds</b>	<b>-</b>	<b>246,661</b>	<b>207,499</b>	<b>454,160</b>	<b>590,910</b>
<b>Change in net assets</b>	<b>1,454,145</b>	<b>(30,465)</b>	<b>229,672</b>	<b>1,653,352</b>	<b>426,675</b>
<b>Net assets, beginning of year</b>	<b>20,468,473</b>	<b>3,908,263</b>	<b>1,193,757</b>	<b>25,570,493</b>	<b>25,143,818</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 21,922,618</b>	<b>\$ 3,877,798</b>	<b>\$ 1,423,429</b>	<b>\$ 27,223,845</b>	<b>\$ 25,570,493</b>

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

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**for the year ended June 30, 2011**

	Utilities Fund	Parking Fund	Other Nonmajor Proprietary Funds	Total	2010 Total
<b>Cash flows from operating activities</b>					
Receipts from customers	\$ 5,933,067	\$ 245,833	\$ 1,435,482	\$ 7,614,382	\$ 8,406,482
Payments to suppliers	(1,719,359)	(88,103)	(1,078,562)	(2,886,024)	(3,102,867)
Payments to employees	(2,038,121)	(45,654)	(305,611)	(2,389,386)	(2,306,971)
Payments to general fund for management services	(699,530)	-	-	(699,530)	(659,788)
Net cash provided by (used in) operating activities	<u>1,476,057</u>	<u>112,076</u>	<u>51,309</u>	<u>1,639,442</u>	<u>2,336,856</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers (to) from other funds	-	246,661	207,499	454,160	590,910
Deposits, net	(6,263)	-	-	(6,263)	1,086
Due (to) from other funds	73,486	-	(73,486)	-	(16,451)
Other revenues	<u>13,524</u>	<u>-</u>	<u>1,929</u>	<u>15,453</u>	<u>9,946</u>
Net cash provided by (used in) noncapital financing activities	<u>80,747</u>	<u>246,661</u>	<u>135,942</u>	<u>463,350</u>	<u>585,491</u>
<b>Cash flows from capital and related financing activities</b>					
Purchases of capital assets	(2,771,108)	-	(296,666)	(3,067,774)	(922,889)
Principal paid on notes and bonds	(909,669)	(90,000)	(45,000)	(1,044,669)	(1,453,179)
Interest (paid) accrued on notes and bonds	(397,831)	(203,268)	12,531	(588,568)	(648,065)
Borrowings of notes and bonds	600,000	-	775,000	1,375,000	-
Bond issuance costs	-	5,930	(23,606)	(17,676)	5,929
Refunding of debt	37,260	-	-	37,260	37,260
Capital improvement grant proceeds	<u>1,740,693</u>	<u>-</u>	<u>-</u>	<u>1,740,693</u>	<u>130,059</u>
Net cash provided by (used) in capital and related financing activities	<u>(1,700,655)</u>	<u>(287,338)</u>	<u>422,259</u>	<u>(1,565,734)</u>	<u>(2,850,885)</u>
<b>Cash flows from investing activities</b>					
Investments reduction increase	46	-	15,350	15,396	34,444
Interest and dividends	<u>21,199</u>	<u>670</u>	<u>12,388</u>	<u>34,257</u>	<u>59,086</u>
Net cash provided by investing activities	<u>21,245</u>	<u>670</u>	<u>27,738</u>	<u>49,653</u>	<u>93,530</u>
<b>Net increase (decrease) in cash and cash equivalents and restricted cash</b>	<u>(122,606)</u>	<u>72,069</u>	<u>637,248</u>	<u>586,711</u>	<u>164,992</u>
Cash and cash equivalents and restricted cash, beginning of year	<u>2,202,374</u>	<u>124,987</u>	<u>48,329</u>	<u>2,375,690</u>	<u>2,210,698</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 2,079,768</u>	<u>\$ 197,056</u>	<u>\$ 685,577</u>	<u>\$ 2,962,401</u>	<u>\$ 2,375,690</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>					
Operating income (loss)	\$ 77,156	\$ (74,841)	\$ 7,856	\$ 10,171	\$ 280,655
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	1,050,876	190,584	30,519	1,271,979	1,265,126
Provision for bad debt	37,508	-	41,198	78,706	41,556
Change in assets and liabilities:					
Accounts receivable	(505,201)	(10,412)	(44,027)	(559,640)	400,225
Inventory	4,138	-	-	4,138	6,807
Prepaid expenses and other assets	-	-	(1,928)	(1,928)	221,488
Accounts payable	798,825	6,902	15,006	820,733	128,893
Accrued expenses	7,435	(169)	1,928	9,194	(84)
Compensated absences	<u>5,320</u>	<u>12</u>	<u>757</u>	<u>6,089</u>	<u>(7,810)</u>
Net cash provided by (used in) operating activities	<u>\$ 1,476,057</u>	<u>\$ 112,076</u>	<u>\$ 51,309</u>	<u>\$ 1,639,442</u>	<u>\$ 2,336,856</u>

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

CITY OF DANVILLE, KENTUCKY  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2011

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	<u>Police and Firemen's Pension Fund</u>	<u>2010 Total</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 32,725	\$ 18,874
Investments	<u>681,188</u>	<u>616,929</u>
Total assets	<u>\$ 713,913</u>	<u>\$ 635,803</u>
<b>NET ASSETS</b>		
Net assets held in trust for pension benefits	<u>\$ 713,913</u>	<u>\$ 635,803</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 713,913</u>	<u>\$ 635,803</u>

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

CITY OF DANVILLE, KENTUCKY  
STATEMENT OF CHANGES IN NET ASSETS  
FIDUCIARY FUNDS  
for the year ended June 30, 2011

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	Police and Firemen's Pension Fund	2010 Total
<b>Additions</b>		
Employers contributions	\$ 190,000	\$ 185,040
Employee Contributions	1,717	1,749
Interest and dividends	26,504	19,238
Realized gains (loss) on investments	4,591	(9,825)
Unrealized gain (loss) on investments	<u>74,205</u>	<u>65,176</u>
 Total additions	 <u>297,017</u>	 <u>261,378</u>
<b>Deductions</b>		
Benefit payements	213,800	208,054
Trustee fee	<u>5,107</u>	<u>6,168</u>
 Total deductions	 <u>218,907</u>	 <u>214,222</u>
 Change in net assets	 <u>78,110</u>	 <u>47,156</u>
 Net assets, beginning of year	 <u>635,803</u>	 <u>588,647</u>
 <b>NET ASSETS, END OF YEAR</b>	 <u><u>\$ 713,913</u></u>	 <u><u>\$ 635,803</u></u>

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

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Danville, Kentucky (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The City of Danville, Kentucky, is a municipal corporation operating as a "City Manager Plan Government" as provided by Kentucky Revised Statutes 83A.150. The City which is governed by an elected five member Board of Commissioners possesses all powers enumerated under KRS 83A.150 as well as KRS 82.082 - the home rule statute. The City has evaluated various organizations with which it is related and determined that there are no component units as defined by GASB. Therefore, there are no component units included in the City's reporting entity.

**B. Related Organizations**

The City's officials are responsible for appointing the members of the Boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City's Mayor, with the consent of the City Board of Commissioners, appoints the Board members of the Housing Authority of Danville, the Parking Authority of Danville, and the Danville Urban Renewal and Community Development Agency.

**C. Jointly Governed Organizations**

The City, in conjunction with Boyle County, the City of Junction City, and the City of Perryville, created the Danville-Boyle County Planning and Zoning Commission (DBCPZC). The DBCPZC's board is comprised of four members from the City of Danville, four members from Boyle County, one member from Junction City, and one member from Perryville. The City appropriated \$65,000 for an operating grant to the DBCPZC for the year ended June 30, 2011.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Airport Board (DBCAB). The DBCAB's board is comprised of three members from the City of Danville and three members from Boyle County. The City appropriated \$18,000 for an operating grant to the DBCAB for the year ended June 30, 2011.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Parks and Recreation Board (DBCPRB). The board is comprised of three members from the City of Danville, three members from Boyle County, and one member appointed jointly by the City of Danville and Boyle County. The City appropriated \$200,000 for an operating grant to the DBCPRB for the year ended June 30, 2011.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Tourism Commission (DBCTC). The DBCTC's board is comprised of seven members appointed jointly by the City of Danville and Boyle County. The City did not appropriate funds for the DBCTC for the year ended June 30, 2011.

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**E. Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are an exception, as they are considered available when eligible expenditures have occurred even though they may be collected for up to one year after the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when the liability has matured, with the exception of interest and principal which are recognized as expenditures when funds are transferred to the debt service fund to make payments due shortly after the fiscal year end.

Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenue, and charges for services are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines, permits, net profit tax revenues and special assessments are considered to be measurable and available only when cash is received by the City.

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Basis of Presentation, continued**

Funds are classified into these categories; governmental, proprietary and fiduciary.

The City reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Utilities Fund accounts for the activities of the water and sewer services provided to the residents of the City and the surrounding areas.

The Parking Fund accounts for the operation of the City's parking facilities (parking spaces, lots, and parking garage).

Additionally, the City reports the following fund types:

The Pension Trust Fund accounts for the activities of the Police & Firefighter's Pension Fund, which accumulates resources for pension benefit payments to qualified public safety employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments from the Utilities Fund to the General Fund to compensate the General Fund for administrative services provided to the Utilities Fund.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The principal operating revenues of the parking fund are parking space rental fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Basis of Presentation, continued**

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make use of estimates that affect reported amounts in the basic financial statements. Actual results could differ from estimates.

**F. Assets, Liabilities, and Net Assets or Fund Balance**

**1. Cash Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments, which consist of highly liquid investments with original maturities of three months or less from the date of acquisition.

Kentucky Revised Statute 66.480 generally limits the City to investing in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, and interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

Kentucky Revised Statute 95.610 expands the above list of allowable investments for pension trust funds to include corporate notes and equity securities, real estate mortgages, real estate, and life insurance annuity and endowment contracts.

All investments are reported at fair value.

Certain cash and investment amounts are classified on the statement of net assets as restricted because applicable bond indentures or other legal provisions limit their use. Restricted cash and cash equivalents are included and used for their respective purpose.

For the purpose of the statement of cash flows, the City considers cash equivalents to be highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased.

**2. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for un-collectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for un-collectibles. The property tax receivable allowance is based on varying percentages depending on the age of the receivable.

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Assets, Liabilities, and Net Assets or Fund Balance, continued**

**3. Inventories**

All inventories are valued at cost using first-in first-out (FIFO) method.

**4. Restricted Assets**

Certain resources set aside for the repayment of the Utilities Fund debt have been classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The restricted assets have been accounted for in accordance with the provisions of the Utilities Fund revenue bond resolutions or with state or federal laws and regulations.

**Debt Service Reserve** - The City is required to set aside the lower of the maximum annual debt service, 125% of the average annual debt service, or 10% of the original net proceeds of the revenue bond issues. The City must continue deposits into the debt service reserve until the funds equal the amount required to retire all outstanding bonds and related accrued interest.

**Depreciation Reserve** - Revenue bond covenants require the City to set aside \$2,085 monthly until the 1967 and 2003 bonds are retired. The Depreciation Reserve may be used to provide funding for future improvements, extensions, additions or enlargements to the system. Any amount over \$500,000 in the depreciation fund may be used to redeem and retire bonds outstanding before maturity. Also, Kentucky Infrastructure Authority covenants require the City to transfer annually \$48,910 to a replacement reserve until \$489,100 is accumulated in the account.

In addition, the 2010 Rural Development Build America bond issuance required the City to make additional monthly deposits to a separate depreciation fund of \$240 per month until the account reached \$28,800, and \$362 per month to be used specifically as needed to replace or add short-lived assets in the City's water system.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure (i.e., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5. Capital Assets, continued**

Infrastructure, buildings, improvements, plant, equipment, and other capital assets of the government are depreciated using the straight line method over the following estimated useful lives.

Infrastructure	10-50 Years
Buildings	20-50 Years
Improvements	10-20 Years
Water & Sewer Distribution System	2-50 Years
Studies, Surveys, & Maps	2-10 Years
Machinery & Equipment	2-10 Years
Vehicles	3-10 Years

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**6. Compensated Absences**

All non-public safety employees earn vacation leave at a rate of 5/6 of a day per month (80 hours per year) up to ten years of service, 1 1/4 days per month (120 hours per year) for greater than ten years of service, and 1 2/3 days per month (160 hours per year) for greater than twenty years of service. Public safety employees earn vacation leave at a rate of 1 1/4 days per month (120 hours per year) for police and 1 3/4 days per month (168 hours per year) for firefighters assigned to 24-hour shifts. The City personnel policy states that employees may accrue unlimited vacation leave. However, after the original probation period, any employee who terminates employment with the City shall be compensated for no more than 240 hours of accrued vacation leave (except the Fire Department employees assigned to 24-hour shifts may be compensated for no more than 336 hours). Any vacation hours above 240 shall be converted to sick leave upon retirement from the City of Danville.

All employees occupying established full-time positions with the City are granted 1 day (8 hours) sick leave per each full month of service, except that Fire Department employees assigned to 24-hour shifts shall accrue twelve hours credit for each month of service. Sick leave credit may be utilized by employees in 1/4 day increments when they are unable to perform their duties because of sickness or injury. Employees may accrue an unlimited amount of sick leave. Employees who terminate employment with the City are not compensated for accrued but unused sick leave, except that employees who retire and participate in the CERS retirement program immediately upon termination of employment, shall have the accrued but unused sick leave utilized to purchase additional retirement benefits on their behalf, based on a schedule as outlined in the City's personnel policies and procedures manual.

GASB requires employers to accrue a liability of future vacation, sick and other leave benefits that meet the following conditions:

- a.) The compensated absence relates to past employment service.
- b.) Payment of the compensation is probable.

The liability for these compensated absences is recorded as current and non-current debt in the government-wide statements and in the business-type fund statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as incurred.

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**7. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs and bond discounts are deferred and amortized over the term of the related issues. Bonds payable are reported net of the applicable discounts and issuance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Fund Balance**

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable. The City has adopted GASB 54 which further breaks down both nonspendable and spendable components into the following components:

Nonspendable - amounts that must be maintained intact legally or contractually.

Restricted – amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – amounts constrained for a specific purpose by the City using its highest level of decision making authority.

Assigned – for all governmental funds, other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the general fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts.

Unassigned – for the general fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed or assigned.

For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance.

For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City commission.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**9. Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund balance sheet includes reconciliation between fund balances in the governmental funds and net assets reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. Capital assets and long-term debt are added to the governmental funds to compile the long-term view of the governmental activities column.

A similar reconciliation is included on the statement of revenues, expenditures and changes in fund balances for the governmental funds. These adjustments reflect the transition from the modified accrual accounting for governmental funds to the accrual basis of accounting for the statement of activities. Capital outlay is replaced with depreciation expense. Capital lease revenues are added, while principal payments on long-term debt are eliminated from the operating costs.

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

The City follows the following procedures in establishing the budgetary data reflected in the financial statements.

Kentucky Revised Statutes 91A.030 requires the preparation and adoption of an annual budget in the form of an appropriations ordinance before the City may expend any monies from any governmental or proprietary fund and prohibits expenditures or expenses in excess of appropriations. KRS further provides that the full amount of debt service be appropriated. All appropriations lapse at year-end.

To meet the legal requirements for appropriations, all budgets are presented on a modified accrual basis. For proprietary funds this means that certain capitalized receipts and disbursements are budgeted along with related revenue and expense, that depreciation, non-cash expenditure, is not budgeted, and that the full amount of debt service is budgeted.

Under Kentucky Revised Statutes, all local government units are required to have a June 30 fiscal year-end. The City of Danville has a June 30 fiscal year-end.

Prior to May 1, the city manager obtains estimates of proposed expenditures from various division and department heads. The finance department staff prepares revenue estimates.

Prior to June 1, the city manager submits to the city commission a proposed budget for the fiscal year commencing July 1.

Public hearings are conducted to obtain citizen comments and in order to comply with various federal and state mandates.

Prior to June 30, the budget is legally enacted through passage of an ordinance by the city commission.

The city manager is authorized to transfer budgeted amounts within each fund; however, any revisions that alter the total expenditures of any fund must be approved by the city commission.

Formal budgetary integration is utilized as a management control device for all governmental fund types and the Utilities Fund.

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**Property Taxes, continued**

An encumbrance system under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded is maintained. Encumbrances maintained at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are re-appropriated in the next budget year.

**Property taxes**

The City bills and collects its property taxes through the Boyle County Sheriff's Office. The City elects to use annual property assessments prepared by the Boyle County Property Valuation Administrator. According to the Kentucky Revised Statutes, the assessment date for the City must conform to the January 1 assessment date of Boyle County.

For the year ended June 30, 2011, taxes were levied November 1, 2010 and were payable by December 31, 2010. A 10% penalty was imposed on all taxes delinquent as of January 1, 2011. In addition, an interest charge of 1/2% per month is levied on all delinquent taxes. As of May 1, 2010 delinquent property tax bills in excess of \$20 each shall have an enforceable lien filed against the property by the City.

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes up to \$1.00 per \$100 assessed valuation for general governmental services other than school purposes. Legislation passed by the Kentucky General Assembly imposed severe limits on the ability of a city to significantly increase property tax revenues. A city may not increase its revenues from taxes on real property, exclusive of increases due to assessment growth without giving notice of such an increase and holding a public hearing on the matter. If that increase is less than 4%, that is all that is necessary, but if the increase is more than 4%, residents of the City may petition for an election to be held on the question. If the majority of those voting in a valid election vote against the proposed rate increase, the rate must be rolled back to one which will not produce more than a 4% increase. City tax rates of 13.6 cents per \$100 on real property and 17.3 cents per \$100 on personal property for the fiscal year ended June 30, 2011, are within permissible limits under the above legislation. The City does not collect personal property taxes on motor vehicles or watercraft.

**3. CASH DEPOSITS AND INVESTMENTS**

As of June 30, 2011, the City had the following investments and maturities:

**PRIMARY GOVERNMENT (EXCEPT FIDUCIARY FUNDS)**

Investment type	Fair Value	Investment Maturities in years				Credit rating
		Less than 1	1-5	6-10	Over 10	
U.S. Agencies	\$ 263,274	\$ 31,142	\$ 129,890	\$ 102,242		AAA
State and Municipal Bonds	77,908			77,908		
Corporate Bonds	312,979	36,185	114,433	162,361		A to AAA
Money Market						AAA
Mutual Funds	9,792	9,792				
Certificate of Deposits	405,931	405,931				N/A
Totals	<u>\$ 1,069,884</u>	<u>\$ 483,051</u>	<u>\$ 244,322</u>	<u>\$ 342,510</u>	<u>\$ -</u>	

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

**3. CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

*Interest Rate Risk.* The City does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Over 92% percent of the City's investments are in bank certificates of deposits (fully insured or collateralized), U.S. Corporate bonds (rated A to AAA rated) and U.S. Agencies.

*Concentration of credit risk.* The City places no limit on the amount the City may invest in any one issuer. The City has 25% in U.S. Agencies, 29% in Corporate Bonds and 38% of its investments in bank certificates of deposit (at one bank).

*Custodial Credit Risk.* Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the City may not be able to recover the value of its deposits and investments that are in the possession of the financial institution. The City's investment policy dictates that all cash maintained in any financial institution named as a depository be insured or collateralized, the collateral held in the name of the City, and that investments be registered in the name of the City. Collateral must be held by an independent third-party custodian. The City is fully collateralized and all pledged investments were held in the City's name as of June 30, 2011.

As of June 30, 2011, the Police/Fire Pension Fund had the following restricted investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities in years</u>				<u>Credit rating</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Over 10</u>	
U.S. Agencies	\$ 15,826	\$ -	\$ 15,826	\$ -	\$ -	AAA
Corporate Bonds	56,194	-	31,071	25,123	-	A to BAA
Money Market						
Mutual Funds	146,269	146,269	-	-	-	AAA
Domestic Equities	<u>462,899</u>	<u>462,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	N/A
Totals	<u>\$ 681,188</u>	<u>\$ 609,168</u>	<u>\$ 46,897</u>	<u>\$ 25,123</u>	<u>\$ -</u>	

*Interest Rate Risk.* The investment policies for the pension funds do not place limits on investment maturities. Eighty-nine percent of the pension fund investments mature in less than one year and seven percent matures in one to five years, with the remaining four percent maturing in six to ten years.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The pension funds investments are in AAA rated U.S. Agencies, A to BAA rated Corporate Bonds, six different Mutual Funds and thirty different Domestic Equities.

*Concentration of credit risk.* The pension fund places no limit on the amount the fund may invest in any one issuer. The pension fund has 68% of its investments invested in common stock of 30 companies. The remaining investments are concentrated as follows – 2% U.S. Agencies, 8% Corporate Bonds, and 22% Mutual Funds. There are no investments in any one organization (other than U.S. Agencies) that exceed 5% of the total investments.

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>Governmental Activities</b>				
Land	\$ 2,552,556	\$ -	\$ -	\$ 2,552,556
Land improvements	1,370,334	-	-	1,370,334
Buildings	10,383,378	263,419	-	10,646,797
Vehicles	2,724,566	613,235	-	3,337,801
Equipment	1,346,121	35,277	-	1,381,398
Construction in progress	-	263,419	(263,419)	-
Total	<u>15,824,399</u>	<u>1,175,350</u>	<u>(263,419)</u>	<u>16,736,330</u>
Total Non-Infrastructure Assets	<u>18,376,955</u>	<u>1,175,350</u>	<u>(263,419)</u>	<u>19,288,886</u>
Infrastructure assets	<u>84,356,042</u>	<u>-</u>	<u>-</u>	<u>84,356,042</u>
Total capital assets	<u>\$102,732,997</u>	<u>\$ 1,175,350</u>	<u>\$ (263,419)</u>	<u>\$103,644,928</u>
Accumulated Depreciation:				
Land improvements	390,992	35,609	-	426,601
Buildings	1,219,749	249,812	-	1,469,561
Vehicles	2,453,433	155,968	-	2,609,401
Equipment	1,232,673	24,182	-	1,256,855
Infrastructure	<u>78,767,812</u>	<u>257,618</u>	<u>-</u>	<u>79,025,430</u>
Total	<u>84,064,659</u>	<u>723,189</u>	<u>-</u>	<u>84,787,848</u>
Total capital assets, net	<u>\$18,668,336</u>	<u>\$ 452,161</u>	<u>\$(263,419)</u>	<u>\$18,857,080</u>
<b>Business-Type Activities</b>				
Land	\$ 1,261,796	\$ -	\$ -	\$ 1,261,796
Buildings	8,436,255	-	-	8,436,255
Improvements	366,268	-	-	366,268
Vehicles	798,849	18,870	-	817,719
Equipment	966,947	467,736	-	1,434,683
Infrastructure	44,349,450	445,788	-	44,795,238
Construction in progress	626,943	2,581,169	(445,788)	2,762,324
Total	<u>\$ 56,806,508</u>	<u>\$ 3,513,563</u>	<u>\$ (445,788)</u>	<u>\$59,874,283</u>
Accumulated Depreciation:				
Buildings	927,213	198,102	-	1,125,315
Improvements	78,748	14,353	-	93,101
Vehicles	678,288	32,031	-	710,319
Equipment	747,999	35,735	-	783,734
Infrastructure	<u>18,543,506</u>	<u>991,758</u>	<u>-</u>	<u>19,535,264</u>
Total	<u>20,975,754</u>	<u>1,271,979</u>	<u>-</u>	<u>22,247,733</u>
Total capital assets, net	<u>\$ 35,830,754</u>	<u>\$ 2,241,584</u>	<u>\$(445,788)</u>	<u>\$37,626,550</u>

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**4. CAPITAL ASSETS (CONTINUED)**

During the fiscal year ended June 30, 2011, the City began the Phylben Village project that provides new sewer service to approximately 175 households in the eastern Boyle County / northwest Lincoln County area. The project was estimated to cost approximately \$3,194,000, with financing for the project through revenues, charges, and taxes, along with a \$500,000 grant from the Appalachian Regional Commission (ARC), a \$474,000 grant from the United States Department of Agriculture Rural Development (RD), a \$1,300,000 grant from the United States Department of Housing and Urban Development, Community Development Block Grant (CDBG), a Kentucky Infrastructure Authority (KIA) grant of \$300,000, a City contribution of \$20,000, and a \$600,000 Rural Development Build America Bond loan. The cost of the project is being capitalized in the capital asset account of construction in progress.

Depreciation expense was charged to the governmental functions as follows:

General Government	\$ 194,953
Public Services	372,476
Public Safety	<u>155,760</u>
Total Depreciation Expense	<u>\$ 723,189</u>

Depreciation expense was charged to proprietary functions as follows:

Utilities	\$ 1,050,876
Cemetery	3,843
Museum	13,535
Parking	190,584
Storm water	<u>13,141</u>
Total Depreciation Expense	<u>\$ 1,271,979</u>

**5. DEFINED BENEFIT PENSION PLANS**

The government maintains a single-employer, defined benefit pension plan, the Police and Firefighters' Retirement Fund (PFRF), which covers public safety employees who work in non-hazardous positions, which they have held since July 31, 1988. The City also participates in the Commonwealth of Kentucky County Employees' Retirement System (CERS), which covers all hazardous position public safety employees and all other governmental employees not already covered by PFRF. No medical insurance benefits are provided to retirees covered by the PFRF. Certain medical insurance benefits are provided to retirees covered by the CERS.

**Police and Firefighters' Retirement Fund (PFRF)**

**1 - Plan Description and Provisions**

All of the government's full-time police and fire employees who work in non-hazardous positions which they have held since July 31, 1988, participate in the PFRF, a single-employer, defined benefit pension plan. This plan was established by Ordinance No. 824, effective February 14, 1958, pursuant to Kentucky Revised Statutes Chapter 95. Prior to August 1, 1988, all full-time police and fire employees, both those working in hazardous and non-hazardous positions, were eligible to participate in the PFRF.

In accordance with the provisions of House Bill 398 passed by the 1988 Kentucky General Assembly, the City closed the PFRF to new members August 1, 1988, by passage of Ordinance No. 1400. After August 1, 1988, all new employees who would have been eligible to participate in the City's pension system must be enrolled as members of Kentucky's County Employees' Retirement System. Employees hired on or before August 1, 1988, who were participating in the City plan, were given an option of transferring from the existing City pension plan to CERS.

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
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5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Police and Firefighters' Retirement Fund (PFRF) (continued)

1 - Plan Description and Provisions (continued)

Plan Members	
<u>Group</u>	<u>Active Employees</u>
Retirees	8
Beneficiaries	5
Fully vested	0
Non-vested	1

In cities of the third class, any member of the police or fire department having served twenty (20) years or longer in the police or fire department may petition the board of trustees for retirement; and if his petition is granted, the board may order paid to him monthly fifty percent (50%) of his monthly salary at the time of retirement. If this petition for retirement is denied, any policeman or firefighter has the right of appeal in accordance with the Rules of Civil Procedure.

The pension payable for periods of service between twenty (20) and twenty-five (25) years shall be fifty percent (50%) of salary plus two percent (2%) of salary for each year in excess of twenty (20). The pension payable for twenty-five (25) years of service shall be sixty percent (60%) of salary. The pension payable for periods of service between twenty-five (25) and thirty (30) years shall be sixty percent (60%) of salary plus three percent (3%) of salary for each year in excess of twenty-five (25). The pension payable for thirty (30) years of service shall be seventy-five percent (75%) of salary.

The pension or benefits paid for disability or death from the Policemen's and Firefighter's Retirement Fund in cities of the third class is as follows:

- a) If any member of the police and fire department becomes temporarily totally disabled, physically or mentally, the board of trustees of the pension fund shall order paid to him monthly, during his disability, until he has recovered and returned to active duty, a sum of not more than one-half (1/2) his salary per month, the amount to be determined by the board. This provision shall not apply if a salary is paid during the same period.
- b) If any member of the police or fire department becomes permanently disabled, physically or mentally, so as to render necessary his retirement from service in the department, the board of trustees shall retire him from service and order paid to him monthly fifty percent (50%) of his monthly salary at the time of his retirement.
- c) If any member of the police or fire department is killed or dies as the result of an injury received in the performance of duty, or dies of any disease contracted by reason of his occupation, or dies while in the service from any cause as a result of his service in the department, or dies in service or while on the retired list from any cause after one (1) year of service in the department and leaves a widow or a child under eighteen (18) years of age, the board of trustees shall order a pension paid to the widow, while unmarried, of one-half (1/2) of salary per month and for each child until it reaches the age of eighteen (18) years twenty-four dollars (\$24) per month. The board may provide a minimum benefit of no more than four hundred dollars (\$400) per month, initially, to the surviving spouse if the benefit can be supported on an actuarially sound basis by the fund. The board may increase the minimum benefit pursuant to the terms of subsection (4) of this section. If the deceased member was unmarried and childless, a pension shall be paid to his dependent father and mother of one-fourth (1/4) of salary per month. If one (1) parent is dead, the other shall receive the entire one-fourth (1/4) salary.

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
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**5. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Police and Firefighters' Retirement Fund (PFRF) (continued)**

**1 - Plan Description and Provisions (continued)**

If an employee terminates his or her employment with the police or fire departments and is not eligible for any other benefits under the PFRF, the employee is entitled to a refund of his or her accumulated contributions to the fund without interest.

**2 – Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting** – The preparation of the financial statements of the PFRF generally conform to the provisions of the GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." The financial statements of the fund are prepared on the accrual basis. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The cost of administering the plans is financed by the City of Danville.

**Investments** – Investments are stated at fair value. Securities traded on a national exchange are valued at the last reported sales price. Gains or losses on the sale of fixed income securities are recognized using the completed transaction method. There are no significant investments (other than U.S. Government Agencies) in any one organization that represent more than 5% of net assets available for benefits. There are no investments or other assets legally reserved for purposes other than the payment of member benefits.

**3 – Funding Policy and Annual Pension Cost**

The contribution requirements of plan members and the City are established and may be amended by the Board of Trustees. Covered employees were required by statute to contribute four percent of their annual covered salary.

The City contributes on an actuarially funded basis amounts required to fund current service costs and interest on unfunded past service costs in compliance with Kentucky Revised Statutes. For 2010-2011 the City made a contribution of \$190,000. Actuarial assumptions and other information used to determine the annual required contributions are located in the Required Supplemental Information – Pensions section of the report, because this plan does not issue separately audited financial statements.

**Annual Pension Cost and Net Pension Obligation**

Annual contribution required	\$ 155,834
Interest on net pension obligation	1,078
Adjustment to annual required contributions	(1,200)
Annual pension cost	155,712
Contribution made	(190,000)
Decrease in net pension obligation	(34,288)
Net pension obligation at beginning of year	(14,801)
Net pension obligation at June 30, 2011	<u>\$ (49,089)</u>

<u>Three Year Trend Information</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>
Annual pension cost (APC)	\$ 157,004	\$ 166,448	\$ 155,712
Percentage of APC contributed	118%	111%	122%
Net pension obligation (liability)	3,791	(14,801)	(49,089)

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**5. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Commonwealth of Kentucky County Employees' Retirement System**

The City of Danville is a participating employer of 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 participating county, city, 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 state legislature.

**Contributions** – For the year ended June 30, 2011, plan members were required to contribute 5.00% of wages for non-hazardous job classifications and 8.00% of wages for hazardous job classifications. Employees hired after August 31, 2008 and not already in the retirement system must contribute an additional 1% to subsidize health insurance premiums that are primarily withheld from CERS retirees' benefit payments. 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 proceeding 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 contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2011, participating employers contributed 16.93%, of each employee's wages for non-hazardous job classifications and 33.25% for hazardous job classifications, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employer and employee) and the actual percentage contributed for the City for the current and previous two years are as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 1,436,513	100%
2010	\$ 1,424,259	100%
2009	\$ 1,039,593	100%

**Medical Insurance Plan**

**Plan description** – In addition to the pension benefits described above, Kentucky Revised Statutes require CERS to provide post-retirement healthcare benefits to eligible members and dependents. The CERS Medical Insurance benefit are cost-sharing multiple employer defined benefit plans. Changes made to the medical plan may be made by the CERS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The CERS Medical Insurance Funds offer coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the Medicare Eligible Health Plan.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

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**6. LONG TERM DEBT**

1995 and 2000 Rural Utility Service Revenue Bonds

The City purchased water systems from the Cities of Perryville and Junction City, Kentucky. The City agreed to assume bonds issued by the Cities of Perryville and Junction City to the Rural Utility Service. The water systems bonds for the City of Perryville had a balance of \$449,500 with an interest rate of 4.75% to be paid over thirty-six years. The Junction City water system bonds had a balance of \$489,000 with an interest rate of 4.50% to be paid over thirty years.

2003 Water and Sewer Refunding Revenue Bonds

On April 14, 2003, the Danville City Commission passed Ordinance No. 1644. This ordinance provided for the issuance of \$3,540,000 in Water and Sewer Refunding Revenue Bonds, Series 2003, for the purpose of refunding the City's outstanding Water and Sewer Revenue Bonds, Series 1993, in order to achieve debt service savings. Ordinance 1644 placed the 2003 bonds in parity with the 1967 bonds and adopted and confirmed the covenants and provisions established by the 1967 bond ordinance. Deferred issue costs of \$461,551 are amortized over the life of this issue.

Series 2008 USDA Rural Development Bonds

The City of Danville approved the issuance of \$1,480,000 in Rural Development Bonds for the purpose of water system improvements. The loan will be paid over forty years at a 4.375% interest rate.

Series 2010 USDA Rural Development Build America Bonds

On July 12, 2010, the Danville City Commission passed Ordinance No. 1774. The ordinance provided for the issuance of \$600,000 in Rural Development Build America Bonds for the purpose of water system improvements. The loan requires annual principal payments starting in February 2013 until maturity in February 2050, with an interest rate of 3.00%.

Water and Sewer Revenue Bonds outstanding at June 30, 2011 are as follows:

<u>City of Danville Water &amp; Sewer Revenue Bonds</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Maturity Date Fiscal Year</u>	<u>Debt Outstanding June 30, 2011</u>
Series 1995	\$ 489,000	4.50%	2034	\$ 429,000
Series 2000	449,500	4.75%	2040	405,200
Series 2003	3,540,000	2 to 3.375%	2014	1,270,000
Series 2008	1,480,000	4.375%	2049	1,465,000
Series 2010	600,000	3.00%	2050	600,000
				<u>\$ 4,169,200</u>

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

6. LONG TERM DEBT (CONTINUED)

Revenue Bond Debt Service Requirements

The annual principal and interest requirements of the water and sewer revenue bonds payable as of June 30, 2011, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 442,500	\$ 162,247	\$ 604,747
2013	467,500	147,645	615,145
2014	479,000	131,831	610,831
2015	46,100	115,277	161,377
2016	48,800	113,310	162,110
2017-21	275,100	533,852	808,952
2022-26	342,700	469,670	812,370
2027-31	424,400	389,703	814,103
2032-36	461,700	293,039	754,739
2037-41	437,600	201,589	639,189
2042-46	421,100	115,502	536,602
2047-50	322,700	27,266	349,966
	<u>\$ 4,169,200</u>	<u>\$2,700,930</u>	<u>\$ 6,870,130</u>

Total Debt Service by Bond Series

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
Series 1995 RUS Revenue Bonds			
Junction City Water System	\$ 429,000	\$ 262,463	\$ 691,463
Series 2000 RUS Revenue Bonds			
Perryville Water System	405,200	349,272	754,472
Series 2003 Revenue Bonds	1,270,000	85,214	1,355,214
Series 2008 Rural Dev. Bonds	1,465,000	1,565,547	3,030,547
Series 2010 Rural Dev. Bonds	600,000	438,434	1,038,434
	<u>\$ 4,169,200</u>	<u>\$ 2,700,930</u>	<u>\$ 6,870,130</u>

Bond Covenants and Provisions

Under the bond Ordinance No. 1044 passed February 15, 1967, for the Water and Sewer Refunding and Improvement Revenue Bonds, certain covenants and provisions for the collection, segregation, and distribution of revenues of the water and sewer system were established. These covenants and provisions, which were adopted and confirmed by Ordinance No. 1644 in connection with the 2003 bond issuance and 2009 Ordinance, are as follows:

- 1) All cash revenues of the system are to be first deposited in the Water and Sewer Revenue Fund Account.
- 2) As a first charge on the Revenue Account, pro-rata monthly transfers of an amount sufficient to pay the principal and interest on the 1967 and 2003 bonds are to be made to the Bond and Interest Redemption Fund/Account.
- 3) Monthly transfers equal to 1/12 of 10% of the maximum annual debt service which will come due during any 12-month period ending February 1 are required to be made to the Bond and Interest Redemption Fund/Account as a Debt Service Reserve. These transfers must be made until an amount equivalent to the amount referred to in Note A (restricted assets, page 27) under the 1967 and 2003 bond issues has been accumulated.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**6. LONG TERM DEBT (CONTINUED)**

After observing the above priorities -

4) Monthly transfers to the Maintenance and Operation Fund/Account in a sum equal to the anticipated expenses of operating the system for the next month are to be made.

5) Monthly transfers equal to the greater of 60% of the balance in the Revenue Account or \$2,085 are to be made to the Depreciation Fund/Account. Withdrawals may be made from the Depreciation Account for extensions, additions, and enlargements of the system.

In addition, the 2010 bond issuance required the City to make additional monthly deposits to a separate depreciation fund of \$240 per month until the account reached \$28,800, and \$362 per month to be used specifically as needed to replace or add short-lived assets in the City's water system.

For the fiscal year ended June 30, 2011, the City is in substantial compliance with all covenants and provisions of the loan agreements.

**Water and Sewer Fund Kentucky Infrastructure Authority Loan**

On May 1, 1999, the City entered into an agreement with the Kentucky Infrastructure Authority to borrow, for new construction, \$6,925,703 with an interest rate of 3.8% to be repaid over a twenty year period. During the 2006 fiscal year the City added \$689,403 to the KIA Treatment Plant loan increasing the total loan receipts to \$7,615,106. During the 2004 fiscal year the City purchased the Water Systems from the Cities of Perryville and Junction City, Kentucky. The City agreed to assume KIA loans made to each city. The KIA loan for the Perryville system had a balance of \$222,048 with an interest rate of 4.2% to be repaid over an eight year period. The KIA loan for the Junction City system had a balance of \$945,224 with an interest rate of 5.375% to 5.750% to be repaid over a ten year period.

The Kentucky Infrastructure Authority Loans outstanding at June 30, 2011 are as follows:

<u>Description of Issue</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Maturity Date Fiscal Year</u>	<u>Debt Outstanding June 30, 2011</u>
KIA Loan A89-06				
Perryville Acquisition	\$ 418,055	4.2%	2012	\$ 15,276
KIA Loan C88-06				
Junction City Acquisition	945,224	2.25 to 5.25%	2014	340,000
KIA Loan A98-08				
Treatment Plant	7,615,106	3.8%	2021	4,405,209
				<u>\$ 4,760,485</u>

The annual principal and interest requirements of the above loans are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2012	\$ 483,352	\$ 190,993	\$ 674,345
2013	488,155	170,885	659,040
2014	608,812	150,043	758,855
2015	440,070	122,847	562,917
2016	456,951	105,077	562,028
2017-2021	2,283,146	234,142	2,517,288
	<u>\$ 4,760,485</u>	<u>\$ 973,988</u>	<u>\$ 5,734,473</u>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**6. LONG TERM DEBT (CONTINUED)**

For the fiscal year ended June 30, 2011, the City is in substantial compliance with all covenants and provisions of the KIA loan agreements.

**Parking Garage General Obligation Bonds**

Bond Series 2006 A and B were issued on December 1, 2006 to borrow money for parking garage construction of \$3,450,000 and \$1,200,000 with interest rates of 4.1455% and 5.7392% to be repaid over a thirty year period. Deferred issue costs of \$186,500 are amortized over the life of the issues.

**General Obligation Bond Debt Service Requirements**

The annual principal and interest requirements of the parking garage general obligation bonds payable as of June 30, 2011 are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 95,000	\$ 193,490	\$ 88,490
2013	95,000	189,548	284,548
2014	100,000	185,411	285,411
2015	105,000	180,940	285,940
2016	110,000	176,228	286,228
2017-21	630,000	802,649	1,432,649
2022-26	775,000	648,200	1,423,200
2027-31	975,000	498,263	1,473,263
2032-36	1,225,000	209,234	1,434,234
2037	280,000	6,385	286,385
	<u>\$ 4,390,000</u>	<u>\$ 3,090,348</u>	<u>\$ 7,480,348</u>

**Storm Water Kentucky Bond Corporation 2010 First Series A Revenue Bond**

On August 25, 2010, the City entered into a lease agreement with the Kentucky Bond Corporation (KBC) to finance a project to improve the City's storm water sewer system. The cost of the project was \$775,000 and the lease terms require varying annual principal, interest, and program fee payments beginning in September 2010 and maturing February 1, 2030, with a varying interest rate between 1.00% to 4.00%.

The annual principal and interest requirements for the 2010 First Series A Revenue Bond with the Kentucky Bond Corporation are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 30,000	\$ 25,513	\$ 55,513
2013	30,000	24,838	54,838
2014	30,000	24,163	54,163
2015	30,000	23,488	53,488
2016	35,000	22,813	57,813
2017-21	175,000	99,450	274,450
2022-26	205,000	68,450	273,450
2027-30	195,000	22,838	217,838
	<u>\$ 730,000</u>	<u>\$ 311,553</u>	<u>\$ 1,041,553</u>

For the fiscal year ended June 30, 2011, the City is in substantial compliance with all covenants and provisions of the 2010 First Series A Revenue Bond.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**6. LONG TERM DEBT (CONTINUED)**

**Amount Due to Kentucky League of Cities**

The City's hazardous position police and fire department employees were transferred out of the City's Police and Firefighters Retirement Fund (PFRF) into the Commonwealth of Kentucky County Employees' Retirement System for Hazardous Position Employees (CERSH), as of August 1, 1988. As a requirement of this transfer, the City was obligated by state law to purchase past service credit not provided for by either the transfer of assets from the PFRF or by the present value of the excess of future employer contributions over employer normal cost. In other words, the funding for the City employees transferred into the CERSH had to be placed on equal footing with the funding for those already participating in the CERSH.

The original amount of this obligation was \$1,199,065. The City financed this obligation through the Kentucky League of Cities (KLC) note with a 4.10% interest rate. The outstanding loan balance at June 30, 2011 is \$525,000.

The annual principal and interest requirements for the KLC loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 65,000	\$ 20,696	\$ 85,696
2013	69,000	18,113	87,113
2014	72,000	15,257	87,257
2015	76,000	12,214	88,214
2016	74,000	9,074	83,074
2017-18	169,000	7,621	176,621
Total	<u>\$ 525,000</u>	<u>\$ 82,975</u>	<u>\$ 607,975</u>

**Municipal Facility Construction Funded by Kentucky League of Cities**

The City borrowed \$7,317,347 for 30 years at 3.00% interest rate, which was approved by Ordinance No. 1743. The ordinance approved maximum loan of \$7,500,000 and a sinking fund for tax funds and debt service payments.

The annual principal and interest requirements for the Municipal Facility KLC loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 153,533	\$ 287,141	\$ 440,674
2013	160,636	280,022	440,658
2014	166,628	274,029	440,657
2015	173,344	267,307	440,651
2016	179,848	260,797	440,645
2017-21	1,016,540	1,186,503	2,203,043
2022-26	1,237,809	964,874	2,202,683
2027-31	1,508,297	693,844	2,202,141
2032-36	1,838,351	363,011	2,201,362
2037-38	807,174	36,411	843,585
Total	<u>\$ 7,242,160</u>	<u>\$ 4,613,939</u>	<u>\$ 11,856,099</u>

For the fiscal year ended June 30, 2011, the City is in substantial compliance with all covenants and provisions of the 2009 KLC agreement.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**6. LONG TERM DEBT (CONTINUED)**

**Park Improvement Funded by Kentucky League of Cities**

The City borrowed \$50,000 for 7 years at a 1.80% interest rate.

The annual principal and interest requirements for the Park Improvement KLC loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 6,673	\$ 1,591	\$ 8,264
2013	6,897	1,367	8,264
2014	7,124	1,140	8,264
2015	7,360	905	8,265
2016	7,603	662	8,265
2017	<u>7,855</u>	<u>367</u>	<u>8,222</u>
Total	<u>\$ 43,512</u>	<u>\$ 6,032</u>	<u>\$ 49,544</u>

For the fiscal year ended June 30, 2011, the City is in substantial compliance with all covenants and provisions of the KLC agreement.

**Fire Truck Lease by Kentucky Bond Corporation**

On August 25, 2010, the City entered into a lease agreement with the Kentucky Bond Corporation (KBC) to finance the acquisition of a fire truck. The cost of the fire truck was \$495,000 and the lease terms require varying annual principal, interest, and program fee payments beginning in September 2010 and maturing February 1, 2030, with a varying interest rate between 1.00% to 4.00%.

The annual principal and interest requirements for the Fire Truck Lease with the Kentucky Bond Corporation are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 20,000	\$ 15,794	\$ 35,794
2013	20,000	15,344	35,344
2014	20,000	14,894	34,894
2015	20,000	14,444	34,444
2016	20,000	13,973	33,973
2017-2021	110,000	60,988	170,988
2022-2026	130,000	40,355	170,355
2027-2030	<u>125,000</u>	<u>11,389</u>	<u>136,389</u>
Total	<u>\$ 465,000</u>	<u>\$ 187,181</u>	<u>\$ 652,181</u>

For the fiscal year ended June 30, 2011, the City is in substantial compliance with all covenants and provisions of the KLC agreement.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**6. LONG TERM DEBT (CONTINUED)**

**Summary of Debt Transactions**

Long-term liability activity for the year ended June 30, 2011, was as follows:

Amounts shown in ending balance of long-term liabilities include both current and long-term portions.

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 209,433	\$ -	\$ (4,452)	\$ 204,981	\$ 10,789
Loan obligations:					
Amount due KLC	7,953,347	-	(142,675)	7,810,672	225,206
Amount due to KBC	-	495,000	(30,000)	465,000	20,004
Less deferred amounts	<u>(128,946)</u>	<u>-</u>	<u>(10,474)</u>	<u>(139,420)</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 8,033,834</u>	<u>\$495,000</u>	<u>\$ (187,601)</u>	<u>\$ 8,341,233</u>	<u>\$ 255,999</u>
<u>Business-type activities</u>					
Loan obligations:					
Bonds – Utility & Parking	\$ 8,475,700	\$ 600,000	\$ (516,500)	\$ 8,559,200	\$ 537,500
Less deferred amounts:					
Issuance discounts	(160,094)	-	5,929	(154,165)	(5,930)
Refunding	<u>(205,136)</u>	<u>-</u>	<u>51,283</u>	<u>(153,853)</u>	<u>(51,283)</u>
Total bonds	<u>8,110,470</u>	<u>600,000</u>	<u>(459,288)</u>	<u>8,251,182</u>	<u>480,287</u>
KBC bond - Stormwater	-	775,000	(45,000)	730,000	30,000
Less deferred amounts:					
Refunding	<u>-</u>	<u>-</u>	<u>(23,606)</u>	<u>(23,606)</u>	<u>-</u>
Total KBC bond	<u>-</u>	<u>775,000</u>	<u>(68,606)</u>	<u>706,394</u>	<u>30,000</u>
KIA loans - Utility	5,243,655	-	(483,169)	4,760,486	483,352
Less deferred amounts:					
Refunding	<u>56,089</u>	<u>-</u>	<u>(14,022)</u>	<u>42,067</u>	<u>14,023</u>
Total KIA loans	<u>5,299,744</u>	<u>-</u>	<u>(497,191)</u>	<u>4,802,553</u>	<u>497,375</u>
Compensated absences	<u>63,244</u>	<u>-</u>	<u>6,089</u>	<u>69,333</u>	<u>3,466</u>
Business-type activities	<u>\$ 13,473,458</u>	<u>\$1,375,000</u>	<u>\$(1,018,996)</u>	<u>\$13,829,462</u>	<u>\$ 1,011,128</u>

Deferred amounts – Bond discounts, refunding issue costs and gains are netted from the loan obligation payable on the statement of net assets.

**7. CONDUIT DEBT OBLIGATIONS**

The City occasionally issues Industrial Revenue Bonds to assist local private sector entities in financing new or expanded industrial, commercial, or residential facilities deemed to be in the public interest. The bonds are collateralized by the facilities financed with the bond proceeds and are payable solely from a pledge of revenues to be derived from those facilities. The bonds and related interest do not represent or constitute an indebtedness of the City or a pledge of faith and credit of the City. Accordingly, the bonds and related assets are not included in the City's financial statements.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**8. CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**9. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation claims. Significant losses are covered by commercial insurance for all major programs except unemployment compensation and workers' compensation, for which the City retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage from prior years. Also, there have been no settlements exceeding insurance coverage for each of the past three years. The City participates in two pooled self-insurance programs sponsored by the Kentucky League of Cities. These include unemployment compensation and workers' compensation.

**10. TRANSFERS OF FUNDS**

Transfers between funds consisted of the following for the fiscal year ended June 30, 2011:

<u>Type</u>	<u>From fund</u>	<u>To fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Municipal Aid	General	Street repairs	\$ 50,000
Operating	General	Museum	Operating expense	14,275
Operating	General	Cemetery	Operating expense	75,058
Operating	General	Garbage	Operating expense	118,166
Operating	General	Parking	Operating expense	246,661
				<u>\$ 504,160</u>

**11. INCENTIVE PAY TO FIRE FIGHTERS**

In 1980, the Kentucky General Assembly established the Professional Firefighters Foundation Program Fund with the stated purpose of upgrading the educational and training standards of local firefighters by offering pay incentives to firefighters whose departments participated in the program. The Professional Firefighters Foundation Program Fund was to be administered by the Commission on Fire Protection Personnel Standards and Education (Fire Commission). Local governments, including cities and counties with fire departments meeting certain criteria, were invited to participate by entering into a formal agreement with the Fire Commission. Under the agreements, local governments obligated themselves to comply with the requirements of KRS Chapter 95A and administrative regulations, including those that governed the receipt and allocation of the firefighter incentive pay.

For more than two decades prior to 2008, the Kentucky Labor Cabinet, using its interpretation of the applicable statutes (mainly KRS 337.285), issued regulations to inform the Fire Commission how to calculate the overtime pay owed to firefighters receiving the training incentive money. The Fire Commission instructed the participating local governments to pay the firefighters in accordance with the Labor Cabinet regulations. The City complied and paid their firefighters accordingly.

CITY OF DANVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**11. INCENTIVE PAY TO FIRE FIGHTERS, continued**

In 2007, the Court of Appeals rendered a decision in *Commonwealth, Labor Cabinet v. Hasken*, in which it disagreed with the Kentucky Labor Cabinet's established formula for calculating firefighters' overtime pay. Based upon its interpretation of the applicable statutes, the Court of Appeals compelled a revision of the method for calculating the overtime pay for firefighters receiving the incentive training money. The calculation approved in *Hasken* is more generous to firefighters than the formula it replaced. As a result, local governments, including the City, that had followed the Labor Cabinet regulations had apparently underpaid their firefighters.

To comply with *Hasken*, the Labor Cabinet revised its regulation for calculating overtime pay for firefighters receiving incentive training pay. It also initiated administrative actions against the City and other municipalities on behalf of the firefighters to collect the unpaid portion of overtime pay, using the *Hasken* formula. The City and other municipalities sought to block that effort by filing the action underlying this appeal in the Franklin Circuit Court.

In August 2011 the Supreme Court of Kentucky ruled that the Kentucky Labor Cabinet was authorized to proceed with its administrative action against the City and the other municipalities across the state of Kentucky for overtime wages on incentive pay to fire fighters by ruling that the City and the other municipal governments were subject to Kentucky's wages and hours law and were not immune from lawsuits brought by the Kentucky Labor Cabinet.

The City has estimated such cost of this ruling will be approximately \$238,344, including wages, retirement, and social security. This amount has been recorded in the City's general fund financial statements as of and for the year ended June 30, 2011 in accounts payable and public safety expenditures.

**12. RECLASSIFICATIONS**

Certain presentations of accounts previously reported have been reclassified in these financial statements. Such reclassifications primarily are the result of the adoption of GASB 54 and had no effect on net income. Fund balances remain the same; however, the breakdown between components of fund balance have been adjusted per GASB 54.

**13. SUBSEQUENT EVENTS**

In November 2011, the City received a letter from the Federal Emergency Management Agency (FEMA) stating that one of the projects that the City submitted to FEMA during the ice storm was approved for grant monies in the amount of \$371,914 with a required non-federal match amount of \$123,971. The project is a designated storm shelter/tornado safe room in the basement of City Hall that would need to be completed by 2013.

Subsequent to June 30, 2011, the City Commissioners approved Ordinance #1792 to increase water and sewer rates by approximately 45% due to the new water plant expansion.

The City has evaluated and considered the need to recognize or disclose subsequent events through February 7, 2012, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2011, have not been evaluated by the City.

## **SUPPLEMENTAL INFORMATION**

CITY OF DANVILLE, KENTUCKY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
DEFINED BENEFIT RETIREMENT PLAN  
for the year ended June 30, 2011

I. SCHEDULE OF FUNDING PROGRESS

Police and Fire Pension Fund						
Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) entry age ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
6/30/1999	\$ 1,287,137	\$ 2,707,399	\$ 1,420,262	48%	\$ 26,104	5441%
6/30/2000	\$ 1,153,312	\$ 2,771,517	\$ 1,618,205	42%	\$ 27,518	5881%
6/30/2001	\$ 1,091,744	\$ 2,719,227	\$ 1,627,483	40%	\$ 26,554	6129%
6/30/2002	\$ 1,004,846	\$ 2,751,583	\$ 1,746,737	37%	\$ 28,747	6076%
6/30/2003	\$ 888,977	\$ 2,729,660	\$ 1,840,683	33%	\$ 30,941	5949%
6/30/2004	\$ 897,495	\$ 2,592,904	\$ 1,695,409	35%	\$ 33,134	5117%
6/30/2005	\$ 829,247	\$ 2,615,080	\$ 1,785,833	32%	\$ 33,425	5343%
6/30/2006	\$ 768,326	\$ 2,629,048	\$ 1,860,722	29%	\$ 37,001	5029%
6/30/2007	\$ 808,057	\$ 2,674,820	\$ 1,866,763	30%	\$ 37,835	4934%
6/30/2008	\$ 706,604	\$ 2,475,132	\$ 1,768,528	29%	\$ 40,935	4320%
6/30/2009	\$ 588,646	\$ 2,479,936	\$ 1,891,290	24%	\$ 42,863	4412%
6/30/2010	\$ 635,803	\$ 2,393,785	\$ 1,757,982	27%	\$ 41,344	4252%

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Police and Fire Pension Fund		
Fiscal Year	Annual Required Contributions	Percentage Contributed
1999	\$ 122,902	90%
2000	\$ 121,146	99%
2001	\$ 136,536	89%
2002	\$ 137,014	88%
2003	\$ 147,840	83%
2004	\$ 156,352	79%
2005	\$ 146,174	87%
2006	\$ 153,398	86%
2007	\$ 161,384	81%
2008	\$ 163,201	110%
2009	\$ 157,004	118%
2010	\$ 166,417	111%
2011	\$ 155,834	122%

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON PENSION PLAN FUNDING PROGRESS

	Police and Fire Pension Fund
Valuation date	July 1, 2010
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Amortization period	30 years closed
Actuarial asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	3.0%
Post retirement benefit increases	2.8%
Inflation	None

**CITY OF DANVILLE, KENTUCKY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**for the year ended June 30, 2011**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Taxes	\$ 1,584,000	\$ 1,584,000	\$ 1,586,278	\$ 2,278
Licenses and fees	6,803,000	6,803,000	7,599,867	796,867
Intergovernmental revenue	507,205	507,205	264,557	(242,648)
Penalties and forfeitures	16,500	16,500	15,729	(771)
Other revenue	<u>1,007,065</u>	<u>1,007,065</u>	<u>1,023,321</u>	<u>16,256</u>
Total revenues	<u>9,917,770</u>	<u>9,917,770</u>	<u>10,489,752</u>	<u>571,982</u>
<b>Expenditures</b>				
Current operating				
General government	1,658,636	1,658,636	1,579,157	79,479
Public services	990,786	990,786	1,080,714	(89,928)
Public safety	6,411,739	6,411,739	5,900,303	511,436
Community services	1,000,541	1,000,541	943,725	56,816
Debt service	509,528	509,528	447,761	61,767
Capital outlay	<u>1,556,566</u>	<u>1,556,566</u>	<u>913,830</u>	<u>642,736</u>
Total expenditures	<u>12,127,796</u>	<u>12,127,796</u>	<u>10,865,490</u>	<u>1,262,306</u>
Excess (deficiency) of revenues over expenditures	(2,210,026)	(2,210,026)	(375,738)	1,834,288
<b>Other financing sources (uses)</b>				
Transfers (to) from other funds, net	(404,160)	(404,160)	(404,160)	-
Sale of property	-	-	10,000	10,000
Loan proceeds	<u>580,000</u>	<u>580,000</u>	<u>495,000</u>	<u>(85,000)</u>
Total other financing sources (uses)	175,840	175,840	100,840	(75,000)
Excess (deficiency) of revenues over expenditures and transfers	(2,034,186)	(2,034,186)	(274,898)	1,759,288
Fund balance, beginning of year	<u>4,080,789</u>	<u>4,080,789</u>	<u>4,019,001</u>	<u>(61,788)</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 2,046,603</u>	<u>\$ 2,046,603</u>	<u>\$ 3,744,103</u>	<u>\$ 1,697,500</u>

**CITY OF DANVILLE, KENTUCKY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**STATEMENT OF REVENUES - BUDGET AND ACTUAL**  
**for the year ended June 30, 2011**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Taxes</b>				
Real and personal property	\$ 1,324,000	\$ 1,324,000	\$ 1,302,703	\$ (21,297)
Tangible property	230,000	230,000	241,328	11,328
PILOT - Housing Authority	30,000	30,000	42,247	12,247
Total taxes	1,584,000	1,584,000	1,586,278	2,278
<b>Licenses and fees</b>				
Payroll licenses	4,000	4,000	10,512	6,512
Insurance licenses	1,300,000	1,300,000	1,168,103	(131,897)
Occupational licenses	4,177,750	4,177,750	4,737,872	560,122
Net profits	370,750	370,750	516,169	145,419
Liquor licenses	288,000	288,000	432,110	144,110
Franchise fees-Rural Electric Cooperative Corporation	18,500	18,500	22,583	4,083
Franchise fees-Kentucky Utilities	435,000	435,000	502,152	67,152
Franchise fees-Comcast	110,000	110,000	109,952	(48)
Franchise fees-Bank	93,000	93,000	99,914	6,914
Other licenses and fees	6,000	6,000	500	(5,500)
Total licenses and fees	6,803,000	6,803,000	7,599,867	796,867
<b>Intergovernmental revenue</b>				
Firefighters' grant	239,605	239,605	523	(239,082)
Police grant	19,350	19,350	283	(19,067)
Firefighters' incentive	99,250	99,250	98,395	(855)
Law enforcement incentive	122,000	122,000	113,237	(8,763)
BASE court	27,000	27,000	26,107	(893)
Other intergovernmental revenue	-	-	26,012	26,012
Total intergovernmental revenue	507,205	507,205	264,557	(242,648)
<b>Fines and forfeitures</b>				
Arrest fees	16,500	16,500	15,729	(771)
Total fines and forfeitures	16,500	16,500	15,729	(771)
<b>Loan proceeds</b>				
Loan for dump truck	80,000	80,000	-	(80,000)
Loan for fire truck	500,000	500,000	495,000	(5,000)
Total loan proceeds	580,000	580,000	495,000	(85,000)
<b>Other revenue</b>				
Community tower rental	84,150	84,150	76,788	(7,362)
Fire protection	22,000	22,000	22,691	691
Community contracts	42,400	42,400	42,229	(171)
Management fees	772,115	772,115	751,776	(20,339)
Building rental	200	200	51	(149)
Change in fair value of investments	-	-	(4,179)	(4,179)
Interest	20,000	20,000	46,709	26,709
Tobacco crop	1,200	1,200	1,327	127
Boyle County cost sharing	60,000	60,000	60,174	174
Insurance proceeds	-	-	14,535	14,535
Miscellaneous	5,000	5,000	11,220	6,220
Total other revenue	1,007,065	1,007,065	1,023,321	16,256
Total revenue	\$ 10,497,770	\$ 10,497,770	\$ 10,984,752	\$ 486,982

**CITY OF DANVILLE, KENTUCKY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL**  
**for the year ended June 30, 2011**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>General government</b>				
<b>Legislative and executive</b>				
Personnel	\$ 500,739	\$ 500,739	\$ 498,347	\$ 2,392
Contractual	194,450	194,450	243,431	(48,981)
Other	51,000	51,000	43,803	7,197
Total legislative and executive	746,189	746,189	785,581	(39,392)
<b>Finance and administration</b>				
Personnel	282,656	282,656	247,879	34,777
Contractual	373,850	373,850	350,013	23,837
Other	29,200	29,200	14,192	15,008
Total finance and administration	685,706	685,706	612,084	73,622
<b>Information technology</b>				
Personnel	117,821	117,821	83,514	34,307
Contractual	19,650	19,650	20,250	(600)
Other	28,900	28,900	19,138	9,762
Total information technology	166,371	166,371	122,902	43,469
<b>Geographical information systems</b>				
Personnel	45,670	45,670	48,066	(2,396)
Contractual	3,700	3,700	3,674	26
Other	11,000	11,000	6,850	4,150
Total geographical information systems	60,370	60,370	58,590	1,780
Total general government	1,658,636	1,658,636	1,579,157	79,479
<b>Public services</b>				
Personnel	284,536	284,536	283,072	1,464
Contractual	574,750	574,750	610,958	(36,208)
Other	131,500	131,500	186,684	(55,184)
Total public services	990,786	990,786	1,080,714	(89,928)
Total public services	990,786	990,786	1,080,714	(89,928)
<b>Public safety</b>				
<b>Police department</b>				
Personnel	2,563,513	2,563,513	2,379,757	183,756
Contractual	186,400	186,400	139,198	47,202
Other	190,250	190,250	172,062	18,188
Total police department	2,940,163	2,940,163	2,691,017	249,146
<b>Communications and administration services</b>				
Personnel	531,091	531,091	503,489	27,602
Contractual	32,250	32,250	35,716	(3,466)
Other	12,250	12,250	9,535	2,715
Total communications and administration services	575,591	575,591	548,740	26,851

**CITY OF DANVILLE, KENTUCKY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL, CONTINUED**  
**for the year ended June 30, 2011**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Public safety, continued</b>				
<b>Code enforcement</b>				
Personnel	\$ 189,513	\$ 189,513	\$ 179,012	\$ 10,501
Contractual	6,000	6,000	(12,329)	18,329
Other	12,050	12,050	4,827	7,223
Total code enforcement	207,563	207,563	171,510	36,053
<b>Fire and emergency services</b>				
Personnel	2,412,797	2,412,797	2,203,362	209,435
Contractual	171,375	171,375	176,004	(4,629)
Other	104,250	104,250	109,670	(5,420)
Total fire and emergency services	2,688,422	2,688,422	2,489,036	199,386
Total public safety	6,411,739	6,411,739	5,900,303	511,436
<b>Community services</b>				
<b>Community agencies</b>				
Grants	126,700	126,700	126,700	-
<b>Non-departmental</b>				
Grants	334,556	334,556	304,565	29,991
Police and fire retirement	190,000	190,000	190,000	-
Economic development initiative	120,000	120,000	295,000	(175,000)
Contingency - general fund	150,285	150,285	2,023	148,262
Loan costs	20,000	20,000	15,873	4,127
Insurance/judgement/claims	19,000	19,000	22,372	(3,372)
Workers' comp audit	20,000	20,000	(12,808)	32,808
Bird eradication	20,000	20,000	-	20,000
Total non-departmental	873,841	873,841	817,025	56,816
Total community services	1,000,541	1,000,541	943,725	56,816
<b>Debt service</b>				
CERS	83,951	83,951	83,951	-
City Hall	366,921	366,921	363,810	3,111
Fire truck	37,154	37,154	-	37,154
Park	8,269	8,269	-	8,269
Dump truck	13,233	13,233	-	13,233
Total debt service	509,528	509,528	447,761	61,767
<b>Capital outlay</b>				
Facilities	500,000	500,000	265,217	234,783
Fire department	767,216	767,216	514,470	252,746
Public services	80,000	80,000	-	80,000
Police department	209,350	209,350	134,143	75,207
Other	-	-	-	-
Total capital outlay	1,556,566	1,556,566	913,830	642,736
Total expenditures	\$ 12,127,796	\$ 12,127,796	\$ 10,865,490	\$ 1,262,306

CITY OF DALLAS, KENTUCKY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011

	Municipal Road Aid Fund	Police Safety Fund	Drug Forfeiture Fund	Hazard Mitigation Fund	Renaissance Fund	Streetscape Fund	Toys For Tots Fund	Other Expendable Trust Fund	Park Nonexpendable Trust Funds	Cemetery Nonexpendable Trust Fund	Total	2010 Total
<b>ASSETS</b>												
Cash and cash equivalents	\$ 453,285	\$ -	\$ 36,353	\$ 25,610	\$ 51,516	\$ 40,160	\$ 10,746	\$ 26,482	\$ 4,920	\$ 24,287	\$ 673,359	\$ 490,679
Investments	-	-	-	-	-	-	-	5,802	-	-	5,802	5,727
Total assets	<u>\$ 453,285</u>	<u>\$ -</u>	<u>\$ 36,353</u>	<u>\$ 25,610</u>	<u>\$ 51,516</u>	<u>\$ 40,160</u>	<u>\$ 10,746</u>	<u>\$ 32,284</u>	<u>\$ 4,920</u>	<u>\$ 24,287</u>	<u>\$ 679,161</u>	<u>\$ 496,406</u>
<b>LIABILITIES AND FUND BALANCE</b>												
Accounts payable	\$ 163,216	\$ 2,146	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,362	\$ 1,840
Accrued wages	-	198	-	-	-	-	-	-	-	-	198	-
Accrued payroll taxes & benefits payable	-	15	-	-	-	-	-	-	-	-	15	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>163,216</u>	<u>2,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,575</u>	<u>1,840</u>
Fund balance, restricted	-	-	-	-	-	-	-	-	4,920	24,287	29,207	29,011
Fund balance, unassigned	<u>290,069</u>	<u>(2,359)</u>	<u>36,353</u>	<u>25,610</u>	<u>51,516</u>	<u>40,160</u>	<u>10,746</u>	<u>32,284</u>	<u>-</u>	<u>-</u>	<u>484,379</u>	<u>465,555</u>
Total fund balance	<u>290,069</u>	<u>(2,359)</u>	<u>36,353</u>	<u>25,610</u>	<u>51,516</u>	<u>40,160</u>	<u>10,746</u>	<u>32,284</u>	<u>4,920</u>	<u>24,287</u>	<u>513,586</u>	<u>494,566</u>
Total liabilities and fund balance	<u>\$ 453,285</u>	<u>\$ -</u>	<u>\$ 36,353</u>	<u>\$ 25,610</u>	<u>\$ 51,516</u>	<u>\$ 40,160</u>	<u>\$ 10,746</u>	<u>\$ 32,284</u>	<u>\$ 4,920</u>	<u>\$ 24,287</u>	<u>\$ 679,161</u>	<u>\$ 496,406</u>

CITY OF DANVILLE, KENTUCKY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
for the year ended June 30, 2011

	Municipal Road Aid Fund	Police Safety Fund	Drug Forfeiture Fund	Hazard Mitigation Fund	Renaissance Fund	Streetscape Fund	Toys For Tots Fund	Other Expendable Trust Funds	Park Nonexpendable Trust Fund	Cemetery Nonexpendable Trust Fund	Total	2010 Total
<b>REVENUES</b>												
Intergovernmental	\$ 342,319	\$ 8,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,732	\$ 317,458
Penalties and forfeitures	-	-	11,373	-	-	-	-	-	-	-	11,373	5,905
Other revenues	<u>2,502</u>	<u>5</u>	<u>206</u>	<u>173</u>	<u>349</u>	<u>278</u>	<u>29,404</u>	<u>254</u>	<u>33</u>	<u>163</u>	<u>33,367</u>	<u>32,449</u>
Total revenues	344,821	8,418	11,579	173	349	278	29,404	254	33	163	395,472	355,812
<b>EXPENDITURES</b>												
Public safety	-	11,913	4,422	-	-	-	-	-	-	-	16,335	17,126
Public services	280,386	-	-	-	-	2,003	-	-	-	-	282,389	130,319
Community services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,275</u>	<u>-</u>	<u>25,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,728</u>	<u>40,573</u>
Total expenditures	280,386	11,913	4,422	-	2,275	2,003	25,453	-	-	-	326,452	188,018
Excess (deficiency) of revenues over expenditures	64,435	(3,495)	7,157	173	(1,926)	(1,725)	3,951	254	33	163	69,020	167,794
Transfers (to) from other funds	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(151,036)</u>
Excess (deficiency) of revenues over expenditures and transfers	14,435	(3,495)	7,157	173	(1,926)	(1,725)	3,951	254	33	163	19,020	16,758
Fund balance, beginning of year	<u>275,634</u>	<u>1,136</u>	<u>29,196</u>	<u>25,437</u>	<u>53,442</u>	<u>41,885</u>	<u>6,795</u>	<u>32,030</u>	<u>4,887</u>	<u>24,124</u>	<u>494,566</u>	<u>477,808</u>
Fund balance, end of year	<u>\$ 290,069</u>	<u>\$ (2,359)</u>	<u>\$ 36,353</u>	<u>\$ 25,610</u>	<u>\$ 51,516</u>	<u>\$ 40,160</u>	<u>\$ 10,746</u>	<u>\$ 32,284</u>	<u>\$ 4,920</u>	<u>\$ 24,287</u>	<u>\$ 513,586</u>	<u>\$ 494,566</u>

**CITY OF DANVILLE, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR PROPRIETARY FUNDS**  
**June 30, 2011**

	<b>Garbage Fund</b>	<b>Cemetery Fund</b>	<b>Museum Fund</b>	<b>Storm Water</b>	<b>2011 Total</b>	<b>2010 Total</b>
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ -	\$ -	\$ 1,982	\$ 303,974	\$ 305,956	\$ 48,329
Accounts receivable, net of allowance for uncollectible accounts of \$126,065	44,275	14,126	-	37,798	96,199	93,370
Investments	-	110,917	-	-	110,917	126,267
Due from (to) other funds	36,149	(10,159)	-	(2,525)	23,465	(50,021)
Prepaid expenses and other assets	-	-	-	1,928	1,928	-
Total current assets	<u>80,424</u>	<u>114,884</u>	<u>1,982</u>	<u>341,175</u>	<u>538,465</u>	<u>217,945</u>
Noncurrent assets						
Restricted cash and cash equivalents	-	-	-	379,621	379,621	-
Capital assets, net	-	84,730	371,210	905,022	1,360,962	1,094,814
Total noncurrent assets	-	84,730	371,210	1,284,643	1,740,583	1,094,814
Total assets	<u>\$ 80,424</u>	<u>\$ 199,614</u>	<u>\$ 373,192</u>	<u>\$ 1,625,818</u>	<u>\$ 2,279,048</u>	<u>\$ 1,312,759</u>
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	\$ 70,446	\$ 2,326	\$ -	\$ 51,142	\$ 123,914	\$ 108,907
Accrued expenses	-	2,316	-	17,846	20,162	5,703
Current portion of compensated absences	-	78	-	179	257	220
Current portion of bonds and notes payable	-	-	-	30,000	30,000	-
Total current liabilities	<u>70,446</u>	<u>4,720</u>	<u>-</u>	<u>99,167</u>	<u>174,333</u>	<u>114,830</u>
Non-current liabilities						
Bonds and notes payables	-	-	-	676,394	676,394	-
Compensated absences, net of current portion	-	1,486	-	3,406	4,892	4,172
Total non-current liabilities	-	1,486	-	679,800	681,286	4,172
Total liabilities	<u>70,446</u>	<u>6,206</u>	<u>-</u>	<u>778,967</u>	<u>855,619</u>	<u>119,002</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	-	84,730	371,210	198,628	654,568	1,094,814
Net assets, restricted	-	-	-	-	-	-
Net assets, unrestricted	<u>9,978</u>	<u>108,678</u>	<u>1,982</u>	<u>648,223</u>	<u>768,861</u>	<u>98,943</u>
Total net assets	<u>9,978</u>	<u>193,408</u>	<u>373,192</u>	<u>846,851</u>	<u>1,423,429</u>	<u>1,193,757</u>
Total liabilities and net assets	<u>\$ 80,424</u>	<u>\$ 199,614</u>	<u>\$ 373,192</u>	<u>\$ 1,625,818</u>	<u>\$ 2,279,048</u>	<u>\$ 1,312,759</u>

**CITY OF DANVILLE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**for the year ended June 30, 2011**

	<u>Garbage Fund</u>	<u>Cemetery Fund</u>	<u>Museum Fund</u>	<u>Storm Water</u>	<u>2011 Total</u>	<u>2010 Total</u>
<b>Revenues</b>						
Fees for services	\$ 737,625	\$ 102,763	\$ -	\$ 576,805	\$ 1,417,193	\$ 1,310,326
Other revenues	<u>21,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,118</u>	<u>32,417</u>
Total revenues	758,743	102,763	-	576,805	1,438,311	1,342,743
<b>Operating Expenses</b>						
Personnel	-	79,141	-	229,155	308,296	319,065
Contractual	861,942	81,062	14,546	84,074	1,041,624	869,467
Depreciation	-	3,843	13,536	13,140	30,519	21,892
Other expenses	<u>-</u>	<u>32,578</u>	<u>-</u>	<u>17,438</u>	<u>50,016</u>	<u>9,770</u>
Total operating expenses	861,942	196,624	28,082	343,807	1,430,455	1,220,194
Operating income (loss)	<u>(103,199)</u>	<u>(93,861)</u>	<u>(28,082)</u>	<u>232,998</u>	<u>7,856</u>	<u>122,549</u>
<b>Nonoperating revenues (expenses)</b>						
Investment earnings	114	10,894	20	1,360	12,388	16,842
Other revenues (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,929</u>	<u>1,929</u>	<u>-</u>
Total nonoperating revenues (expenses)	114	10,894	20	3,289	14,317	16,842
Income (loss) before other revenues, expenses, gains, losses and transfers	(103,085)	(82,967)	(28,062)	236,287	22,173	139,391
Transfers from other funds	<u>118,166</u>	<u>75,058</u>	<u>14,275</u>	<u>-</u>	<u>207,499</u>	<u>122,000</u>
Change in net assets	15,081	(7,909)	(13,787)	236,287	229,672	261,391
Net assets, beginning of year	<u>(5,103)</u>	<u>201,317</u>	<u>386,979</u>	<u>610,564</u>	<u>1,193,757</u>	<u>932,366</u>
Net assets, end of year	<u>\$ 9,978</u>	<u>\$ 193,408</u>	<u>\$ 373,192</u>	<u>\$ 846,851</u>	<u>\$ 1,423,429</u>	<u>\$ 1,193,757</u>

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

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Mayor and Board of Commissioners  
City of Danville  
Danville, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Danville (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 7, 2012. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
February 7, 2012

CITY OF DANVILLE, KENTUCKY  
INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

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Mayor and the Board of Commissioners  
City of Danville  
Danville, Kentucky

Compliance

We have audited the City of Danville, Kentucky's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Danville's major federal programs for the year ended June 30, 2011. The City of Danville, Kentucky's major federal programs are identified in the summary of the auditors' 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 of Danville, Kentucky's management. Our responsibility is to express an opinion on City of Danville, Kentucky'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 of Danville, Kentucky's compliance with those requirements and performing such other procedures, as we considered necessary in these circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Danville, Kentucky's compliance with those requirements.

In our opinion, the City of Danville, Kentucky complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City of Danville, Kentucky 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 of Danville, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Danville, Kentucky's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

CITY OF DANVILLE, KENTUCKY  
INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH *OMB CIRCULAR A-133* (continued)

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Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 of management, Commission, and appropriate federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
February 7, 2012

CITY OF DANVILLE, KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2011

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Grant Contract Period	Award Amount	Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
Passed through Kentucky Department for Local Government Community Development Block Grant/State's Program (State-Administered Small Cities Program)	14.228	08-027	07/20/2009 -12/31/2011	\$ 1,300,000	\$ 1,164,831
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
Appalachian Regional Development	23.001			500,000	110,846
Water and Waste Disposal Systems for Rural Communities	10.781			<u>474,000</u>	<u>343,088</u>
Total				<u>\$ 2,274,000</u>	<u>\$ 1,618,765</u> *

\*Denotes Major Program

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Danville, Kentucky and is presented on the accrual basis of accounting. 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, or used in the preparation of, the basic financial statements may differ from these numbers.

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended June 30, 2011**

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**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements:

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified ☐ Yes ☒ No

Significant deficiencies identified that are not  
considered to be material weaknesses ☐ Yes ☒ No

Non-compliance material to financial statements noted ☐ Yes ☒ No

Federal Awards:

Internal control over major programs:

Material weaknesses identified ☐ Yes ☒ No

Significant deficiencies identified that are not  
considered to be material weaknesses ☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major programs:

Unqualified for all major programs.

Any audit findings disclosed that are required to be reported in  
accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Major Programs:

CFDA Number

14.228

Name of Federal Program or Cluster

U.S. Department of Housing and Urban Development  
Passed through Kentucky Department for Local Government  
Community Development Block Grant/State's Program  
(State-Administered Small Cities Program)

10.781

U.S. Department of Agriculture  
Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A  
and type B programs:

\$ 300,000

Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

**NOTICE OF ADOPTION AND SUMMARY OF  
SERIES 2013 NOTE AND SUBORDINATED DEBT ORDINANCE**

At a meeting held on November 25, 2013, the City of Danville, Kentucky ("City") gave second reading to, and adopted, an Ordinance entitled:

SERIES 2013 NOTE AND SUBORDINATED DEBT ORDINANCE  
AUTHORIZING THE ISSUANCE OF \$13,600,000 PRINCIPAL AMOUNT  
(SUBJECT TO A PERMITTED ADJUSTMENT INCREASING OR  
DECREASING SUCH PRINCIPAL AMOUNT BY UP TO \$1,350,000) OF  
WATER AND SEWER REVENUE BOND ANTICIPATION NOTES, SERIES  
2013, OR ALTERNATIVELY, SUBORDINATED DEBT, OF THE CITY OF  
DANVILLE, KENTUCKY; DESIGNATING THE PAYING AGENT AND  
REGISTRAR IN RESPECT THEREOF, IF APPLICABLE; APPROVING THE  
PREPARATION OF PRELIMINARY AND FINAL OFFICIAL STATEMENTS  
IN RESPECT THEREOF, IF APPLICABLE; PROVIDING FOR THE SALE OF  
SUCH NOTES, IF ISSUED, TO THE LOWEST AND BEST BIDDER; AND  
AUTHORIZING THE MAYOR AND THE CITY CLERK TO EXECUTE  
DOCUMENTS ON BEHALF OF THE CITY.

This is a note and subordinated debt ordinance (the "Ordinance") authorizing the issuance of approximately \$13,600,000 principal amount (which amount may be increased or decreased by an amount not to exceed \$1,350,000) (the "Permitted Adjustment") of Water and Sewer Revenue Bond Anticipation Notes, Series 2013 (the "Notes") ranking on a parity as to the pledge of revenues derived from the City's combined water and sewer system (the "System") with the pledge thereof to bonds and parity obligations issued pursuant to the General Bond Ordinance of the City adopted on September 23, 2013 (the "General Bond Ordinance"). As an alternative to the Notes, the Ordinance authorizes other form of subordinated obligations in like principal amount, such as an assistance agreement from the Kentucky Rural Water Finance Corporation or the Kentucky Infrastructure Authority ("Subordinated Obligations"), secured on a subordinated basis by the revenues of the System. The Notes or Subordinated Debt are to be issued in anticipation of the issuance by the City of its issuance of its \$8,600,000 Water and Sewer Revenue Bonds, Series 2015A (the "Series 2015A Bonds") and \$5,000,000 Water and Sewer Revenue Bonds, Series 2015B (the "Series 2015B Bonds," and together with the Series 2015A Bonds, the "Series 2015 Bonds"). The proceeds of the Notes or Subordinated Debt, as applicable, together with other available funds of the City, will be used to finance improvements to the System on an interim basis and pay the costs of issuing the Notes or Subordinated Debt. The Notes or Subordinated Debt shall be payable from and secured by a first pledge or the proceeds derived from the issuance of the Series 2015 Bonds and by a pledge of the revenues of the System on the basis described above. Provisions are made for the forms and sale of the Notes or Subordinated Debt and for the deposit of proceeds of the Notes or Subordinated Debt to various accounts established under the General Bond Ordinance and the Ordinance. Reference is hereby made to the full text of the Ordinance for a complete statement of its provisions and terms.

The City Clerk of the City of Danville, Kentucky hereby certifies that the above summary is true and correct and written in a way calculated to inform the public of its content.

/s/ Donna Peek  
\_\_\_\_\_  
City Clerk, City of Danville, Kentucky

The undersigned, an attorney licensed to practice law in the Commonwealth of Kentucky, hereby certifies that he prepared the summary of Ordinance set forth above and that the summary represents an accurate depiction of the contents of such Ordinance adopted by the City of Danville, Kentucky on November 25, 2013.

/s/ Dirk M. Bedarff, Esq.  
\_\_\_\_\_  
Dirk M. Bedarff, Esq.  
Peck, Shaffer & Williams LLP  
50 East RiverCenter Blvd., Suite 1150  
Covington, Kentucky 41011



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

July 14, 2014

The Honorable Bernie Hunstad, Mayor  
City of Danville  
P.O. Box 670  
Danville, KY 40423

KENTUCKY INFRASTRUCTURE AUTHORITY  
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND  
CONDITIONAL COMMITMENT LETTER (F13-011 (Increase #2))

Dear Mayor Hunstad:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On June 26, 2014, the Authority approved your loan for Water Treatment Plant and Raw Water Intake subject to the conditions stated below. The total cost of the project shall not exceed \$28,608,171 of which the Authority loan shall provide \$12,467,849 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the City of Danville upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (7/14/2015) 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 \$4,000,000.

2. The loan shall contain principal forgiveness in the amount of \$400,000. Actual amortized loan and forgiveness amounts will be based on actual project costs drawn from the Authority.
3. The loan shall bear interest at the rate of 1.75% per annum commencing with the first draw of funds.
4. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
5. Interest shall be payable on the unforgiven 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.
6. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
7. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "F" loan funds may be considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky.

11. The Authority requires an annual audit to be performed for the life of the loan.

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

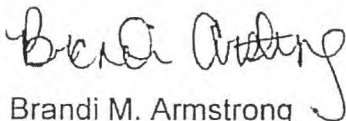
1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
4. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
5. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
6. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
7. An environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds, within the term of this binding commitment and prior to project bid.
8. Technical plans and specifications and a complete DWSRF specifications checklist shall be approved by the Division of Water prior to project bid.

9. All easements or purchases of land shall be completed prior to commencement of construction. Clear Site Certification of all land or easement acquisitions shall be provided to the Division of Water. DOW representatives shall be notified for attendance of the pre-construction conference.
10. Project changes or additions shall require a complete environmental and change order review before they can be included in the DWSRF loan project.
11. 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.
12. The Borrower shall comply with all Davis Bacon related monitoring and reporting and require all contractors to pay wages pursuant to applicable prevailing wage rates (federal or state) for all work relating to the subject Project.
13. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.
14. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.

Any special conditions stated in Attachment A must be resolved.

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

Sincerely,



Brandi M. Armstrong  
Financial Analyst

Mayor Hunstad  
July 14, 2014  
Page 5

Attachments

cc: Ron Scott, City of Danville  
Earl Coffey, City of Danville  
Robert Sturdivant, HDR Engineering, Inc.  
Division of Water  
Dirk Bedarff, Peck, Shaffer & Williams LLP  
State Local Debt Office, DLG  
Borrower File - City of Danville - F13-011 (Increase #2)

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

---

Date

**AUTHORIZATION FOR ELECTRONIC DEPOSIT  
OF BORROWER PAYMENT  
KENTUCKY INFRASTRUCTURE AUTHORITY  
(FUND F13-011 (Increase #2))**

**Borrower Information:**

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: KY Zip: \_\_\_\_\_

Federal I.D. # \_\_\_\_\_

Contact Name: \_\_\_\_\_ Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

**Financial Institution Information:**

Bank Name: \_\_\_\_\_

Branch: \_\_\_\_\_ Phone No: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Transit / ABA No.: \_\_\_\_\_

Account Name: \_\_\_\_\_

Account Number: \_\_\_\_\_

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

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name Printed: \_\_\_\_\_ Job Title: \_\_\_\_\_

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 Danville  
F13-011 (Increase #2)**

<b>EXECUTIVE SUMMARY</b>		Reviewer	Jeff Abshire
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	June 26, 2014
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F13-011 (Increase #2)
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21021017
<b>BORROWER</b>	CITY OF DANVILLE BOYLE COUNTY		
<b>BRIEF DESCRIPTION</b>			
<p>The City of Danville is requesting an increase of \$4,467,849 in KIA funds for the Water Treatment Plant and Raw Water Intake Project. This increase will replace previously proposed bond funding of the same amount. The project was ranked tenth on the 2014 Drinking Water State Revolving Fund Priority List and was eligible for the additional \$4.0 million amount. There is no change in the original project budget total. The original project description is below.</p> <p>This project involves the renovation of the City of Danville's water treatment plant and raw water intake, a capacity increase and the addition of advanced treatment methods to insure compliance with new water quality regulations. The existing plant was constructed in 1924 with subsequent renovations or expansions in 1952, 1957, 1966, 1983, and 1990 and is deteriorating.</p>			
<b>PROJECT FINANCING</b>		<b>PROJECT BUDGET</b>	
Fund F Loan (F14-010)	\$4,000,000	Administrative Expenses	\$125,000
Fund F Loan (F13-011)	4,000,000	Legal Expenses	125,000
Rural Development	15,000,000	Eng - Design / Const	6.4% 7.3% 1,906,892
F14-010 Increase	4,467,849	Eng - Insp	4.1% 0.0% -
Utilities Fund	1,140,322	Construction	23,789,000
		Contingency	2,250,779
		Other	411,500
<b>TOTAL</b>	<b>\$28,608,171</b>	<b>TOTAL</b>	<b>\$28,608,171</b>
<b>REPAYMENT</b>	Rate Term	1.75% 20 Years	Est. Annual Payment 1st Payment 6 Mo. after first draw \$247,902
<b>PROFESSIONAL SERVICES</b>	Engineer Bond Counsel	HDR Engineering, Inc. Peck, Shaffer, & Williams	
<b>PROJECT SCHEDULE</b>	Bid Opening Construction Start Construction Stop	Oct-13 Feb-14 Aug-16	
<b>DEBT PER CUSTOMER</b>	Existing Proposed	\$709 \$2,981	
<b>OTHER DEBT</b>	See Attached		
<b>OTHER STATE-FUNDED PROJECTS LAST 5 YRS</b>	See Attached		
<b>RESIDENTIAL RATES</b>			
	<u>Current</u>	<u>Users</u>	<u>Avg. Bill</u>
		10,166	\$18.46 (for 4,000 gallons)
	<u>Additional</u>	0	\$18.46 (for 4,000 gallons)
<b>REGIONAL COORDINATION</b> This project is consistent with regional planning recommendations.			
<b>CASHFLOW</b>	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service
			Coverage Ratio
Audited 2011	1,162,755	1,307,500	(144,745) 0.9
Audited 2012	2,054,903	1,316,546	738,357 1.6
Audited 2013	2,477,701	1,310,304	1,167,397 1.9
Projected 2014	2,151,753	1,369,686	782,067 1.6
Projected 2015	2,429,984	795,794	1,634,190 3.1
Projected 2016	2,577,886	866,638	1,711,248 3.0
Projected 2017	2,526,832	1,502,464	1,024,368 1.7
Projected 2018	2,385,691	2,073,232	312,459 1.2

Reviewer: Jeff Abshire  
Date: June 26, 2014  
Loan Number: F13-011 (Increase #2)

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND "F")  
CITY OF DANVILLE, BOYLE COUNTY  
PROJECT REVIEW  
WX21021017**

**I. PROJECT DESCRIPTION**

The City of Danville is requesting a Drinking Water SRF loan in the amount of \$4,467,849 for the Water Treatment Plant and Raw Water Intake project. This funding will replace bond funding that was originally proposed resulting in a significant reduction in debt service costs. The Kentucky Infrastructure Authority funded \$4,000,000 during the fiscal 2013 funding cycle when the project was ranked eleventh (F13-011) out of sixty-two projects and an additional \$4,000,000 during the 2014 funding cycle when the project ranked tenth (F14-010) out of fifty-three projects. In an effort to reduce administrative burdens this request will be reported as an increase to the project that was funded during fiscal 2013 (F13-011).

The project involves the renovation and expansion of the City's water treatment plant and raw water intake, a capacity increase from 10 to 12 million gallons per day (MGD) and the addition of advanced treatment methods. The design will permit capacity to be increased to 15 MGD if required in the future. The project will ensure compliance with the EPA's Stage 2 Disinfectants / Disinfection By-Products Rule. The existing plant was constructed in 1924 with subsequent renovations or expansions in 1952, 1957, 1966, 1983, and 1990 and is deteriorating. The project includes the following components:

- 1) New raw water pump station and intake line to provide needed redundancy to the system.
- 2) Replace chemical feed, storage building and HVAC system. The current facility is not sized to supply the expanded capacity. The new feed system will accommodate liquid chemicals (current system is dry feed) which will reduce operating expenses because liquid chemicals can be purchased in bulk for less than their dry feed counterparts. Additionally, maintenance associated with liquid feed systems is less than dry feed systems. The HVAC units in the existing building are also inefficient and / or non-functioning.
- 3) Install clarification system with lamella plate settlers which will produce a single hydraulic grade across the clarification basins to encourage even flow distribution and better performance. The existing flocculators and sedimentation basins in the pre-1966 section are deteriorating and need to be replaced while the newer section is also exhibiting signs of concrete deterioration and equipment replacement needs.
- 4) Replace filters in the pre-1966 section that are at the end of their useful life with seven filters that will use conventional mixed media granular filtration. The new filters will be comparable in size to the existing filters in the newer section and will

enable the plant to meet KDOW redundancy requirements. The filter building will also be renovated.

- 5) Add a 1,000,000 gallon clearwell to achieve the recommended total clearwell storage volume of 15% of treatment capacity.
- 6) Install granular activated carbon (GAC) post-filter contactors for trace organic compound reduction as well as for taste and odor reduction.

Project bids were opened October 8, 2013. The project budget will remain unchanged in total from the originally proposed budget and the contingency will remain at approximately ten percent of construction cost. With the original section of the water treatment plant having been constructed in the 1920's and the entire site being located on karst topography, the discovery of even a small unforeseen condition could be costly to mitigate. Retaining the contingency until the construction process has surpassed these risk stages is more practical than reducing the proposed budget and then requiring a loan increase at a later date.

Approximately 26% (400 million gallons) of water is sold at an average of \$1.61 per thousand gallons to wholesale customers which include the Parksville Water District, Garrard County and Lake Village Water Associations, and Hustonville Water Works. Wholesale rates will increase to \$2.176 per thousand gallons at the beginning of fiscal 2015. A cost of service study will be conducted in late fiscal 2014 to ensure the adequacy of the rate. A retail rate increase of approximately 40% was effective in July 2011.

## II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 125,000
Legal Expenses	125,000
Engineering Fees - Design	1,419,084
Engineering Fees - Const / Inspection	487,808
Construction	23,789,000
Contingency	2,250,779
Other	411,500
<b>Total</b>	<b>\$ 28,608,171</b>

## III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan (F14-010)	\$ 4,000,000	14%
Fund F Loan (F13-011)	4,000,000	14%
Rural Development	15,000,000	52%
Fund F Loan (F14-010 Increase)	4,467,849	16%
Utilities Fund	1,140,322	4%
<b>Total</b>	<b>\$ 28,608,171</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

	2013 IUP (2012 Cap Grant)	2014 IUP (2013 Cap Grant)	Total
Construction Loan	\$ 4,000,000	\$ 8,467,849	\$ 12,467,849
Less: Principal Forgiveness (0%)	400,000	0	400,000
Amortized Loan Amount	\$ 3,600,000	\$ 8,467,849	\$ 12,067,849
Interest Rate	1.75%	1.75%	1.75%
Loan Term (Years)	20	20	20
Estimated Annual Debt Service	\$ 214,112	503,630	\$ 717,742
Administrative Fee (0.25%)	9,000	21,170	30,170
		\$	
<b>Total Estimated Annual Debt Service</b>	<b>\$ 223,112</b>	<b>524,800</b>	<b>\$ 747,912</b>

#### V. PROJECT SCHEDULE

Bid Opening	October 2013
Construction Start	February 2014
Construction Stop	August 2016

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current
Residential	8,826
Commercial	1,322
Industrial	18
<b>Total</b>	<b>10,166</b>

##### B) Rates

	Residential and Commercial Current	Prior	Junction City / Perryville
Date of Last Rate Increase	07/01/13	07/01/12	07/01/13
First 100 cu. ft. (min. bill)	\$8.20	\$8.06	\$13.74
Next 200	2.73	2.69	4.58
Next 1,500	2.05	2.00	3.43
All Over 1,800	1.74	1.71	2.92
Cost for 4,000 gallons	\$18.46	\$18.12	\$30.95
Increase %	1.9%	3.3%	1.0%
Affordability Index (Rate/MHI)	0.6%	0.6%	1.1%

The City's water and sewer rate ordinance requires that rates be adjusted each July

1 for cost of living adjustments as published by the Commonwealth.

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2007-2011, the City's population was 16,123 with a Median Household Income (MHI) of \$38,333. The median household income for the Commonwealth is \$42,248. The project will qualify for a 1.75% interest rate.

Other selected demographic history for the City and for Boyle County is as follows:

Year	Population				Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	12,942		25,066		June 2003	11.1%
1990	12,420	-4.0%	25,641	2.3%	June 2008	7.2%
2000	15,477	24.6%	27,697	8.0%	June 2012	10.0%
2010	16,218	4.8%	28,432	2.7%	June 2013	10.0%
Current	16,123	-0.6%	28,345	-0.3%		
Cumulative %		24.6%		13.1%		

## **VIII. 2013 CAPITALIZATION GRANT EQUIVALENCIES**

- 1) Green Project Reserve - The 2013 Drinking Water capitalization grant does not contain a "green" requirement.
- 2) Additional Subsidization – This amount being funded under the 2013 capitalization grant does not qualify for additional subsidization. The original loan approval of \$4.0 million under the 2012 grant qualified for \$400,000 (10%) in principal forgiveness.

## **IX. FINANCIAL ANALYSIS (See Exhibit 1)**

Financial information was obtained from the City's audited financial statements for the years ended June 30, 2011 through 2013 for the City's Utilities Fund. The Utilities Fund accounts for the activities of the water and sewer services provided to residents of the City and surrounding areas. The City also has a storm water fund which is reported separately and is not part of this analysis.

### **HISTORY**

Revenues increased 18% from \$6.4 million in 2011 to \$7.6 million in 2013 primarily due to rate increases that were passed at the beginning of fiscal 2012. Approximately 20%, or \$662 thousand, of water sales are to wholesale customers. Operating expenses averaged \$5.3 million each year and varied minimally. Debt service was about \$1.3 million each year and the debt coverage ratio improved from 0.9 in 2011 to 1.6 and 1.9 in 2012 and 2013, respectively, as a result of the rate increases.

The balance sheet reflects a current ratio of 1.1 and a debt to equity ratio of 0.3. The number of months operating expenses in unrestricted cash is 2.0.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase 2.5% annually for inflation while retail growth will be marginal. Wholesale water rates will increase 35% at the beginning of fiscal 2015. Wholesale revenues will increase about \$100,000 in 2016 for the addition of one customer that has committed to purchase 150,000 gallons per day.
- 2) Expenses will increase 2.5% annually for inflation. Additionally, operating expenses will increase by \$175,000 beginning in 2018 for periodic reactivation of the GAC filters.
- 3) Debt service on KIA loans for the project is estimated at \$471,015 annually. Total debt service for the Utility Fund will increase to slightly over \$2.1 million upon completion of the project.
- 4) Debt service coverage is 1.2 in 2018 which is the first full year of principal and interest repayments on the project.

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

## REPLACEMENT RESERVE

The annual replacement cost is \$31,200 (based on the entire \$12,467,849 KIA loan). This amount should be added to the replacement account each December 1 until the balance reaches \$312,000 and maintained for the life of the loan. This amount is incremental to reserve requirements on other debt components.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Series 1995 Revenue Bonds	\$ 408,000	2034
Series 2000 Revenue Bonds	391,300	2040
Series 2003 Revenue Bonds	435,000	2014
Series 2008 RD Bonds	1,432,900	2049
Series 2010 RD Bonds	592,000	2050
KIA (C88-06)	185,000	2014
KIA (A98-08)	3,603,978	2021
KIA (F13-011, i/a/o \$8.0 M)	0	TBD
Series 2012 Anticipation Note	200,000	TBD
<b>Total</b>	<b>\$ 7,248,178</b>	

**XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS**

<b>Project Title</b>	<b>Funding Source</b>	<b>Amount</b>	<b>Type</b>
Ball's Branch Sewer	HB267	800,000	Grant
Airport Road Water	HB608	200,000	Grant
Ball's Branch Sewer	HB608	300,000	Grant
Spear's Creek Pump Station and Lagoon	HB608	1,000,000	Grant
Phylben Village Sewer	KIA / ARC	800,000	Grant

**XII. CONTACTS**

**Legal Applicant**

Name	City of Danville
Address	P.O. Box 670 Danville, KY 40423
County	Boyle
Authorized Official	Bernie Hunstad (Mayor)
Phone	(859) 238-1200
Email	Mayor@danvilleky.org

**Project Contact - Applicant**

Name	Earl Coffey
Representing	City of Danville
Address	P.O. Box 670 Danville, KY 40423
Phone	(859) 936-6836
Email	ecoffey@danvilleky.org

**Project Administrator**

Name	City of Danville
Address	P.O. Box 670 Danville, KY 40423
Contact	Ron Scott
Phone	(859) 238-1200
Email	rscott@danvilleky.org

**Consulting Engineer**

Name	Robert Sturdivant
Firm	HDR Engineering, Inc.
Address	2517 Sir Barton Way Lexington, KY 40509
Phone	(859) 223-3755
Email	bob.sturdivant@hdrinc.com

**XIII. RECOMMENDATIONS**

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

**CITY OF DANVILLE  
BALANCE SHEETS (JUNE YEAR END)**

	<b>Audited 2011</b>	<b>Audited 2012</b>	<b>Audited 2013</b>	<b>Upon Completion 2017</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	886,064	422,882	647,818	1,709,369
Investments	0	0	258,676	258,676
Accounts Receivable	903,654	594,767	744,560	849,900
Inventory	211,412	241,915	198,365	210,000
<b>Total Current Assets</b>	<b>2,001,130</b>	<b>1,259,564</b>	<b>1,849,419</b>	<b>3,027,945</b>
<b>Total Restricted Assets</b>	<b>1,696,755</b>	<b>1,806,755</b>	<b>1,605,972</b>	<b>1,860,000</b>
<b>Utility Plant</b>				
Property, Plant and Equipment	49,779,148	50,764,171	52,229,349	83,787,520
Less Accumulated Depreciation ( )	(21,427,319)	(22,541,920)	(23,684,964)	(29,611,064)
<b>Net Fixed Assets</b>	<b>28,351,829</b>	<b>28,222,251</b>	<b>28,544,385</b>	<b>54,176,456</b>
<b>Total Assets</b>	<b>32,049,714</b>	<b>31,288,570</b>	<b>31,999,776</b>	<b>59,064,401</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	1,048,208	361,899	405,952	493,400
Customer Deposits	46,450	48,550	40,350	52,500
Accrued Expenses	54,940	64,042	75,056	91,100
C.P. Long Term Debt	888,592	918,394	1,050,548	545,482
C.P. Compensated Absences	3,171	3,227	3,234	4,500
Interest Payable	72,715	65,190	58,090	75,000
Note Payable	0	0	0	0
Due to Other Funds	23,465	0	0	0
<b>Total Current Liabilities</b>	<b>2,137,541</b>	<b>1,461,302</b>	<b>1,633,230</b>	<b>1,261,982</b>
<b>Long Term Liabilities</b>				
Long Term Debt	7,929,306	7,010,912	6,160,367	29,762,433
Compensated Absences	60,249	61,314	61,444	65,000
<b>Total Long Term Liabilities</b>	<b>7,989,555</b>	<b>7,072,226</b>	<b>6,221,811</b>	<b>29,827,433</b>
<b>Total Liabilities</b>	<b>10,127,096</b>	<b>8,533,528</b>	<b>7,855,041</b>	<b>31,089,415</b>
<b>Retained Earnings:</b>				
Invested in Capital Assets Net of Related Debt	19,533,931	20,292,945	21,333,470	23,868,541
Restricted	1,696,755	1,806,755	1,605,972	1,860,000
Unrestricted	691,932	655,342	1,205,293	2,246,445
<b>Total Retained Earnings</b>	<b>21,922,618</b>	<b>22,755,042</b>	<b>24,144,735</b>	<b>27,974,986</b>
<b>Total Liabilities and Equities</b>	<b>32,049,714</b>	<b>31,288,570</b>	<b>31,999,776</b>	<b>59,064,401</b>
<b>Balance Sheet Analysis</b>				
Current Ratio	0.9	0.9	1.1	2.4
Debt to Equity	0.5	0.4	0.3	1.1
Days Sales in Accounts Receivable	51.5	29.8	35.8	48.9
Months Operating Expenses in Unrestricted Cash	2.0	1.0	2.0	3.9

**EXHIBIT 1**  
**CITY OF DANVILLE**  
**CASH FLOW ANALYSIS (JUNE YEAR END)**

	Audited 2011	% Change	Audited 2012	% Change	Audited 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018
<b>Operating Revenues</b>										
Water Sales	3,068,407	25%	3,842,335	5%	4,043,057	4,116,900	4,445,400	4,644,800	4,747,000	4,854,900
Water Surcharge	215,465	12%	241,989	4%	251,567	258,359	265,335	272,499	279,856	287,412
Sewer Charges	2,792,993	2%	2,845,056	3%	2,943,633	3,017,224	3,092,655	3,169,971	3,249,220	3,330,451
Connection Fees	55,558		56,882		57,541	60,000	60,000	60,000	60,000	60,000
Other	268,337		293,019		288,028	295,805	303,792	311,994	320,418	329,069
<b>Total Revenues</b>	<b>6,400,760</b>	<b>14%</b>	<b>7,279,281</b>	<b>4%</b>	<b>7,583,826</b>	<b>7,748,288</b>	<b>8,167,182</b>	<b>8,459,264</b>	<b>8,656,494</b>	<b>8,861,832</b>
<b>Operating Expenses</b>										
Operating Expenses	5,272,728	0%	5,281,673	4%	5,489,302	5,626,535	5,767,198	5,911,378	6,059,162	6,385,641
Depreciation	1,050,876	6%	1,114,601	3%	1,143,044	1,175,000	1,175,000	1,583,700	1,992,400	1,992,400
Replacement Reserve	0		0		0	0	0	0	100,500	120,500
<b>Total Expenses</b>	<b>6,323,604</b>	<b>1%</b>	<b>6,396,274</b>	<b>4%</b>	<b>6,632,346</b>	<b>6,801,535</b>	<b>6,942,198</b>	<b>7,495,078</b>	<b>8,152,062</b>	<b>8,498,541</b>
<b>Net Operating Income</b>	<b>77,156</b>	<b>1044%</b>	<b>883,007</b>	<b>8%</b>	<b>951,480</b>	<b>946,753</b>	<b>1,224,984</b>	<b>964,186</b>	<b>504,432</b>	<b>363,291</b>
<b>Total Non-Operating Income &amp; Expenses</b>	<b>34,723</b>	<b>65%</b>	<b>57,295</b>	<b>569%</b>	<b>383,177</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>
<b>Add Non-Cash Expenses</b>										
Depreciation	1,050,876	6%	1,114,601	3%	1,143,044	1,175,000	1,175,000	1,583,700	1,992,400	1,992,400
<b>Cash Available for Debt Service</b>	<b>1,162,755</b>	<b>77%</b>	<b>2,054,903</b>	<b>21%</b>	<b>2,477,701</b>	<b>2,151,753</b>	<b>2,429,984</b>	<b>2,577,886</b>	<b>2,526,832</b>	<b>2,385,691</b>
<b>Debt Service</b>										
Existing Principal	909,669		925,852		955,655	1,087,812	490,170	505,751	524,380	545,482
Existing Interest	397,831		390,694		354,649	281,874	238,124	218,387	197,878	176,588
Proposed KIA Loan(s)	0		0		0	0	67,500	142,500	373,956	747,912
RD Debt	0		0		0	0	0	0	406,250	603,250
<b>Total Debt Service</b>	<b>1,307,500</b>		<b>1,316,546</b>		<b>1,310,304</b>	<b>1,369,686</b>	<b>795,794</b>	<b>866,638</b>	<b>1,502,464</b>	<b>2,073,232</b>
<b>Income After Debt Service</b>	<b>(144,745)</b>		<b>738,357</b>		<b>1,167,397</b>	<b>782,067</b>	<b>1,634,190</b>	<b>1,711,248</b>	<b>1,024,368</b>	<b>312,459</b>
<b>Debt Coverage Ratio</b>	<b>0.9</b>		<b>1.6</b>		<b>1.9</b>	<b>1.6</b>	<b>3.1</b>	<b>3.0</b>	<b>1.7</b>	<b>1.2</b>



FINAL

CLOSING STATEMENT

DATE: June 30, 2004  
PROPERTY: Assets of Junction City Water & Sewer Systems  
SELLER: City of Junction City, Kentucky  
PURCHASER: City of Danville, Kentucky

SALES PRICE FOR REAL ESTATE: \$ 1,061,657.22

SALES PRICE FOR PERSONAL PROPERTY: 40,025.00

TOTAL SALES PRICE: \$ 1,101,682.22

LESS:

Assumption of City of Junction City Water & Sewer Revenue Bonds, Series 1995 \$ 489,000.00

Assumption of KIA Loan # C88-06, Series 1993-E, dated April 7, 1993 \$ 945,223.50

PLUS:

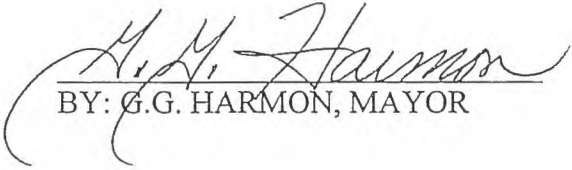
Transfer of FNB Revenue Account Balance \$ 17,879.88  
Transfer of FNB Operating Account Balance \$ 3,629.01  
Transfer of FNB Depreciation Reserve \$ 9,341.44  
Transfer of FNB Debt Service \$ 49,074.37  
Transfer of FNB Debt Service CD \$ 82,738.16  
Transfer of FNB Depreciation Reserve CD \$106,948.75  
Transfer of KIA Reserve Account \$102,954.67

TOTAL DUE SELLER AT CLOSING: \$ 40,025.00

CITY OF JUNCTION CITY, KENTUCKY,  
SELLER

  
BY: RYAN OWENS, MAYOR PRO TEM

CITY OF DANVILLE, KENTUCKY,  
PURCHASER

  
BY: G.G. HARMON, MAYOR

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT made and entered into on this 30<sup>th</sup> day of June, 2004, by and between the City of Junction City, Kentucky, a Municipal Corporation of the Fifth Class, 794 West Shelby Street, Junction City, Kentucky 40440, hereinafter referred to as "SELLER," and the City of Danville, Kentucky, a Municipal Corporation of the Third Class, 445 West Main Street, Danville, Kentucky 40422, hereinafter referred to as "PURCHASER".

WHEREAS, Seller, City of Junction City, Kentucky, owns and operates water and sewer systems for the benefit of its citizens;

WHEREAS, Seller and Purchaser desire to enter into a transaction pursuant to which Purchaser will acquire all of the assets of the Seller (except as specifically excluded herein) relating to the water and sewer systems;

WHEREAS, after the closing on the transaction, as described herein, the Purchaser will incorporate the purchased assets into its municipal water and sewer systems and will provide water and sewer services to the customers of the Seller;

WITNESS that for the consideration hereinafter set out, and subject to the terms and conditions hereinafter provided, Seller does hereby agree to sell and Purchaser does hereby agree to purchase the property described below, whether characterized as personal property, real property, mixed, tangible, or intangible.

1. Assets

The Purchaser shall purchase from the Seller and the Seller shall sell to the Purchaser the personal property (whether tangible, intangible or mixed) listed on Exhibit "A" attached hereto and incorporated herein by reference. In addition, the Purchaser shall purchase from the Seller and the Seller shall sell to the Purchaser any and all real property (except as noted below) in which it owns an interest, whether fee simple, leasehold or easement, which is used as part of the water or sewer systems operated by the Seller. Without limiting the foregoing, the parties agree that the purchase and sale will include the real property interests described on Exhibit B attached hereto and incorporated herein by reference.

In the event that, after the closing on the transaction, the parties discover the existence of real estate used as part of the City of Junction City water and sewer systems immediately prior to the closing that is not described on Exhibit B and not conveyed at the closing, then Seller agrees, upon request of Purchaser, immediately to convey that real estate to the Purchaser by general warranty deed for no additional consideration. Furthermore, both parties agree to cooperate following closing to execute any documents or take any further actions necessary to promote the intentions of this agreement, upon written request of the other party. Upon request by the

Purchaser, Seller agrees (within 60 days of the request) to take all necessary action to rescind any Junction City Ordinance relating to sewer and water services that conflicts with the provisions of any similar ordinance of the City of Danville. The Seller also agrees to enact any ordinances relating to sewer and water services requested by the City of Danville.

2. Consideration; Closing

Closing and delivery of possession shall occur on or before July 1, 2004. At closing, Seller shall deliver to Purchaser a bill of sale conveying the assets described on Exhibit "A" and warranting title to those assets. The bill of sale will be in substantially the same form as that attached as Exhibit "C" and incorporated herein by reference. In addition, at closing, the Seller shall deliver to Purchaser general warranty deeds conveying the fee simple and easement interests described on Exhibit B, along with a general assignment of all easement interests owned by the Seller that relate to or facilitate the operation of the water and sewer systems, whether recorded or unrecorded. Finally, at closing the parties will terminate and execute a mutual release of each other's obligations under the Water Purchase Contract between the parties dated April 14, 1994; the Addendum to Water Purchase Contract dated April 14, 1994; Agreement dated August 14, 1972; Sewer Service Contract dated July 14, 1994; Sewer Services Contracts dated May 14, 1974 and

June 25, 1974; and any other contracts between them relating to the purchase or sale of water or wastewater services.

In consideration for the assets described on Exhibit A, the Purchaser shall pay the Seller the sum of \$40,025.00. In consideration for the assets described on Exhibit B, the Purchaser shall assume and hold the Seller harmless against the Seller's obligations under the following municipal bond issues and notes payable:

(a) City of Junction City Water and Sewer Revenue Bonds, Series 1995, in the original principal amount of \$537,000. As a material representation to this contract, but for which the Purchaser would not have entered into this agreement, the Seller represents that it is not in default on any of its obligations and covenants under the Series 1995 bond issue and that it has satisfied in full all principal and interest payments for the year 2004 to-date of closing and previous years. The payment obligations assumed by the Purchaser under this contract shall be limited to the following principal amounts:

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
2005	\$ 7,000.00
2006	\$ 8,000.00
2007	\$ 8,000.00
2008	\$ 9,000.00
2009	\$ 9,000.00
2010	\$ 9,000.00
2011	\$10,000.00
2012	\$10,000.00

2013	\$11,000.00
2014	\$11,000.00
2015	\$12,000.00
2016	\$13,000.00
2017	\$13,000.00
2018	\$14,000.00
2019	\$15,000.00
2020	\$15,000.00
2021	\$16,000.00
2022	\$17,000.00
2023	\$18,000.00
2024	\$19,000.00
2025	\$19,000.00
2026	\$21,000.00
2027	\$21,000.00
2028	\$23,000.00
2029	\$24,000.00
2030	\$25,000.00
2031	\$26,000.00
2032	\$28,000.00
2033	\$29,000.00
2034	\$29,000.00

The interest payment that is due and payable on July 1, 2004, and the principal payment that is due and payable on January 1, 2005 shall be prorated between the parties at closing. The Purchaser will pay and indemnify the Seller against all interest accruing after the date of closing.

(b) Kentucky Infrastructure Authority Loan C88-06, Series 1993-E, dated April 7, 1993, in the original principal amount of \$1,529,661.44. As a material representation to this contract, but for which the Purchaser would not have entered into this agreement, the Seller represents that it is not in default on any of its obligations or covenants in the applicable loan agreement and related documents and that it has satisfied in full all principal and interest payments for the year 2003 and previous

years, as well as the payment of interest that was due January 1, 2004. The payment of interest and principal that is due and payable on July 1, 2004, shall be prorated between the parties at closing. The Seller further represents that the principal balance of the loan, as of the date of the execution of this agreement, is \$1,006,039.59.

### 3. Operation of Systems

Pending the closing and delivery of a bill of sale and the required deeds and possession of the assets by the Purchaser, Seller agrees to continue operating the water and sewer systems in a normal and ordinary course, make a reasonable effort to protect customer relationships and to maintain the good will of the business for the benefit of the Purchaser, and to make no substantial change in its method of doing business. Seller shall be responsible for all claims and obligations of the business (whether or not asserted) existing prior to closing and delivery of possession and shall indemnify Purchaser thereon. Beginning with the closing and delivery of possession, Purchaser shall be responsible for all claims and shall indemnify Seller on any claim made after closing and delivery of possession; however, in no event shall the Purchaser be responsible for any claim made after closing and delivery of possession for any act or condition claimed to have existed prior to closing and delivery of

possession with the exception of the existence of the loans assumed by Purchaser as described in numerical paragraph 2.

The Seller shall make a final reading of all water meters during the week prior to the closing date and will supply the Purchaser with a copy of the reading (including date made) for each account. The Seller will be responsible for sending final bills to its customers on or about July 15, 2004. After the due date for payment of the final bills to the Seller, the Seller shall provide (on or before August 1, 2004, with time being of the essence for this purpose) a list of delinquent accounts. The Purchaser agrees to cut-off water service to these customers until the accounts are brought current.

#### 4. Account Deposits

The parties hereto agree that the Seller shall retain all account security deposits in its possession at the date of the closing and will refund the security deposits to the appropriate customers within 60 days of the date of closing. The Seller agrees to indemnify and hold the Purchaser harmless against any claims pertaining to account deposits. The Purchaser agrees that it will not require any account deposits for existing sewer and water customers of the Seller as of the close of business on the date of closing, but will collect from new customers tap fees based on the then-existing schedule and ordinances maintained by the Purchaser.

5. Sinking/Depreciation/Maintenance Funds

All funds owned or held by the Seller in accounts designated as sinking funds, depreciation funds, reserve funds, maintenance funds (or in any similar manner) that have been established in conjunction with previous bond issues or loan commitments shall be part of this transaction and shall be transferred to the Purchaser at the closing. These accounts shall include, but not be limited to, the following accounts:

- a. Certificate of Deposit #600115 at Farmers National Bank dated January 2, 2001, in the original principal amount of \$75,000.00. Current balance as of 3/31/04 is \$82,738.16.
- b. Junction City Utilities Debt Service Account identified as Farmers National Bank Now Plus Account #564664. Current balance as of 3/31/04 is \$123,427.05.
- c. Certificate of Deposit #600284 at Farmers National Bank dated November 19, 2001, in the original principal amount of \$100,000.00. Current balance as of 3/31/04 is \$106,824.94.
- d. Junction City Utilities Depreciation Reserve Account identified as Farmers National Bank Now Plus Account #0564672. Current balance as of 3/31/04 is \$8,805.16.
- e. Junction City Utilities Revenue Fund identified as Farmers National Bank Account #056 456 7. Current balance as of 3/31/04 is \$59,980.19.

f. Junction City Utilities Operating Account identified as Farmers National Bank Account #0564575. Current balance as of 3/31/04 is \$7,174.63.

g. KIA Reserve Fund, held in conjunction with loan # C88-06, in the amount of \$102,954.67 as of March 31, 2004.

As a material representation to this contract, the Seller warrants that the cumulative balance in the accounts identified as (a) - (g) above shall be no less than \$491,904.80 at closing, after taking into account uncleared checks, but before making the prorations required by paragraph 2(a) and 2(b) of this agreement.

#### 6. Rates

The Purchaser represents and warrants that future increases to the water rates charged to the current residential and commercial water customers of the Seller will be tied directly to increases imposed on the resident customers of the City of Danville with increases to be measured on an absolute dollar/cubic foot basis and not as a percentage. As reflected below, the current water rates for Junction City residents are higher than the current water rates charged to the residents of the City of Danville. The dollar and cent future increases to Junction City residents for water will be no greater than the dollar and cent increases to the water rates of residents of the City of Danville. Any future water rate increases will be made on a dollar for dollar basis and not on a percentage of the rates

now charged. By utilizing this method of rate calculation, the actual dollar and cent amount of discrepancy between the water rates now charged to Danville residents and Junction City residents will become no greater. As of July 1, 2004, the rates charged to current citizens of Junction City will be as follows:

WATER RATE

<u>Consumption (Cu. Ft.)</u>	<u>Rate (per 100 Cu. Ft.)</u>
First 100	\$10.256 (minimum)
Next 200	\$3.415
Next 1,500	\$2.558
All over 1,800	\$2.177

As of July 1, 2004, the sewer rates charged to the citizens of Junction City, Kentucky, will be as follows:

WASTEWATER RATE

<u>Consumption (Cu. Ft.)</u>	<u>Rate (per 100 Cu. Ft.)</u>
Minimum Bill	3.316
All over 0	4.77

In addition, a fire protection fee of \$0.944/month will be levied.

Finally, notwithstanding any provision in this agreement to the contrary, the Purchaser shall be permitted to increase water and sewer rates at any time to the extent required to comply with

any guidelines established by federal or state law or any existing or future bond issues or loans.

The Purchaser shall not impose any charge upon the Seller for water used in the ordinary course of fire fighting (in emergency situations) by the Junction City Fire Department; charges for water used by the Junction City Fire Department for training programs shall be determined in advance on a case-by-case basis.

7. Lease Agreement

The Seller and Purchaser agree that they will execute at closing a lease agreement substantially in the form of that attached as Exhibit D.

8. Insurance

Seller will maintain the existing insurance on the assets that are the subject of this sale until closing and delivery of a bill of sale and general warranty deed, and Purchaser shall have the privilege of binding any additional insurance Purchaser desires. In the event of fire or other casualty which causes such damage to any of the assets described in numerical paragraph 1 above that the repair or replacement thereof cannot be made within thirty (30) days following such casualty, then Purchaser shall have the option to terminate this agreement, or to accept the assets described in numerical paragraph 1 above in the condition as exists following such fire or casualty, along with

the assignment of any insurance that Seller may have for the same, without any reduction in purchase price.

9. Noncompetition Agreement

The parties hereto agree that the Purchaser will, upon execution of this agreement, have a substantial property right and interest in the client and customer relationships, business practices and methods of the Seller and in the financial data, pricing, costs, methods, and the list of customers which exist and will be developed, and that the Purchaser will have the right to protect the use of those valuable relationships and the information available to the Purchaser. Therefore, as a consideration for the execution of this agreement, but for which the agreement would not have been entered into by the Purchaser, Seller covenants and agrees that upon the closing of the transaction and the purchase of assets by the Purchaser, the Seller shall not work in any business involving the delivery of water and sewer services that would in any way compete with the Purchaser, whether as principal, employee, partner, associate, agent, or in corporate partnership, or any other form for a period of five (5) years following the closing on the transaction. This non-competition agreement shall apply to Boyle County and contiguous counties within the Commonwealth of Kentucky. In addition, Seller agrees that it will not, for a period of five (5) years following the closing on the

transaction, either directly or indirectly, for itself or any third party, solicit, induce, recruit, or cause another person in the employ of the Purchaser to terminate his or her employment for the purpose of joining, associating, or becoming employed with any business or activity which is in competition with the products sold or distributed, or any business or activity engaged in, by the Purchaser. The parties agree that the damage to Purchaser for breach of this covenant not to compete would be substantial and difficult to measure in money damages, and Purchaser shall therefore be entitled to injunctive relief to prohibit a violation of this covenant by Seller, and to a claim against the Seller for any damages sustained from such breach of this covenant in addition thereto, including reasonable attorney fees incurred in the enforcement of this non-competition agreement.

#### 10. Commissions

The parties agree to indemnify and hold the each other harmless from any claim or demand for commission or other compensation by any broker, finder, or similar agent, and both represent that they have not been represented in this transaction by any broker or agent who can claim a commission on this sale.

#### 11. Notice

Any notice given pertaining to this agreement shall be effective if mailed to the party to whom said notice is to be

given at the address shown in the first paragraph of this agreement, with said mailing to be by certified mail, return receipt requested, or hand delivered to the other party in writing. Each party may designate in writing a different address to be used for the providing of notices.

12. Miscellaneous

This agreement is binding on the successors and assigns of the parties hereto and this agreement may be amended only by written agreement of the parties. This agreement contains the entire agreement of the parties, and no verbal representations or warranties have been given that are not included herein in writing.

13. Representations and Warranties: Each party represents and warrants to the other party, and acknowledges that the other party relies on such representations and warranties in entering into and proceeding under this agreement, that:

(A) Entity Standing: Each party is a municipal corporation, duly organized, validly existing, and in good standing under the laws of Kentucky with full corporate power and authority to own or hold under lease the personal and real property described in this agreement, to carry on its business presently being conducted by it, to enter into this agreement and all other agreements contemplated by this agreement, and to

consummate the transactions contemplated hereunder and thereunder.

(B) Consents: No provision of the articles of incorporation, ordinance, trust agreement, mortgage, indenture, bond issue, or other agreement or instrument to which either Seller or Purchaser is a party or by which either is bound or to which either or any of its properties is subject requires the consent or authorization of any other person or entity as a condition precedent to the consummation of the transactions contemplated by this agreement, except for the loan agreements and documents pertaining to the obligations described in paragraphs 2(a) and 2(b) of this agreement.

(C) Existing Debt: Seller represents that there is no debt encumbering the assets that are the subject of this agreement other than the debt described in numerical paragraph 2 of this agreement.

(D) Valid Easements: Seller represents that it owns, and pursuant to this agreement transfers to the Purchaser, valid fee simple title or an easement to each parcel of real estate over or on which any water or sewer main, or lateral line, pump station or the like (that is part of the Junction City water and sewer systems) passes or is situated.

(E) Existing Commitments: Purchaser will honor the Seller's commitments to extend, at no additional cost to the developer,

sewer service to the Dogwood Trace Subdivision property line; the Junction City Baptist Church property on U.S. 127; and the Katherine Daniels Snyder property on U.S. 127, all at such times as the existing sewer tap-on ban is lifted.

14. Employees

Purchaser shall extend an offer of employment, effective July 1, 2004, to Carl Harmon upon the following terms: full-time employment, with duties comparable to his existing job (with the exception that he shall initially have no supervisory responsibilities), at his present salary and with no probationary period. Seller represents and warrants that such action by the Purchaser will not violate any employment agreement or other contract between the Seller and Carl Harmon.

15. Circumstances prior to closing.

From the date of this agreement until the closing date, each party will promptly notify the other party upon receipt of actual notice or knowledge of any fact which would make any representation or warranty contained in this agreement untrue in any material respect.

16. Contingencies. The Purchaser's obligation under this contract to purchase and accept delivery of assets is specifically contingent on the satisfaction of the following contingencies within thirty (30) days of the date of this agreement:

(A) The Purchaser shall have the right, prior to closing, to make any and all inspections it desires regarding the assets to be purchased and the books and records maintained by the Seller regarding those assets in the operation of the Junction City water and sewer systems. In addition, the Purchaser, and its agents and employees, shall have the right to enter onto the real property described herein for the purpose of inspecting the same and may make any environmental inspections desired, including Phase I and Phase II environmental audits; provided, however, that the Purchaser shall bear any expense relating to these examinations and shall return any inspected property to its condition prior to the inspection. In the event that the Purchaser's review of the assets and the information described herein is unsatisfactory, as determined at the sole discretion of the Purchaser, then the Purchaser shall have the option to immediately terminate this agreement by delivering written notice of its intent to do so to the Seller.

(B) The Purchaser's receipt of consents from the United States Rural Development Authority (as owner of the Series 1995 City of Junction City Water and Sewer Revenue Bonds) and any and all other owners of municipal bonds issued by the City of Junction City or financial or other entities whose approval is required prior to the transfer and conveyance of the assets described herein and the assumption of the Seller's obligations

as described herein. In the event that the Purchaser is unable to obtain any such consents, then Purchaser shall have the option to immediately terminate this agreement by delivering written notice of its intent to do so to the Seller.

(C) The Purchaser's satisfactory review of the requirements for the establishment of depreciation, sinking, or reserve or maintenance accounts. The Purchaser shall have the option to terminate this agreement by delivering written notice to the Seller of its intent to do so if the requirements for the establishment of said accounts is too onerous, as determined in the sole discretion of the Purchaser.

17. SURVIVAL OF WARRANTIES

The warranties, indemnifications, and agreements contained herein shall survive the closing on this transaction and shall not merge in the closing and delivery of bill of sale and the deed of conveyance

18. WAIVER OF CONFLICT

The undersigned acknowledge that Sheehan, Barnett, Hays, Dean & Pennington, P.S.C. serves as general municipal counsel to both the City of Danville and the City of Junction City; that the law firm is representing the City of Danville in this transaction; and that the City of Junction City has retained separate counsel (William L. Stevens of Taylor & Stevens) to represent its interests in this transaction. The undersigned

waive any conflict of interest that might otherwise be deemed to exist.

19. ANNEXATION WAIVERS

Purchaser agrees to require every owner of land upon or to which water or sewer service is to be extended, following the date of closing on the transaction, regardless of location, to execute a recordable waiver of right to protest annexation by any municipal corporation, and both Purchaser and Seller may rely upon such waivers in the event they desire to annex territories to their existing boundaries.

WITNESS the hands of the parties hereto on this the year and date first above written.

CITY OF JUNCTION CITY, KENTUCKY,  
SELLER

\_\_\_\_\_  
BY: G.G. HARMON, MAYOR

ATTEST:

\_\_\_\_\_  
SUSAN MUSIC,  
CITY OF JUNCTION CITY CLERK

CITY OF DANVILLE, KENTUCKY,  
PURCHASER

---

BY: RYAN OWENS, MAYOR PRO TEM

ATTEST:

---

DONNA PEEK,  
DANVILLE CITY CLERK

EXHIBIT A  
ASSET PURCHASE AGREEMENT BETWEEN  
CITY OF JUNCTION CITY AND CITY OF DANVILLE

2000 Chevrolet C-1500 Truck, VIN # 1GCEC14W7YE148078

Inventory on hand of brass parts, meters, repair couplings, sewer parts, pipe, man hole risers, meter vaults

142 gallons of sewer degreaser

9 deodorant blocks

5 replacement sewer pumps which can be used as replacements for the existing lift stations to be transferred with the system

All meters, pumps, main trunk lines and lateral lines, fire hydrants, dechlorinators, and all other equipment necessary to the operation of the water or sewer systems

EXHIBIT B  
ASSET PURCHASE AGREEMENT BETWEEN  
CITY OF JUNCTION CITY AND CITY OF DANVILLE

PARCEL A: HUNTINGTON CREEK PUMP STATION

Beginning at a point with a line of other property of Douglas and thence continuing for the following calls: N 16° 28' 36" E 15 feet; N 73° 18' 46" W 15 feet; S 16° 28' 36" W 15 feet; and thence S 73° 18' 46" E 15 feet to the point of beginning, as shown on the Final Record Plat, Huntington Creek Subdivision, Phase 1, Block A, Plat File 1040-A, Boyle County Clerk's Office.

BEING a portion of the same real property conveyed to Jim Douglas and Rita Douglas by deed of William Lonzie Johnson, Executor of the Mary Simpson Johnson Estate, dated August 25, 1998 and recorded in Deed Book 356, Page 87, records of the Boyle County Clerk's Office.

PARCEL B: KNOB LICK PUMP STATION

BEGINNING at a point in the north right-of-way line of Knob Lick Road, said point being 83 feet, more or less, measured in a westerly direction along said right-of-way line from the Robert Stewart and Alvis Wilson property corner, said corner being in the north right-of-way line of Knob Lick Road; thence leaving the north right-of-way line of Knob Lick Road, N-24° 38' E 55.0 feet to a point; thence N 65° 22' W 60.0 feet to a point; thence S 24° 38' W 55.0 feet to a point in the north right-of-way line of Knob Lick Road; thence with the north right-of-way line of Knob Lick Road S 65° 22' E 60.0 feet to the beginning, containing 0.076 acres, more or less.

BEING the same real property conveyed to the City of Junction City, Kentucky, by deed of Essley Wilson and Nettie Wilson, husband and wife, dated June 5, 1974 and recorded in Deed Book 195, Page 489, records of the Boyle County Clerk's Office.

PARCEL C: MITCHELL STREET LIFT STATION

BEGINNING at a point in the south right-of-way line of Mitchell Street and in the West edge of a creek, said point being 219 feet, more or less, measured in a westerly direction along said right-of-way line from the Wallace Funell and Ada and Fred Greene property corner, said corner being in the south right-of-way line of Mitchell Street; thence with the west edge of the creek S 23° 30' E 55.0 feet, to a point; thence leaving the creek S 78° 46' W 70.0 feet to a point; thence N 23° 30' W 55.0 feet to a point in the south right-of-way line of Mitchell Street; thence with the south right-of-way line of Mitchell Street N 78° 46' E 70.0 feet to the point of beginning and containing 0.086 acres, more or less.

BEING the same real property conveyed to City of Junction City, Kentucky, by deed of Ed Alsman and Mary I. Alsman, husband and wife, dated June 5, 1974 and recorded in Deed Book 195, Page 491, records of the Boyle County Clerk's Office.

PARCEL D: TOOMBS CURVE PUMP STATION

BEGINNING at a point in the James E. King and U.S. Route 127 east right-of-way line, said point being 41 feet, more or less, measured in a southerly direction along said property line from the James E. King northwest property corner; thence south 81° east, 108 feet, running 40 feet from and parallel to the James E. King north property line, to a point; thence south 2° east, 70 feet, more or less, to a point on the north side of Balls Branch; thence south 83° west, 105 feet, more or less, along the north bank of Balls Branch to a point in the U.S. Route 127 right-of-way line; thence north 2° 30' west, 100 feet, more or less, along said highway right-of-way line to the point of beginning, containing .20 acres.

BEING the same real property conveyed to the City of Junction City, Kentucky, by deed of James E. King and Sandra F. King, husband and wife, dated March 28, 1975 and recorded in Deed Book 200, Page 532, records of the Boyle County Clerk's Office.

In addition and for the within described consideration there is also conveyed hereby a permanent access and construction easement on the land of the Grantors lying immediately north of the above described parcel, said parcel being 40 feet in width and more particularly described as follows:

BEGINNING at the hereinabove described point of beginning for the pumping station lot; thence north 2° 30' west along the U.S. 127 right-of-way corner of James E. King; thence south 81° east, 108 feet, more or less, along the King and Burke Short, Jr. subdivision property line; thence south 2° east, 41 feet, more or less to a point; thence north 81° west, along the pumping station north property line 103 feet, more or less, to the point of beginning, containing .10 acres.

In addition thereto and for the within described consideration there is also conveyed an easement, both permanent and temporary, for the construction, installation and laying and thereafter the use, operation, inspection, repair, maintenance, replacement and removal of sewer pipeline under, over, across and through the land of the Grantors situated in Boyle County, Kentucky; said temporary easement being forty-five (45) feet in width and shall exist until the initial construction of said sanitary sewer system is completed whereupon said temporary easement shall cease and terminate; said permanent easement shall be ten (10) feet in width; the center line of both said easements is more particularly described as follows:

BEGINNING at a point in the Junction City sewage pumping station lot south property line; said point being 20 feet, measured along the Junction City and James E. King property line from the City of Junction City and James E. King property corner in the U.S. 127 right-of-way line, thence south 12° west, 43 feet, more or less, to a point on the south side of Balls Branch and ten feet from the U.S. 127 right-of-way line; thence south 1° 23' east, 10 feet from and parallel to the right-of-way line, 117 feet, more or less, to a point; thence south 24° 10' west, 10 feet from and parallel to the highway right-of-way, 292 feet, more or less, to a point in the James E. King and R.A. Chinn property line, said point being 10 feet, more or less, measured in an easterly direction along said property line from the King and Chinn property corner in the east right-of-way line of U.S. Route 127.

PARCEL E: HENRY STREET LIFT STATION

[TO BE INSERTED]

PARCEL F: YORK LANE PUMP STATION

BEGINNING at the corner common to Cecil York and Hubert Hale, said corner being in the south right-of-way line of an unnamed county road; thence with the line of Cecil York and Hubert Hale, S 80° 02' W. 40.0 feet to a point; thence leaving the line of York and Hale, N 20° 50' E. 40.97 feet, more or less, to a point in the south right-of-way line of the aforesaid county road; thence with the south right-of-way line of the aforesaid county road S 38° 22' E. 40.0 feet, more or less, to the point of beginning, containing 0.016 acres, more or less.

BEING the same real property conveyed to the City of Junction City, Kentucky, by deed of Cecil York and Margaret York, husband and wife, dated June 5, 1974 and recorded in Deed Book 195, Page 487, records of the Boyle County Clerk's Office.

PARCEL G: AIRPORT ROAD WATER LIFT STATION

[TO BE INSERTED]

PARCEL H: AIRPORT ROAD WATER TOWER

BEGINNING at an iron pin located in the south right of way of KY. #1273 and being a real corner to Burdette said iron pin located S 82° 28' 43" E, a distance of 13.93 feet from a wood post, the North West most corner of Burdette and a corner to Texas Eastern Gas Company; thence S 76° 10' 13" E along the South right of way of KY 1273 (Airport Road), a distance of 100.0 feet to an iron pin, a new corner to Burdette; thence along a new line with Burdette for the following calls, S 29° 05' 05" W, a distance of 100.0 feet to an iron pin, thence N 76° 10' 13" W, a distance of 100.0 feet to an iron pin, thence N 29° 05' 05" E a distance of 100.0 feet to the point of beginning, containing 0.222 acres more or less, as surveyed by Lindon W. Estes, RLS 1880 on February 4, 1994.

BEING the same real property conveyed to the City of Junction City, Kentucky, by deed of Winston C. Burdette and Mae H. Burdette, husband and wife, dated March 16, 1994 and recorded in Deed Book 259, Page 413, records of the Boyle County Clerk's Office.

HOWEVER, THERE IS EXCEPTED FROM THE ABOVE DESCRIBED PROPERTY THE FOLLOWING:

BEGINNING at an iron pin (found 2/4/94) located in the south right of way of KY #1273 and being an existing corner to Burdette; thence S 76° 10' 13" E, along the south right of way of KY #1273, a distance of 7.29 feet to an iron pin (set 5/2/94), a new corner to Tract "A" of the Junction City property; thence S 29° 02' 00" W along a new line with Tract "A" of Junction City property, a distance of 99.98 feet to an iron pin (set 5/2/94), a corner to Tract "B" and the remaining portion of Burdette (DB 246-666); thence N 76° 10' 13" W along Tract "B" of Burdette, a distance of 7.38 feet to an iron pin (set 2/4/94); thence N 29° 05' 05" E along the line of Tract "B", a distance of 100.00 feet to point of beginning, containing 0.016 acres, more or less. The above was surveyed by Lindon W. Estes, RLS 1880 on May 2, 1994.

BEING the same real property conveyed to David A. Isaacs, unmarried, by deed of the City of Junction City, Kentucky, dated May, 17, 1994 and recorded in Deed Book 260, Page 321, records of the Boyle County Clerk's Office.

PARCEL I: MEIGS LANE WATER TOWER

BEGINNING at a point on the North margin of Meigs Lane corner to John Kindrick; thence with the line of Kindrick North 23° 00' East 100 feet to a point corner to Russell Yates; thence with the Yates line North 71° 03' West 100 feet to a point corner to Russell Yates; thence with Yates South 23° 00' West 100 feet to a point in North margin of Meigs Lane; thence with North margin of Meigs Lane South 71° 03' East 100 feet to a point of beginning, and containing 0.229 acres, more or less as per survey of A.H. Exon, a Transfer Plat of which is of record in Deed Book 164, Page 350, in the office of the Clerk of the Boyle County Court.

BEING the same real property conveyed to the City of Junction City, Kentucky, by deed of Russell Yates and Victoria Yates, husband and wife, dated August 6, 1968 and recorded in Deed Book 164, Page 348, records of the Boyle County Clerk's Office.

PARCEL J: EVANS HEIGHTS WATER TOWER

BEGINNING at a point in the west margin of Main Street, which point is 80 feet south of the southern boundary line of the L & N Railroad right of way, and running thence N 64 W 293 feet; thence S 26 W 43 feet; thence N 64 W 80 feet; thence N 26 E 80 feet; thence S 64 E 230 feet; thence S 26 W 17 feet; thence S 64 E 144 feet to a point in the west

margin of said Main Street, which point is 60 feet south of the southern margin of the L & N Railroad right-of-way; thence S 30 W 20 feet to the point of BEGINNING.

BEING the same real property conveyed to the Board of Trustees of the Town of Junction City, Kentucky, by deed of C.L. Evans and Marie O. Evans, husband and wife, dated April 3, 1934 and recorded in Deed Book 62, Page 18, records of the Boyle County Clerk's Office.

PARCEL K: POPPLEWELL ROAD PUMP STATION

BEGINNING at an iron joint (set) located in the East right of way of the new US 127 and the North right of way of Old Popplewell Road; thence, N 6° 23' 21" E, along the East right of way of New US 127, a distance of 56.23 feet to an iron joint (set) a corner to Wal-Mart; thence, along the line of Wal-Mart (DB 320 P141) for the following calls: S 80° 45' 59", a distance of 44.72 feet to an iron joint (set); S 3° 51' 08" W, a distance of 51.33 feet to an iron pin (set) located in the North right of way of old Popplewell Road; thence, N 86° 56' 36" W, along the North right of way of old Popplewell Road, a distance of 47.02 feet to point of beginning, containing 0.056 acres more or less. All bearings are referred to bearings along new US 127 as shown on reconstruction plans for US 127, SSP 011-0127-000-003.

BEING the same real property conveyed to the City of Junction City, Kentucky, by deed of Emarine R. Goggin, a widow, by and through her Attorney In Fact, Karen R. Carrico, dated September 19, 1994 and recorded in Deed Book 322, Page 114, records of the Boyle County Clerk's Office.

EXHIBIT C  
ASSET PURCHASE AGREEMENT BETWEEN  
CITY OF JUNCTION CITY AND CITY OF DANVILLE

BILL OF SALE

Know all men by these presents that the City of Junction City, Kentucky, a municipal corporation of the Fifth Class ("Owner"), in consideration of the sum of \$40,025.00, the receipt of which is acknowledged, has granted, bargained, sold, conveyed, transferred and delivered and by these presents does bargain, sell, grant, convey, transfer unto the City of Danville, Kentucky, the following items of personal property:

2000 Chevrolet C-1500 Truck, VIN # 1GCEC14W7YE148078

Inventory on hand of brass parts, meters, repair couplings, sewer parts, pipe, man hole risers, meter vaults

142 gallons of sewer degreaser

9 deodorant blocks

5 replacement sewer pumps which can be used as replacements for the existing lift stations to be transferred with the system

All meters, pumps, main trunk lines and lateral lines, fire hydrants, dechlorinators, and all other equipment necessary to the operation of the water or sewer systems.

To have and to hold unto the City of Danville, Kentucky, its successors and assigns forever;

And the Owner does, for itself and its successors and assigns, covenant to and with the City of Danville, its successors and assigns, that it is the lawful owner of the assets listed above; that the assets are free from all liens, security interests and encumbrances except for liens securing repayment of bond issues and loans described in numerical paragraph 2 of the Asset Purchase Agreement between the parties dated June 30, 2004; that Owner has good right to sell the same aforesaid; and that the Owner will warrant and defend the sale of the assets hereby conveyed unto the City of Danville, Kentucky, its successors and

assigns, against the claims and demands of all persons  
whomsoever.

WITNESS the hands of the parties hereto on this 30th day of  
June, 2004.

CITY OF JUNCTION CITY, KENTUCKY,  
OWNER

---

BY: G.G. HARMON, MAYOR

ATTEST:

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SUSAN MUSIC, CITY CLERK

EXHIBIT D  
ASSET PURCHASE AGREEMENT BETWEEN  
THE CITY OF JUNCTION CITY AND THE CITY OF DANVILLE

LEASE AGREEMENT

This LEASE made and entered into on this 30<sup>th</sup> day of June, 2004, but effective the 1<sup>st</sup> day of July, 2004, by and between the City of Junction City, Kentucky, a municipal corporation of the Fifth Class, 794 West Shelby Street, Junction City, Kentucky 40440, hereinafter called "Landlord," and City of Danville, Kentucky, a municipal corporation of the Third Class, 445 West Main Street, Danville, Kentucky 40422, hereinafter called "TENANT";

W I T N E S S E T H:

For and in consideration of the following terms and conditions, the said parties do hereby covenant and agree as follows:

(1) DESCRIPTION OF PREMISES: The leased premises consists of a portion of the City of Junction City City Hall/Fire Station on the west side of the first floor of the building, consisting of a single room accessed through a garage door off of Lucas Street.

(2) RENTAL TERM: The Landlord hereby leases to the Tenant and the Tenant hereby leases from the Landlord the premises described above commencing effective July 1st, 2004, for a period of 12 months, extending through and including June 30, 2005.

(3) RENT: The Tenant promises to pay rent for the twelve-month term in the total sum of \$9,000.00, payable in equal monthly installments of \$750.00 each, the first monthly payment of which is due upon execution of this lease agreement on or before July 1st, 2004. Any rent payment not paid within ten days of the due date shall result in the assessment of a late charge of \$20.00 per day for every day after the 10<sup>th</sup> day of the month when rent is not paid in full. The assessment of this additional late charge shall not preclude any other remedy provided elsewhere under the terms of this lease or under the laws of the Commonwealth of Kentucky for default. All rental payments shall be made without any notice or demand from the Landlord, and all payments shall be made by check or money order made payable to:

City of Junction City, Kentucky, 794 West Shelby Street, Junction City, Kentucky 40440.

(4) SECURITY DEPOSIT: No security deposit has been required or made.

(5) OCCUPANCY AND ASSIGNMENT: It is expressly understood that this lease is between the Landlord and Tenant as set out hereinabove. The Tenant shall not assign this lease or any interest under it or sublet the premises without the written consent of the Landlord.

(6) USE: The Tenant shall use the premises as a workplace and storage unit for its water and sewer operations. The Tenant shall keep the premises in a clean and sanitary condition and shall not make or permit any use of the premises which, directly or indirectly, is forbidden by law, ordinance or government regulation, which is dangerous to life, limb, or property, which will or may tend to injure the reputation of the premises or the building, which will be offensive or obnoxious to any tenant of the building, or which may invalidate or increase the premium cost of any policy of insurance carried by the Landlord in connection with its operation and management of the building.

(7) UTILITIES: The Landlord shall be responsible for providing at its expense electricity to the leased premises but shall have no other obligation to provide utility service to the premises.

(8) MAINTENANCE, REPAIRS OR ALTERATIONS: The Tenant acknowledges that the premises are in good order and repair, unless otherwise indicated herein. The Tenant shall, at its own expense and at all times maintain the premises in a clean and sanitary manner and shall surrender the same, at the end of this lease, in as good condition as received, normal wear and tear excepted. The Tenant shall be responsible for damages caused by its negligence, and that of its invitees. The Tenant shall not paint or otherwise redecorate or make alteration to the premises without the prior written consent of the Landlord. If the Tenant does not deliver the premises to the Landlord in said good and clean and satisfactory condition, the Landlord may restore the premises to such condition and obligate the Tenant thereto.

(9) ENTRY AND INSPECTION: The Tenant shall permit the Landlord or its agents to enter the premises at reasonable times and upon 24 hours notice (except in the case of emergency when no notice shall be required) for inspection, repairs, alteration or additions; to enter the premises for any purpose whatsoever

related to the safety, protection, preservation or improvement of the premises or the building; and to retain and use passkeys to the premises. The exercise of the reserved right of the Landlord shall never be deemed an eviction or disturbance of the Tenant's peaceable use and possession of the premises and shall never render the landlord liable in any manner to the Tenant or to any person in the premises.

(10) INDEMNIFICATION: The Landlord shall not be liable for any damage or injury to the Tenant, or any other person, or to any property, occurring on the premises, or any part thereof, or in common areas thereof, unless such damage is the proximate result of the negligence or unlawful act of the Landlord, its agents or employees. The Tenant agrees to hold the Landlord harmless from any claims for damages no matter how caused, except for injury or damages for which the Landlord is legally responsible.

(11) FIRE OR CASUALTY: In the event the leased premises are substantially damaged by fire, wind, explosion or other cause, then this lease shall immediately terminate and the Tenant shall be entitled to an abatement of its rental payments.

(12) INSURANCE: The Tenant shall be responsible for providing its own "renter's" insurance insuring the Tenant against loss or damage to any property owned by Tenant upon the premises if it so elects to insure such property. The Landlord shall have no obligation to insure the personal property of Tenant but shall be responsible for maintaining property and casualty insurance on the building in which the leased premises are located. The Tenant shall further provide liability insurance with limits not less than \$250,000/\$500,000. The Landlord shall be responsible for providing its own liability insurance for the conduct and activities of the Landlord occurring upon the premises or the adjacent premises thereto. Landlord may purchase any other insurance coverages which it desires.

(13) PEACEFUL POSSESSION: The Landlord hereby warrants that it is the legal owner of the premises leased herein and does further warrant and guarantee unto the tenant the peaceful use and possession of the premises during the term of the lease, provided that tenant shall fully comply with the obligations of the Tenant as set forth herein.

(14) DEFAULT: If either party defaults on any of its obligations set forth herein, the other party shall give written notice of such default, to which the party in breach or default

shall have 10 days in which to correct same.

(15) WAIVER: Failure on the part of either party to exercise any of its rights hereunder upon default shall not preclude that party from the exercise of any such rights during the continuance of such default or upon any subsequent default. Acceptance of past due installments of rent shall in no way act as a waiver of the Landlord's right to terminate the lease for non-payment of rent when due.

(16) CONDEMNATION: If the whole of the demised premises, or any part thereof as will make the premises unsuitable for the purposes herein leased, be condemned by any legally constituted authority for any public use or purpose or in compliance with the public laws, then in either of said events the term hereby granted shall cease from the time when possession thereof is taken by such public authority and rental shall be accounted for as between Landlord and Tenant as of that date. The Tenant shall have no claim against the Landlord or the property of which the premises are a part for the value of any unexpired term of this lease.

(17) NOTICES: Any notice required of either party shall be given by mailing the same by certified mail through the United States Post Office, postage prepaid, or by hand delivery of such notice, at the following address respectively:

To the Landlord:  
Mayor G.G. Harmon  
794 W. Shelby Street  
Junction City, KY 40440

To the Tenant:  
Mr. Darrell W. Blenniss, Jr.  
Danville City Manager  
445 West Main Street  
Danville, KY 40423-0670

(18) COVENANTS AND REPRESENTATIONS: All covenants and representations contained herein are binding upon and shall inure to the benefit of the heirs, executors, successors, administrators and assigns of the Landlord and the Tenant. It is further agreed that the terms of this lease set forth hereinabove constitute the entire agreement between the Landlord and the Tenant and that the Landlord has not made any statement, promise or agreement, verbally or in writing, in conflict with or enlarging the terms of this lease.

(19) SEVERABILITY: If any provision of this lease or any application thereof shall be invalid or unenforceable, the remainder of this lease shall not be affected thereby.

(20) GOVERNING LAW: Any dispute arising under this lease agreement shall be interpreted under the laws of the Commonwealth of Kentucky.

(21) CAPTIONS: The captions in this lease are included for convenience only and shall not be taken into consideration in any construction or interpretation of this lease or any of its provisions.

IN WITNESS WHEREOF, this lease is simultaneously executed in duplicate copies, each of which shall constitute an original, fully enforceable counterpart for all purposes.

CITY OF JUNCTION CITY, KY,  
A City of the Fifth Class

CITY OF DANVILLE, KY,  
A City of the Third Class

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

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

Mayor G.G. Harmon  
LANDLORD

Ryan Owens, Mayor Pro Tem  
TENANT

Attest:

Attest:

\_\_\_\_\_  
Susan Music, City Clerk

\_\_\_\_\_  
Donna Peek, City Clerk



CLOSING STATEMENT

DATE: June 30, 2003

PROPERTY: Assets of Perryville Water & Sewer Systems

SELLER: City of Perryville, Kentucky

PURCHASER: City of Danville, Kentucky

SALE PRICE: \$997,245.56

SELLER'S COSTS PAID FROM PROCEEDS:

Pay off National City Bank Loan # 050-28-1296-9 --	\$ 99,974.65
Pay off National City Bank Loan # 050-28-7256-7 --	\$ 14,695.03
Accrued Interest –	
City of Perryville Waterworks & Sewer System Refunding	
And Improvement Revenue Bonds dated 4/1/69	\$ 2,182.50
Accrued Interest –	
City of Perryville Water Revenue Bonds, Series 2000	\$ 5,337.81

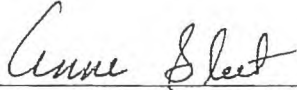
BALANCE TO SELLER: \$875,055.57

LESS:

Assumption of City of Perryville Waterworks & Sewer System	\$194,000.00
Refunding and Improvement Revenue Bonds dated 4/1/69	
Assumption of Perryville Water Revenue Bonds, Series 2000	\$449,500.00
Assumption of KIA Loan # A89-06	<u>\$222,047.62</u>

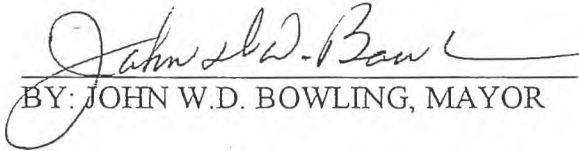
TOTAL DUE SELLER AT CLOSING: \$ 9,507.95  
(represents payment of \$17,476.00 for personal property less accrued interest payments  
noted above and accrued interest on NCB loans)

CITY OF PERRYVILLE, KENTUCKY,  
SELLER



BY: ANNE SLEET, MAYOR PRO TEM

CITY OF DANVILLE, KENTUCKY,  
PURCHASER



BY: JOHN W.D. BOWLING, MAYOR

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6/30/2003 2:39:19 PM

ASSET PURCHASE AGREEMENT

THIS AGREEMENT made and entered into on this 30<sup>th</sup> day of June, 2003, by and between the City of Perryville, Kentucky, a Municipal Corporation of the Fifth Class, 206 South Buell Street, Perryville, Kentucky 40468, hereinafter referred to as "SELLER," and the City of Danville, Kentucky, a Municipal Corporation of the Third Class, 445 West Main Street, Danville, Kentucky 40422, hereinafter referred to as "PURCHASER".

WHEREAS, Seller, City of Perryville, Kentucky, owns and operates water and sewer systems for the benefit of its citizens;

WHEREAS, Seller and Purchaser desire to enter into a transaction pursuant to which Purchaser will acquire all of the assets of the Seller (except as specifically excluded herein) relating to the water and sewer systems;

WHEREAS, after the closing on the transaction, as described herein, the Purchaser will incorporate the purchased assets into its municipal water and sewer systems and will provide water and sewer services to the customers of the Seller;

WITNESS that for the consideration hereinafter set out, and subject to the terms and conditions hereinafter provided, Seller does hereby agree to sell and Purchaser does hereby agree to purchase the property described below, whether characterized as personal property, real property, mixed, tangible, or intangible.

1. Assets

The Purchaser shall purchase from the Seller and the Seller shall sell to the Purchaser the personal property (whether tangible, intangible or mixed) listed on Exhibit "A" attached hereto and incorporated herein by reference. The sale does not include any accounts receivable or cash. In addition, the Purchaser shall purchase from the Seller and the Seller shall sell to the Purchaser any and all real property (except as noted below) in which it owns an interest, whether fee simple, leasehold or easement, which is used as part of the water or sewer systems operated by the Seller. Without limiting the foregoing, the parties agree that the purchase and sale will include the real property interests described on Exhibit B attached hereto and incorporated herein by reference.

In the event that, after the closing on the transaction, the parties discover the existence of real estate used as part of the Perryville water and sewer systems that is not described on Exhibit B and is not conveyed at the closing, then Seller agrees, upon request of Purchaser, immediately to convey that real estate to the Purchaser by general warranty deed for no additional consideration. The purchase and sale will not include the following specific real property:

A certain lot or parcel of ground lying in the town of Perryville, Boyle County, Kentucky, bounded as follows: BOUNDED on the North by the lot of Tuck Gray (formerly Lena E. Minor), which lot is evidenced by a row of hedge trees and fence; bounded on the West by First

Street (formerly known as Cemetery Street or the continuation of Mackville Turnpike); bounded on the South by Springfield Pike, and bounded on the East by the lot being in width from its northern boundary to its southern boundary the same as the lot of said Zular Bottoms heirs, and containing about one-eighth of an acre, more or less.

Being the same property conveyed to the City of Perryville Water and Sewer Department by deed of Hale dated 7/13/84 and recorded in Deed Book 249, Page 464.

Additionally, the purchase and sale will not include any proceeds receivable by the Seller pursuant to the Option and Lease Agreement between the City of Perryville and Cingular dated 1/14/02 and the Addendum to Cingular Option and Lease Agreement dated 2/12/02; but the parties further agree that the Purchaser shall not assume and have no obligations under those agreements other than to allow the placement of equipment on the storage facility.

2. Consideration; Closing

Closing and delivery of possession shall occur on or before July 1, 2003. At closing, Seller shall deliver to Purchaser a bill of sale conveying the assets described on Exhibit "A" and warranting title to those assets. The bill of sale will be in substantially the same form as that attached as Exhibit "C" and incorporated herein by reference. In addition, at closing, the Seller shall deliver to Purchaser general warranty deeds conveying the fee simple and easement interests described on Exhibit B, along with a general assignment of all easement

interests owned by the Seller that relate to or facilitate the operation of the water and sewer systems, whether recorded or unrecorded. Finally, at closing the parties will terminate, and execute a mutual release of each other's obligations under, the contract between them dated April 11, 1967.

In consideration for the assets described on Exhibit A, the Purchaser shall pay the sum of \$17,476.00.

In consideration for the assets described on Exhibit B, the Purchaser shall assume and hold the Seller harmless against the Seller's obligations under the following municipal bond issues and notes payable:

(a) City of Perryville Waterworks and Sewer System Refunding and Improvement Revenue Bonds dated April 1, 1969, in the original principal amount of \$633,000. As a material representation to this contract, but for which the Purchaser would not have entered into this agreement, the Seller represents that it is not in default on any of its covenants under the Series 1969 bond issue and that it has satisfied in full all principal and interest payments for the year 2002 (including the April 1, 2003 payment of principal and interest) and previous years. The payment obligations assumed by the Purchaser under this contract shall be limited to the following principal amounts:

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
2004	\$29,000.00
2005	\$30,000.00
2006	\$32,000.00
2007	\$33,000.00
2008	\$35,000.00
2009	\$35,000.00

The interest payment that is due and payable on October 1, 2003, will be prorated between the parties as of the date of closing. The Purchaser will pay and indemnify the Seller against all interest accruing after the date of closing.

(b) Kentucky Infrastructure Authority Assistance Agreement in the original principal amount of \$388,058.00, dated the 1st day of January, 1990. As a material representation to this contract, but for which the Purchaser would not have entered into this agreement, the Seller represents that it is not in default on any of its covenants in the applicable loan agreement and related documents and that it has satisfied in full all principal and interest payments for the year 2002 and previous years. The Seller further represents that the principal balance of the loan payable, as of July 1, 2003, is \$222,047.62.

(c) The City of Perryville Water Revenue Bonds, Series 2000, dated March 1, 2001, in the original principal amount of \$454,000.00. As a material representation to this contract, but for which the Purchaser would not have entered into this agreement, the Seller represents that it is not in default on any of its covenants under the Series 2000 bond issue and that it has

satisfied in full all principal and interest payments for the year 2002 and previous years. The payment obligations assumed by the Purchaser under this contract shall be limited to the following principal amounts:

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
2004	\$ 4,700.00
2005	\$ 4,900.00
2006	\$ 5,100.00
2007	\$ 5,400.00
2008	\$ 5,600.00
2009	\$ 5,900.00
2010	\$ 6,200.00
2011	\$ 6,500.00
2012	\$ 6,800.00
2013	\$ 7,100.00
2014	\$ 7,400.00
2015	\$ 7,800.00
2016	\$ 8,200.00
2017	\$ 8,500.00
2018	\$ 9,000.00
2019	\$ 9,400.00
2020	\$ 9,800.00
2021	\$10,300.00
2022	\$10,800.00
2023	\$11,300.00
2024	\$11,800.00
2025	\$12,400.00
2026	\$13,000.00
2027	\$13,600.00
2028	\$14,200.00
2029	\$14,900.00
2030	\$15,600.00
2031	\$16,400.00
2032	\$17,100.00
2033	\$18,000.00
2034	\$18,800.00
2035	\$19,700.00
2036	\$20,700.00
2037	\$21,600.00
2038	\$22,700.00
2039	\$23,700.00
2040	\$24,600.00

The principal payment of \$4,500 and the associated interest payment that are due and payable on April 1, 2003, will be paid by the Seller prior to or at closing. Accrued but not paid interest shall be prorated between the parties as of the date of closing. The Purchaser will pay and indemnify the Seller against all interest accruing after the date of closing.

(d) National City Bank Loan # 050-28-1296-9, in the original principal amount of \$100,000.00; and a current principal balance of \$99,956.94 as of May 30, 2003. Seller shall pay all interest accrued but not paid as of the closing date.

(e) National City Bank Loan # 050-28-7256-7, in the original principal amount of \$25,000.00; and a current principal balance of \$14,625.00 as of May 30, 2003. Seller shall pay all interest accrued but not paid as of the closing date.

### 3. Operation of Systems

Pending the closing and delivery of a bill of sale and the required deeds and possession of the assets by the Purchaser, Seller agrees to continue operating the water and sewer systems in a normal and ordinary course, make a reasonable effort to protect customer relationships and to maintain the good will of the business for the benefit of the Purchaser, and to make no substantial change in the method of doing business. Seller shall be responsible for all claims and obligations of the business existing prior to closing and delivery of possession and shall indemnify Purchaser thereon. Beginning with the closing and

delivery of possession, Purchaser shall be responsible for all claims and shall indemnify Seller on any claim made after closing and delivery of possession; however, in no event shall the Purchaser be responsible for any claim made after closing and delivery of possession for any act or condition claimed to have existed prior to closing and delivery of possession.

The Seller shall make a final reading of all water meters during the week prior to the closing date and will supply the Purchaser with a copy of the reading (including date made) for each account. The Seller will be responsible for sending final bills to its customers on or about July 1, 2003. After the due date for payment of the final bills to the Seller, the Seller shall provide (on or before July 25, 2003, with time being of the essence for this purpose) a list of delinquent accounts. The Purchaser agrees to cut-off water service to these customers until the accounts are brought current.

#### 4. Account Deposits

The parties hereto agree that the Seller shall retain all account deposits in its possession at the date of the closing and will refund the account deposits to the appropriate customers. The Seller agrees to indemnify and hold the Purchaser harmless against any claims pertaining to account deposits. The Purchaser agrees that it will not require any account deposits for existing sewer and water customers of the Seller as of the close of business on the date of closing, but will collect from new

customers tap fees based on the then-existing schedule and ordinances maintained by the Purchaser.

5. Sinking/Depreciation/Maintenance Funds

All funds held by the Seller in accounts designated as sinking funds, depreciation funds, or maintenance funds that have been established in conjunction with previous bond issues or loan commitments shall remain the property of the Seller.

6. Rates

The Purchaser represents and warrants that future increases to the water rates charged to the current residential and commercial water customers of the Seller will be tied directly to raises imposed on the resident customers of the City of Danville with increases to be measured on an absolute dollar/cubic foot basis and not as a percentage. As of July 1, 2003, those rates will be as follows:

WATER RATE

<u>Consumption (Cubic Feet)</u>	<u>Rate (per 100 Cubic Feet)</u>
First 100	\$10.169 (minimum per month)
Next 200	\$3.386
Next 1,500	\$2.537
All over 1,800	\$2.158

As of July 1, 2003, the sewer rates charged to the Citizens of Perryville, Kentucky will be as follows:

SEWER RATES

<u>Consumption (Cubic Feet)</u>	<u>Rate (per 100 Cubic Feet)</u>
Minimum Bill	\$3.255 (minimum per month)
All over 0	\$5.381

Sewer rates will increase in accordance with state law. Finally, notwithstanding any provision in this agreement to the contrary, the Purchaser shall be permitted to increase water and sewer rates at any time to the extent required to comply with any guidelines established by federal or state law or any existing or future bond issues or loans.

7. Servicing Agreement.

The Seller and Purchaser agree that they will execute at closing a Servicing Agreement substantially in the form of that attached as Exhibit D.

8. Insurance

Seller will maintain the existing insurance on the assets that are the subject of this sale until closing and delivery of a bill of sale and general warranty deed, and Purchaser shall have the privilege of binding any additional insurance Purchaser desires. In the event of fire or other casualty which causes such damage to any of the assets described in numerical paragraph 1 above that the repair or replacement thereof cannot be made within thirty (30) days following such casualty, then Purchaser shall have the option to terminate this agreement, or to accept

the assets described in numerical paragraph 1 above in the condition as exists following such fire or casualty, along with the assignment of any insurance that Seller may have for the same, without any reduction in purchase price.

9. Noncompetition Agreement

The parties hereto agree that the Purchaser will, upon execution of this agreement, have a substantial property right and interest in the client and customer relationships, business practices and methods of the Seller and in the financial data, pricing, costs, methods, and the list of customers which exist and will be developed, and that the Purchaser will have the right to protect the use of those valuable relationships and the information available to the Purchaser. Therefore, as a consideration for the execution of this agreement, but for which the agreement would not have been entered into by the Purchaser, Seller covenants and agrees that upon the closing of the transaction and the purchase of assets by the Purchaser, the Seller shall not work in any business involving the delivery of water and sewer services that would in any way compete with the Purchaser, whether as principal, employee, partner, associate, agent, or in corporate partnership, or any other form for a period of five (5) years following the closing on the transaction. This non-competition agreement shall apply to Boyle County and contiguous counties within the Commonwealth of Kentucky. In addition, Seller agrees that it will not, for a

period of five (5) years following the closing on the transaction, either directly or indirectly, for itself or any third party, solicit, induce, recruit, or cause another person in the employ of the Purchaser to terminate his or her employment for the purpose of joining, associating, or becoming employed with any business or activity which is in competition with the products sold or distributed, or any business or activity engaged in, by the Purchaser. The parties agree that the damage to Purchaser for breach of this covenant not to compete would be substantial and difficult to measure in money damages, and Purchaser shall therefore be entitled to injunctive relief to prohibit a violation of this covenant by Seller, and to a claim against the Seller for any damages sustained from such breach of this covenant in addition thereto, including reasonable attorney fees incurred in the enforcement of this non-competition agreement.

10. Commissions

The parties agree to indemnify and hold the each other harmless from any claim or demand for commission or other compensation by any broker, finder, or similar agent, and both represent that they have not been represented in this transaction by any broker or agent who can claim a commission on this sale.

11. Notice

Any notice given pertaining to this agreement shall be effective if mailed to the party to whom said notice is to be

given at the address shown in the first paragraph of this agreement, with said mailing to be by certified mail, return receipt requested, or hand delivered to the other party in writing. Each party may designate in writing a different address to be used for the providing of notices.

12. Miscellaneous

This agreement is binding on the successors and assigns of the parties hereto and this agreement may be amended only by written agreement of the parties. This agreement contains the entire agreement of the parties, and no verbal representations or warranties have been given that are not included herein in writing.

13. Representations and Warranties: Each party represents and warrants to the other party, and acknowledges that the other party relies on such representations and warranties in entering into and proceeding under this agreement, that:

(A) Entity Standing: Each party is a municipal corporation, duly organized, validly existing, and in good standing under the laws of Kentucky with full corporate power and authority to own or hold under lease the personal and real property described in this agreement, to carry on its business presently being conducted by it, to enter into this agreement and all other agreements contemplated by this agreement, and to consummate the transactions contemplated hereunder and thereunder.

(B) Consents: No provision of the articles of incorporation, ordinance, trust agreement, mortgage, indenture, bond issue, or other agreement or instrument to which either Seller or Purchaser is a party or by which either is bound or to which either or any of its properties is subject requires the consent or authorization of any other person or entity as a condition precedent to the consummation of the transactions contemplated by this agreement.

(C) Existing Debt: Seller represents that there is no debt encumbering the assets that are the subject of this agreement other than the debt described in numerical paragraph 2 of this agreement.

(D) Valid Easements: Seller represents that it owns (except for the Crawford Springs Pump Station), and pursuant to this agreement transfers to the Purchaser, valid fee simple title or an easement to each parcel of real estate over or on which any water or sewer main, or lateral line, pump station or the like (that is part of the Perryville water and sewer systems) passes or is situated.

#### 14. Employees

The parties acknowledge that the Purchaser may hire Robert Riley, who is currently an employee of the Seller. Seller represents and warrants that such action by the Purchaser will

not violate any employment agreement or other contract between the Seller and Robert Riley.

15. Circumstances prior to closing.

From the date of this agreement until the closing date, each party will promptly notify the other party upon receipt of actual notice or knowledge of any fact which would make any representation or warranty contained in this agreement untrue in any material respect.

16. Contingencies. The Purchaser's obligation under this contract to purchase and accept delivery of assets is specifically contingent on the satisfaction of the following contingencies within thirty (30) days of the date of this agreement:

(A) The Purchaser shall have the right, prior to closing, to make any and all inspections it desires regarding the assets to be purchased and the books and records maintained by the Seller regarding those assets in the operation of the Perryville water and sewer systems. In addition, the Purchaser, and its agents and employees, shall have the right to enter onto the real property described herein for the purpose of inspecting the same and may make any environmental inspections desired, including Phase I and Phase II environmental audits; provided, however, that the Purchaser shall bear any expense relating to these examinations and shall return any inspected property to its

condition prior to the inspection. In the event that the Purchaser's review of the assets and the information described herein is unsatisfactory, as determined at the sole discretion of the Purchaser, then the Purchaser shall have the option to immediately terminate this agreement by delivering written notice of its intent to do so to the Seller.

(B) The Purchaser's receipt of consents from the United States Rural Development Authority (as owner of the Series 2000 City of Perryville Water Revenue Bonds), the United States Department of Housing and Urban Development (in regard to the City of Perryville waterworks and sewer system refunding and improvement revenue bonds dated April 1, 1969) and any and all other owners of municipal bonds issued by Perryville or financial or other entities whose approval is required prior to the transfer and conveyance of the assets described herein and the assumption of the Seller's obligations as described herein. In the event that the Purchaser is unable to obtain any such consents, then Purchaser shall have the option to immediately terminate this agreement by delivering written notice of its intent to do so to the Seller.

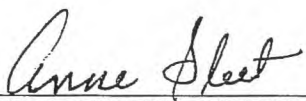
(C) The Purchaser's satisfactory review of the requirements for the establishment of depreciation, sinking, or reserve or maintenance accounts. The Purchaser shall have the option to terminate this agreement by delivering written notice to the Seller of its intent to do so if the requirements for the

establishment of said accounts is too onerous, as determined in the sole discretion of the Purchaser.

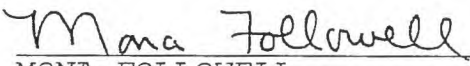
17. The warranties, indemnifications, and agreements contained herein shall survive the closing on this transaction and shall not merge in the closing and delivery of bill of sale and the deed of conveyance

WITNESS the hands of the parties hereto on this the year and date first above written.


CITY OF PERRYVILLE, KENTUCKY,  
SELLER

  
BY: ANNE SLEET, MAYOR PRO TEM

ATTEST:

  
MONA FOLLOWELL,  
PERRYVILLE CITY CLERK

CITY OF DANVILLE, KENTUCKY,  
PURCHASER

  
BY: JOHN W.D. BOWLING, MAYOR

ATTEST:

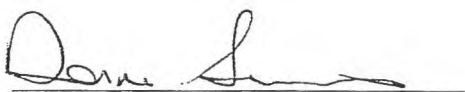
  
DONNA GROVES,  
DANVILLE CITY CLERK

EXHIBIT A  
ASSET PURCHASE AGREEMENT BETWEEN  
CITY OF PERRYVILLE AND CITY OF DANVILLE

1991 Ford Ranger - VIN 1FTCR10A7MTA12071

Meter Reading Data Collector - Sensus Model # AR4001

Autoread Software ver. 2.09 by INVENSYS, Inc. - Serial # 91450

Enhance 5000 ver. 1.0.2 by Softech

UBS ver. 10.0 by USTI, Serial # 1314

4 5-gal buckets weedkiller

6 15-gal buckets bleach

5 15-gal buckets bleach

60 touch read meters

12 2" clamps; 2 3" clamps; 14 4" clamps; 14 6" clamps; 6 8" clamps

1 electric eel; cables

1 gas powered eel; cables; new sewer rods; saddle; core stop, fittings; yoke; plastic fittings; pipe; 1 electric motor

Miscellaneous inventory, parts, and equipment located in building owned by City of Perryville at the northeast intersection of Highway 150 and Battlefield Road

All meters, pumps, main trunk lines and lateral lines, fire hydrants, dechlorinators, and all other equipment necessary to the operation of the water or sewer systems.

EXHIBIT B  
ASSET PURCHASE AGREEMENT BETWEEN  
CITY OF PERRYVILLE AND CITY OF DANVILLE

Fee Simple Ownership

TRACT 1:

Beginning at an iron pin, said iron pin being N 88° 42' 02" W, 246.51 feet from a post at a corner common to William C. Hundley and Boyle County Fiscal Court on the westerly right of way of U.S. 68 and said post being 1040+ feet northerly along U.S. 68 from the intersection of U.S. 68 with Crawford Lane; thence with the new line of Boyle County Fiscal Court, S 02° 22' 26" E, 210.09 feet to an iron pin; thence S 46° 54' 53" W, 176.30 feet to an iron pin; thence N 70° 23' 45" W, 51.40 feet to an iron pin; thence N 30° 04' 20" W, 146.94 feet to an iron pin; thence S 59° 55' 40" W, 65.00 feet to an iron pin; thence N 47° 45' 23" W, 46.71 feet to an iron pin; thence S 68° 59' 36" W, 141.76 feet to a point at the easterly water's edge of Chaplin River, said point being S 68° 59' 36" W, 20.00 feet from an iron pin set as witness; thence with the easterly water's edge of Chaplin River for six calls: N 21° 25' 17" W, 14.30 feet; N 19° 28' 22" W, 46.91 feet; N 32° 06' 46" W, 69.66 feet; N 32° 43' 31" W, 102.73 feet; N 31° 23' 07" W, 73.78 feet; N 37° 40' 42" W, 32.76 feet to a point, said point being S 58° 43' 48" W, 20.00 feet from an iron pin set as witness; thence leaving the water's edge of Chaplin River and with the new line of Boyle County Fiscal Court N 58° 43' 48" E, 72.82 feet to an iron pin; thence N 42° 53' 35" E, 67.36 feet to an iron pin; thence N 40° 58' 2" E, 142.73 feet to an iron pin; thence S 76° 14' 37" E, 155.90 feet to an iron pin; thence S 53° 17' 25" E, 354.32 feet to the point of beginning, containing 5.07 acres.

As an appurtenance to the above-described property, the Grantor hereby gives, grants and conveys unto the Grantee a twenty (20) foot wide easement for ingress and egress to the above-described property the center line of which is more particularly described as follows:

Beginning at a point in the centerline of said gravel road and on the westerly right of way of U.S. 68, said point being 540+ feet northerly along U.S. 68 from the intersection of U.S. 68 with Crawford Lane; thence with the centerline of said gravel road N 53° 33' 30" W, 47.59 feet; thence N 53° 56' 56" W, 83.52 feet; thence N 50° 31' 13" W, 101.75 feet; thence N 55° 52' 17" W, 27.24 feet; thence N 54° 21' 48" W, 24.35 feet; thence 48.07 feet along a curve to the left having a chord of N 69° 24' 20" W, 47.13 feet; thence 24.56 feet along a curve to the left having a chord of S 78° 48' 55" W, 24.18 feet; thence 44.85 feet along a curve to the right having a chord of S 75° 27' 21" W, 40.79 feet; thence N 59° 41' 10" W, 53.92 feet; thence N 55° 28' 51" W, 26.16 feet; thence 26.97 feet along a curve to the right having a chord of N 22° 08' 20" W, 26.31 feet; thence N 01° 51' 23" E, 4.25 feet to a point in the line of Perryville, said point being N 68° 59' 36" E, 54.18 feet from an iron pin in the line of Perryville.

Being the same real property conveyed to the City of Perryville by deed from the Boyle County Fiscal Court dated May 9, 1989, and recorded in Deed Book 280, page 174, records of the Boyle County Clerk's office.

TRACT 2:

Beginning at a point in the line of Gray Street and N 60° 00' W 130 feet from a post corner to Miller and other property of Cress; thence N 60° 00' W 40 feet to a point in the line of Gray Street corner to other property of Cress; thence N 30° 40' E 160.3 feet to a point corner to other property of Cress and Uncel Wayne; thence S 76° 25' W 54.2 feet to a point corner to Cress and Wayne; thence S 30° 40' W 122 feet and 0 inches to the point of beginning.

Being the same real property conveyed to City of Perryville by deed of James H. Cress et ux Judith A. Cress, dated December \_\_\_\_, 1974, and recorded in Deed Book 201, Page 324, records of the Boyle County Clerk's Office.

TRACT 3:

Beginning at an iron pin and cap set in a fence line approximately 176 feet west of the intersection of Cox and Lyon Avenues in the Spring Hill Subdivision, and being the southwest corner of lot 25 in line with the north right-of-way of Cox Avenue; thence with the line of Spring Hill Subdivision S 13° 55' 29" W 201.29 feet to a PK nail set in the top of a fence post, southwest corner to the Spring Hill Subdivision, in line of Crain, thence with the line of Crain, N 82° 34' 09" W, 217.65 feet to an iron pin and cap set at a new corner of Allan and Ethel Whitehouse; thence severing the lands of Whitehouse for two (2) calls; N 13° 52' 53" E, 200.90 feet to a set iron pin and cap; S 82° 40' 02" E passing a set iron pin and cap at 202.74 feet, corner to a water easement, 217.84 feet, in all, to the point of beginning, and containing 0.999 acres, as per survey of Paul S. Schrader, R.L.S.#2914, dated January 6, 1999.

Being the same real property conveyed to City of Perryville by deed of Allan Whitehouse and Ethel Whitehouse, husband and wife dated June 1, 1999 and recorded in Deed Book 366, Page 001, records of the Boyle County Clerk's Office.

TRACT 4:

A tract of land situated in the City of Perryville, Boyle County, Kentucky, and bounded on the East by an alley between said lot and the lot of E.A. Harmon; North by First Street; West by lot of the Methodist Episcopal Church South and South by the land of J.T. Bonta and T.E. Wilson. Said lot being 74 feet, more or less wide, and 74 feet long. This being a portion of the same real estate conveyed to the grantors by Kentucky Utilities Company by deed dated April 24, 1948, and recorded in Deed Book 81, page 382, in the office of the Clerk of the Boyle County Court, which is referred to and made a part hereof.

Being the same real property conveyed to City of Perryville, by deed of James T. Bonta and Emma D. Bonta, husband and wife, dated June 8, 1949, and recorded in Deed Book 84, Page 039, records of the Boyle County Clerk's Office.

TRACT 5:

Beginning at a point in the westerly property line of the Robert Whitehouse tract of land, said beginning point being located 1130.5 feet from the intersection of the Robert Whitehouse westerly line with the center line of U.S. Highway 150; thence south 86° 00' West for a distance of 154.08 feet to a point; thence north 61° 52' east for a distance of 168.50 feet to a point in Whitehouse's westerly line, said point being located in a southerly direction and 22.0 feet from the northwest corner of the Robert Whitehouse tract of land; thence south 4° 16' east and along Whitehouse's westerly line for a distance of 68.90 feet to the point of beginning.

Being the same real property conveyed to the City of Perryville by deed of Roy Edwards, a single person, dated December 7, 1967, and recorded in Deed Book 161, Page 089, records of the Boyle County Clerk's Office.

Easements:

<u>Grantor</u>	<u>Grantee</u>	<u>Date</u>	<u>Recording Info</u>
C.V. Lankford	City of Perryville	8/10/76	
Kentucky Util.	City of Perryville	1/19/81	D.B. 232-502
Jerry Boyd	City of Perryville	9/26/01	D.B. 388-35
Keith Smith	City of Perryville	9/24/01	D.B. 388-38
John L. Catron	City of Perryville	10/13/01	D.B. 388-27
Tim Pellicano	City of Perryville	9/25/01	D.B. 388-29
Bobby Followell	City of Perryville	6/20/74	D.B. 202-608
Boyle Co. Fis. Ct.	City of Perryville	6/12/90	D.B. 287-85
Ernest Cannon	City of Perryville	7/17/75	D.B. 202-610
Lemuel Leonard	City of Perryville	5/9/89	D.B. 280-181
Donald Norvell	City of Perryville	2/17/89	D.B. 278-500
Thomas Norvell	City of Perryville	3/29/91	D.B. 292-333

Boyle Co. Fis. Ct.	City of Perryville	5/9/89	D.B. 280-177
Robert C. Tamme	City of Perryville	7/31/01	D.B. 385-198
Mary Southerland	City of Perryville	7/31/01	D.B. 385-201
Robert L. Tamme	City of Perryville	7/31/01	D.B. 385-204
Marvin Lowrey	City of Perryville	6/3/96	D.B. 337-172
Melvin Norvell	City of Perryville	6/3/96	D.B. 337-174
Maureen Survant	City of Perryville	6/3/96	D.B. 337-170
Edith Leonard	City of Perryville	3/29/93	D.B. 307-440
James Lee Yates	City of Perryville	10/28/93	D.B. 315-655
William C. Hundley	City of Perryville	1/11/94	D.B. 315-649
John B. Sullivan	City of Perryville	5/3/94	D.B. 318-56
John Morgan	City of Perryville	12/10/93	D.B. 315-652
Ann Kinnaird	City of Perryville	8/12/94	D.B. 322-143
William C. Hundley	City of Perryville	7/25/94	D.B. 321-643
William Anderson	City of Perryville	7/25/94	D.B. 321-637
Rolan M. Coulter	City of Perryville	1/13/94	D.B. 315-643
Michael Zirnheld	City of Perryville	1/26/94	D.B. 315-646
Michael Zirnheld	City of Perryville	7/1/94	D.B. 321-640

EXHIBIT C  
ASSET PURCHASE AGREEMENT BETWEEN  
CITY OF PERRYVILLE AND CITY OF DANVILLE

BILL OF SALE

Know all men by these presents that the City of Perryville, Kentucky, a municipal corporation of the Fifth Class ("Owner"), in consideration of the sum of \$17,476.00, the receipt of which is acknowledged, has granted, bargained, sold, conveyed, transferred and delivered and by these presents does bargain, sell, grant, convey, transfer unto the City of Danville, Kentucky, the following items of personal property:

1991 Ford Ranger - VIN 1FTCR10A7MTA12071

Meter Reading Data Collector - Sensus Model # AR4001

Autoread Software ver. 2.09 by INVENSYS, Inc. - Serial # 91450

Enhance 5000 ver. 1.0.2 by Softech

UBS ver. 10.0 by USTI, Serial # 1314

4 5-gal buckets weedkiller

6 15-gal buckets bleach

5 15-gal buckets bleach

60 touch read meters

12 2" clamps; 2 3" clamps; 14 4" clamps; 14 6" clamps; 6 8" clamps

1 electric eel; cables

1 gas powered eel; cables; new sewer rods; saddle; core stop, fittings; yoke; plastic fittings; pipe; 1 electric motor

Miscellaneous inventory, parts, and equipment located in building owned by City of Perryville at the northeast intersection of Highway 150 and Battlefield Road

All meters, pumps, main trunk lines and lateral lines, fire hydrants, dechlorinators, and all other equipment necessary to the operation of the water or sewer systems.

To have and to hold unto the City of Danville, Kentucky, its successors and assigns forever;

And the Owner does, for itself and its successors and assigns, covenant to and with the City of Danville, its successors and assigns, that it is the lawful owner of the assets listed above; that the assets are free from all liens, security interests and encumbrances; that Owner has good right to sell the same aforesaid; and that the Owner will warrant and defend the sale of the assets hereby conveyed unto the City of Danville, Kentucky, its successors and assigns, against the claims and demands of all persons whomsoever.

WITNESS the hands of the parties hereto on this 1<sup>st</sup> day of July, 2003.

CITY OF PERRYVILLE, KENTUCKY,  
OWNER

\_\_\_\_\_  
BY: ANNE SLEET, MAYOR PRO TEM

ATTEST:

\_\_\_\_\_  
MONA FOLLOWELL,  
PERRYVILLE CITY CLERK

EXHIBIT D  
ASSET PURCHASE AGREEMENT BETWEEN  
CITY OF PERRYVILLE AND CITY OF DANVILLE

SERVICING AGREEMENT

This Servicing Agreement made this 1<sup>st</sup> day of July, 2003, by and between the City of Perryville, Kentucky, a municipal corporation of the fifth class, 206 Buell Street, Perryville, Kentucky 40468, hereinafter referred to as "SERVICING AGENT," and the City of Danville, Kentucky, a municipal corporation of the third class, 445 West Main Street, Danville, Kentucky 40422, hereinafter referred to "OWNER",

WHEREAS, Owner, City of Danville, Kentucky, has purchased the assets of the water and sewer Systems formerly operated by the City of Perryville, Kentucky;

WHEREAS, Owner and Servicing Agent desire to enter into a contract pursuant to which the Servicing Agent will perform certain services in the City of Perryville on behalf of the Owner, and the parties wish to reduce the terms of this agreement to writing;

WITNESSETH:

That for the consideration herein set out, and subject to the terms and conditions hereinafter provided, the parties do hereby agree as follows:

1. The City of Perryville will provide the following services pursuant to the terms of this agreement:

(a) Provide sufficient office personnel, supplies and equipment to conduct the business of a utility customer service for the customers of the water and sewer system. Servicing Agent will be responsible for all costs and liabilities of the employees of the City of Perryville who are used to staff the service center and will be responsible for all supplies and office equipment, except as otherwise indicated in this agreement. Servicing Agent will pay all other office expenses such as electricity, heating and air conditioning and all repair and maintenance of the building and equipment.

(b) The Servicing Agent will collect payments on customer utility accounts, including payments on water and sewer bi-monthly service accounts and payments for new tap fees or new service connection fees. Servicing Agent will be responsible for

keeping sufficient books to account for the collection and disposition of all funds received by it pursuant to this agreement, and will abide by standard accounting principles as approved by the finance director for the City of Danville. All written records such as pay stubs, applications, and service orders will be transferred to the City of Danville as directed by the Finance Director for the City of Danville but on not less than a weekly basis. The City of Perryville will keep this office open at least one hundred (100) hours per month, during normal business hours.

(c) Provide office space for Robert Riley (or another individual employed by the City of Danville) until December 31, 2003, in a location in proximity to the office used for providing the utility customer services detailed above. The office space will have sufficient room for a desk, two chairs, and a filing cabinet. The Servicing Agent shall pay all normal building expenses, including all utility expenses and maintenance of the building. Notwithstanding anything to the contrary herein, the parties agree that Robert Riley will not be an employee of the City of Perryville, and the City of Danville will employ and supervise Riley and provide all equipment and supplies needed for his use.

2. The City of Danville will provide the following services pursuant to the terms of this agreement:

(a) The City of Danville will provide for use in the Perryville office the necessary computer equipment (such as routers, computer, phone lines, software licensing and point to point service) to connect to the Danville utility accounting system. Although employees of the City of Perryville will be permitted to use this equipment to carry out their duties under this servicing agreement, the equipment will at all times remain the property of the City of Danville.

3. In exchange for the services provided under this agreement, the City of Danville will pay the Servicing Agent the sum of \$1,850.00 per month.

4. After July 1, 2004, either party shall be entitled to terminate this agreement upon delivering ninety (90) days written notice to the other party.

5. This agreement shall be interpreted under the laws of the Commonwealth of Kentucky. The parties hereto consent to the jurisdiction and venue of the Boyle Circuit Court for the resolution of any disputes hereunder.

6. This instrument contains the entire agreement between the parties, no statements, premises, or inducements made by either party or an agent of

either party that are not contained in this written agreement shall be valid or binding. This agreement may not be modified except in writing signed by both parties hereto.

WITNESS the hands of the parties hereto on this the year and date first above written.

CITY OF PERRYVILLE, KENTUCKY,  
SELLER

\_\_\_\_\_  
BY: ANNE SLEET, MAYOR PRO TEM

ATTEST:

\_\_\_\_\_  
MONA FOLLOWELL,  
PERRYVILLE CITY CLERK

CITY OF DANVILLE, KENTUCKY,  
PURCHASER

\_\_\_\_\_  
BY: JOHN W.D. BOWLING, MAYOR

ATTEST:

\_\_\_\_\_  
DONNA GROVES,  
DANVILLE CITY CLERK

Ellen/my documents/city of perryville purchase agreement with danville

## BILL OF SALE

Know all men by these presents that the City of Perryville, Kentucky, a municipal corporation of the Fifth Class ("Owner"), in consideration of the sum of \$17,476.00, the receipt of which is acknowledged, has granted, bargained, sold, conveyed, transferred and delivered and by these presents does bargain, sell, grant, convey, transfer unto the City of Danville, Kentucky, the following items of personal property:

· 1991 Ford Ranger – VIN 1FTCR10A7MTA12071

Meter Reading Data Collector – Sensus Model # AR4001

Autoread Software ver. 2.09 by INVENSYS, Inc. – Serial # 91450

Enhance 5000 ver. 1.0.2 by Softech

UBS ver. 10.0 by USTI, Serial # 1314

4 5-gal buckets weedkiller

6 15-gal buckets bleach

5 15-gal buckets bleach

60 touch read meters

12 2" clamps; 2 3" clamps; 14 4" clamps; 14 6" clamps; 6 8" clamps

1 electric eel; cables

1 gas powered eel; cables; new sewer rods; saddle; core stop, fittings; yoke; plastic fittings; pipe; 1 electric motor

Miscellaneous inventory, parts, and equipment located in building owned by City of Perryville at the northeast intersection of Highway 150 and Battlefield Road

All meters, pumps, main trunk lines and lateral lines, fire hydrants, dechlorinators, and all other equipment necessary to the operation of the water or sewer systems.

To have and to hold unto the City of Danville, Kentucky, its successors and assigns forever;

And the Owner does, for itself and its successors and assigns, covenant to and with the City of Danville, its successors and assigns, that it is the lawful owner of the assets listed above; that the assets are free from all liens, security interests and encumbrances; that Owner has good right to sell the same aforesaid; and that the Owner will warrant and defend the sale of the assets hereby conveyed unto the City of Danville, Kentucky, its successors and assigns, against the claims and demands of all persons whomsoever.

WITNESS the hands of the parties hereto on this 30<sup>th</sup> day of June, 2003.

CITY OF PERRYVILLE, KENTUCKY,  
OWNER

  
BY: ANNE SLEET, MAYOR PRO TEM

ATTEST:

  
MONA FOLLOWELL,  
PERRYVILLE CITY CLERK

## SERVICING AGREEMENT

This Servicing Agreement made this 30th day of June, 2003, by and between the City of Perryville, Kentucky, a municipal corporation of the fifth class, 206 Buell Street, Perryville, Kentucky 40468, hereinafter referred to as "SERVICING AGENT," and the City of Danville, Kentucky, a municipal corporation of the third class, 445 West Main Street, Danville, Kentucky 40422, hereinafter referred to "OWNER",

WHEREAS, Owner, City of Danville, Kentucky, has purchased the assets of the water and sewer systems formerly operated by the City of Perryville, Kentucky;

WHEREAS, Owner and Servicing Agent desire to enter into a contract pursuant to which the Servicing Agent will perform certain services in the City of Perryville on behalf of the Owner, and the parties wish to reduce the terms of this agreement to writing;

### WITNESSETH:

That for the consideration herein set out, and subject to the terms and conditions hereinafter provided, the parties do hereby agree as follows:

1. The City of Perryville will provide the following services pursuant to the terms of this agreement:

- (a) Provide sufficient office personnel, supplies and equipment to conduct the business of a utility customer service for the customers of the water and sewer system. Servicing Agent will be responsible for all costs and liabilities of the employees of the City of Perryville who are used to staff the service center and will be responsible for all supplies and office equipment, except as otherwise indicated in this agreement. Servicing

Agent will pay all other office expenses such as electricity, heating and air conditioning and all repair and maintenance of the building and equipment.

- (b) The Servicing Agent will collect payments on customer utility accounts, including payments on water and sewer bi-monthly service accounts and payments for new tap fees or new service connection fees. Servicing Agent will be responsible for keeping sufficient books to account for the collection and disposition of all funds received by it pursuant to this agreement, and will abide by standard accounting principles as approved by the Finance Director for the City of Danville. All written records such as pay stubs, applications, and service orders will be transferred to the City of Danville as directed by the Finance Director for the City of Danville but on not less than a weekly basis. The City of Perryville will keep this office open at least one hundred (100) hours per month, during normal business hours.
- (c) Provide office space for Robert Riley (or another individual employed by the City of Danville) until December 31, 2003, in a location in proximity to the office used for providing the utility customer services detailed above. The office space will have sufficient room for a desk, two chairs, and a filing cabinet. The Servicing Agent shall pay all normal building expenses, including all utility expenses and maintenance of the building. Notwithstanding anything to the contrary herein, the parties agree that Robert Riley will not be an employee of the City of Perryville, and the City of Danville will employ and supervise Riley and provide all equipment and supplies needed for his use.

2. The City of Danville will provide the following services pursuant to the terms of this agreement:

- (a) The City of Danville will provide for use in the Perryville office the necessary computer equipment (such as routers, computer, phone lines, software licensing and point to point service) to connect to the Danville utility accounting system. Although employees of the City of Perryville will be permitted to use this equipment to carry out their duties under this servicing agreement, the equipment will at all times remain the property of the City of Danville.

3. In exchange for the services provided under this agreement, the City of Danville will pay the Servicing Agent the sum of \$1,850.00 per month.

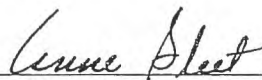
4. After July 1, 2004, either party shall be entitled to terminate this agreement upon delivering ninety (90) days written notice to the other party.

5. This agreement shall be interpreted under the laws of the Commonwealth of Kentucky. The parties hereto consent to the jurisdiction and venue of the Boyle Circuit Court for the resolution of any disputes hereunder.

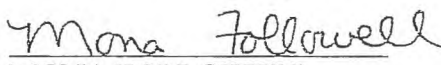
6. This instrument contains the entire agreement between the parties, no statements, premises, or inducements made by either party or an agent of either party that are not contained in this written agreement shall be valid or binding. This agreement may not be modified except in writing signed by both parties hereto.

WITNESS the hands of the parties hereto on this the year and date first above written.

CITY OF PERRYVILLE, KENTUCKY,  
SELLER

  
BY: ANNE SLEET, MAYOR PRO TEM


ATTEST:

  
MONA FOLLOWELL,  
PERRYVILLE CITY CLERK

CITY OF DANVILLE, KENTUCKY,  
PURCHASER

  
BY: JOHN W.D. BOWLING, MAYOR

ATTEST:

  
DONNA GROVES,  
DANVILLE CITY CLERK

HVP:P:\My Documents\PerryvilleServ.doc

### TERMINATION AND RELEASE

This Agreement made this 30th day of June, 2003, by and between the City of Perryville, Kentucky, a municipal corporation of the fifth class, 206 Buell Street, Perryville, Kentucky 40468, and the City of Danville, Kentucky, a municipal corporation of the third class, 445 West Main Street, Danville, Kentucky 40422;

WHEREAS, the City of Perryville and the City of Danville entered into an agreement regarding the purchase and sale of Perryville's water requirements dated April 11, 1967; and,

WHEREAS, City of Danville, Kentucky, has purchased the assets of the water and sewer systems formerly operated by the City of Perryville, Kentucky, and the parties now desire to terminate the contract dated 4/11/67 and release each other from any and all obligations thereunder;

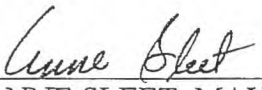
### WITNESSETH:

That for the consideration herein set out, and subject to the terms and conditions hereinafter provided, the parties do hereby agree as follows:

1. The agreement between the parties dated 4/11/67 and described more particularly above is hereby terminated immediately.
2. The parties release each other from any and all obligations under the agreement dated 4/11/67 except for any payment currently due the City of Danville from the City of Perryville for water sold, if any.

WITNESS the hands of the parties hereto on this the year and date first above written.

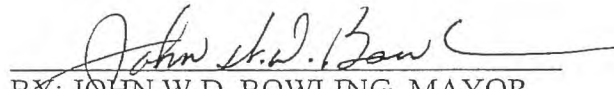
CITY OF PERRYVILLE, KENTUCKY,  
SELLER

  
BY: ANNE SLEET, MAYOR PRO TEM

ATTEST:

  
MONA FOLLOWELL,  
PERRYVILLE CITY CLERK

CITY OF DANVILLE, KENTUCKY,  
PURCHASER

  
BY: JOHN W.D. BOWLING, MAYOR

ATTEST:

  
DONNA GROVES,  
DANVILLE CITY CLERK

5b. Amortization Schedule (Michele L. Gosser)

Schedule for RD/USDA Loan

BORROWER NAME: CITY OF MERRYVILLE  
 INTEREST RATE: 4.75  
 PRINCIPAL: 454,000  
 April 10, 2000

60 19-20-8131 - 1000  
 60 19-20-8131 - 1000

year	period	number	payment	interest	principal	balance
2001	1	1	21,565.00	21,565.00	0	454,000
2002	1	2	21,565.00	21,565.00	0	454,000
2003	1	3	26,065.00	21,565.00 1/2 +	4,500	449,500
2004	1	4	26,051.25	21,351.25 1/2 +	4,700	444,800
FY04-05	1	5	26,028.00	21,128.00 1/2 +	4,900	439,900
FY05-06	1	6	25,995.25	20,895.25 1/2 +	5,100	434,800
FY06-07	1	7	26,053.00	20,653.00 1/2 +	5,400	429,400
2008	9/08 - 10/08	8	25,996.50	20,396.50 1/2 +	5,600	423,800
FY07-08	2007 9/09 - 10/09	9	26,030.50	20,130.50 1/2 +	5,900	417,900
FY08-09	2008 9/10 - 10/10	10	26,050.25	19,850.25 1/2 +	6,200	411,700
2011	2010 9/11 - 10/11	11	26,055.75	19,555.75 1/2 +	6,500	405,200
9/23/10	2011 9/12 - 10/12	12	26,047.00	19,247.00 1/2 +	6,800	398,400
10/23/10	2012 9/13 - 10/13	13	26,024.00	18,924.00 1/2 +	7,100	391,300
2014	1	14	25,986.75	18,586.75 1/2 +	7,400	383,900
2015	1	15	26,035.25	18,235.25 1/2 +	7,800	376,100
2016	1	16	26,064.75	17,864.75 1/2 +	8,200	367,900
2017	1	17	25,975.25	17,475.25 1/2 +	8,500	359,400
2018	1	18	26,071.50	17,071.50 1/2 +	9,000	350,400
2019	1	19	26,044.00	16,644.00 1/2 +	9,400	341,000
2020	1	20	25,997.50	16,197.50 1/2 +	9,800	331,200
2021	1	21	26,032.00	15,732.00 1/2 +	10,300	320,900
2022	1	22	26,042.75	15,242.75 1/2 +	10,800	310,100
2023	1	23	26,029.75	14,729.75 1/2 +	11,300	298,800
2024	1	24	25,993.00	14,193.00 1/2 +	11,800	287,000
2025	1	25	26,032.50	13,632.50 1/2 +	12,400	274,600
2026	1	26	26,043.50	13,043.50 1/2 +	13,000	261,600
2027	1	27	26,026.00	12,426.00 1/2 +	13,600	248,000
2028	1	28	25,980.00	11,780.00 1/2 +	14,200	233,800
2029	1	29	26,005.50	11,105.50 1/2 +	14,900	218,900
2030	1	30	25,997.75	10,397.75 1/2 +	15,600	203,300
2031	1	31	26,056.75	9,656.75 1/2 +	16,400	186,900
2032	1	32	25,977.75	8,877.75 1/2 +	17,100	169,800
2033	1	33	26,065.50	8,065.50 1/2 +	18,000	151,800
2034	1	34	26,010.50	7,210.50 1/2 +	18,800	133,000
2035	1	35	26,017.50	6,317.50 1/2 +	19,700	113,300
2036	1	36	26,081.75	5,381.75 1/2 +	20,700	92,600
2037	1	37	25,998.50	4,398.50 1/2 +	21,600	71,000
2038	1	38	26,072.50	3,372.50 1/2 +	22,700	48,300
2039	1	39	25,994.25	2,294.25 1/2 +	23,700	24,600
2040	1	40	25,768.50	1,168.50 1/2 +	24,600	0
			1,031,927.75	577,927.75	454,000	

April 1, - int + princ  
 Oct 1, int only

9/1-01  
 w/s

Junction City  
USDA

Debt serv.

Interest goes to  
6019208139

RECD Bond Amortization

FY	Principal	June Int	Dec Int	Total Int	Total
6000002158					
BEGINNING PRINCIPAL AS OF JULY 1, 1997					527112.5
1998	112.50	11,857.50	11,860.03	23,717.53	23,830.03
1999	12,436,000.00	6,971,722.50	11,857.50	23,580.00	29,580.00
2000	12,436,000.00	6,001,587.50	11,722.50	23,310.00	29,310.00
2001	6,000.00	11,452.50	11,587.50	23,040.00	29,040.00
2002	6,000.00	11,317.50	11,452.50	22,770.00	28,770.00
2003	12,027,000.00	6,131,160.00	11,317.50	22,477.50	29,477.50
2004	12,037,000.00	6,111,002.50	11,160.00	22,162.50	29,162.50
2005	12,047,000.00	6,105,845.00	11,002.50	21,847.50	28,847.50
2006	12,058,000.00	6,101,665.00	10,845.00	21,510.00	29,510.00
2007	12,068,000.00	6,101,485.00	10,665.00	21,150.00	29,150.00
2008	12,079,000.00	6,101,282.50	10,485.00	20,767.50	29,767.50
2009	12,089,000.00	6,101,080.00	10,282.50	20,362.50	29,362.50
2010	12,099,000.00	6,100,877.50	10,080.00	19,957.50	28,957.50
2011	10,000.00	9,652.50	9,877.50	19,530.00	29,530.00
2012	10,000.00	9,427.50	9,652.50	19,080.00	29,080.00
2013	11,000.00	9,180.00	9,427.50	18,607.50	29,607.50
2014	11,000.00	8,932.50	9,180.00	18,112.50	29,112.50
2015	12,000.00	8,662.50	8,932.50	17,595.00	29,595.00
2016	13,000.00	8,370.00	8,662.50	17,032.50	30,032.50
2017	13,000.00	8,077.50	8,370.00	16,447.50	29,447.50
2018	14,000.00	7,762.50	8,077.50	15,840.00	29,840.00
2019	15,000.00	7,425.00	7,762.50	15,187.50	30,187.50
2020	15,000.00	7,087.50	7,425.00	14,512.50	29,512.50
2021	16,000.00	6,727.50	7,087.50	13,815.00	29,815.00
2022	17,000.00	6,345.00	6,727.50	13,072.50	30,072.50
2023	18,000.00	5,940.00	6,345.00	12,285.00	30,285.00
2024	19,000.00	5,512.50	5,940.00	11,452.50	30,452.50
2025	19,000.00	5,085.00	5,512.50	10,597.50	29,597.50
2026	21,000.00	4,612.50	5,085.00	9,697.50	30,697.50
2027	21,000.00	4,140.00	4,612.50	8,752.50	29,752.50
2028	23,000.00	3,622.50	4,140.00	7,762.50	30,762.50
2029	24,000.00	3,082.50	3,622.50	6,705.00	30,705.00
2030	25,000.00	2,520.00	3,082.50	5,602.50	30,602.50
2031	26,000.00	1,935.00	2,520.00	4,455.00	30,455.00
2032	28,000.00	1,305.00	1,935.00	3,240.00	31,240.00
2033	29,000.00	652.50	1,305.00	1,957.50	30,957.50
2034	29,000.00	0.00	652.50	652.50	29,652.50
527,112.50	278,392.50	290,252.53	568,645.03	1,095,757.53	

53% W 52  
47% S 48

Revised @ 6/30/98

93-02

**Net Debt Service Schedule**

<b>Date</b>	<b>Principal</b>	<b>Coupon</b>	<b>Interest</b>	<b>Total Principal and Interest</b>
08/01/2014			\$167,733.33	\$167,733.33 ✓
02/01/2015			136,000.00	136,000.00
08/01/2015			136,000.00	136,000.00
02/01/2016			136,000.00	136,000.00
08/01/2016	<u>\$13,600,000</u>	2.000%	<u>136,000.00</u>	<u>13,736,000.00</u>
Total	\$13,600,000		\$711,733.33	\$14,311,733.33

## Michele Gosser

---

**From:** Pitts, Denise (KIA) <Denise.Pitts@ky.gov>  
**Sent:** Monday, November 24, 2014 4:43 PM  
**To:** Michele Gosser  
**Subject:** KIA F13-011 Annual DS

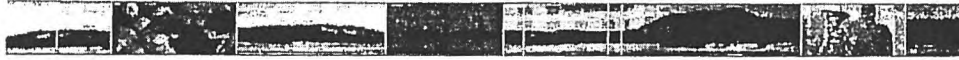
Per the Assistance Agreement project specifics, estimated annual debt service for the above referenced loan is \$747,912. Full principal and interest payments will commence within one year of initiation of operations (full p and I estimated to start 6/1/17). Interest only payments began with the 12/1/14 billing cycle (int due \$10,496.65). Interest payments are due each 12/1 and 6/1 and are calculated at 1.75% apr of outstanding balance at interest date.

The annual replacement and maintenance cost is \$20,000. This amount should be added to the replacement and maintenance account each December 1, after full principal and interest starts, until the balance reaches \$200,000 and maintained for the life of the loan.

Please let me know if I can be of further assistance.



United States Department of Agriculture  
CPAP - Community Program Application Processing



## CPAP - Bond Schedule Detail

Name of Borrower: City of Danville			
Amount of Loan	5000000	Annual Interest Rate	0.0275
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	No
Principal Payment Units	500	Interest Payment Units.	1

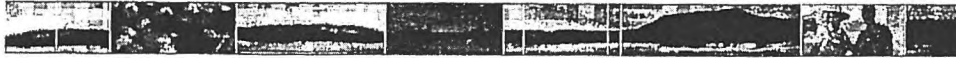
Year	Period	Number	Payment	Interest	Principal	Balance
2014	1	1	137500	137500	0	5000000
2015	1	2	137500	137500	0	5000000
2016	1	3	213500	137500	76000	4924000
2017	1	4	213910	135410	78500	4845500
2018	1	5	213751	133251	80500	4765000
2019	1	6	213537	131037	82500	4682500
2020	1	7	213768	128768	85000	4597500
2021	1	8	213931	126431	87500	4510000
2022	1	9	213525	124025	89500	4420500
2023	1	10	213563	121563	92000	4328500
2024	1	11	213533	119033	94500	4234000
2025	1	12	213935	116435	97500	4136500
2026	1	13	213753	113753	100000	4036500
2027	1	14	213503	111003	102500	3934000
2028	1	15	213685	108185	105500	3828500
2029	1	16	213783	105283	108500	3720000
2030	1	17	213800	102300	111500	3608500
2031	1	18	213793	99233	114500	3494000
2032	1	19	213585	96085	117500	3376500
2033	1	20	213853	92853	121000	3255500
2034	1	21	213526	89526	124000	3131500
2035	1	22	213616	86116	127500	3004000
2036	1	23	213610	82610	131000	2873000
2037	1	24	213507	79007	134500	2738500
2038	1	25	213808	75308	138500	2600000
2039	1	26	213500	71500	142000	2458000
2040	1	27	213595	67595	146000	2312000
2041	1	28	213580	63580	150000	2162000
2042	1	29	213955	59455	154500	2007500
2043	1	30	213706	55206	158500	1849000
2044	1	31	213847	50847	163000	1686000
2045	1	32	213865	46365	167500	1518500
2046	1	33	213758	41758	172000	1346500
2047	1	34	213528	37028	176500	1170000
2048	1	35	213675	32175	181500	988500
2049	1	36	213683	27183	186500	802000
2050	1	37	213555	22055	191500	610500
2051	1	38	213788	16788	197000	413500
2052	1	39	213871	11371	202500	211000
2053	1	40	216802	5802	211000	0
<b>TOTALS</b>			<b>\$8,398,423.00</b>	<b>\$3,398,423.00</b>	<b>\$5,000,000.00</b>	

Warning: This schedule is an estimate of payments. Rural Development calculates interest amounts and principle reduction as of the date the payment is processed. Because over the life of the loan payments will be processed on dates other than the due date, the actual interest amounts and principle reduction will not match the schedule provided here.

[CPAP](#) | [USDA](#) | [Rural Development](#) | [eAuth](#)  
[Accessibility Statement](#) | [Privacy Policy](#) | [Non-Discrimination](#)



United States Department of Agriculture  
CPAP - Community Program Application Processing



## CPAP - Bond Schedule Detail

Name of Borrower: City of Danville			
Amount of Loan	8600000	Annual Interest Rate	0.03125
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	No
Principal Payment Units	500	Interest Payment Units.	1

Year	Period	Number	Payment	Interest	Principal	Balance
2014	1	1	268750	268750	0	8600000
2015	1	2	268750	268750	0	8600000
2016	1	3	389750	268750	121000	8479000
2017	1	4	389968	264968	125000	8354000
2018	1	5	390062	261062	129000	8225000
2019	1	6	390031	257031	133000	8092000
2020	1	7	389875	252875	137000	7955000
2021	1	8	389593	248593	141000	7814000
2022	1	9	389687	244187	145500	7668500
2023	1	10	389640	239640	150000	7518500
2024	1	11	389953	234953	155000	7363500
2025	1	12	389609	230109	159500	7204000
2026	1	13	389625	225125	164500	7039500
2027	1	14	389984	219984	170000	6869500
2028	1	15	389671	214671	175000	6694500
2029	1	16	389703	209203	180500	6514000
2030	1	17	390062	203562	186500	6327500
2031	1	18	389734	197734	192000	6135500
2032	1	19	389734	191734	198000	5937500
2033	1	20	390046	185546	204500	5733000
2034	1	21	389656	179156	210500	5522500
2035	1	22	390078	172578	217500	5305000
2036	1	23	389781	165781	224000	5081000
2037	1	24	389781	158781	231000	4850000
2038	1	25	390062	151562	238500	4611500
2039	1	26	389609	144109	245500	4366000
2040	1	27	389937	136437	253500	4112500
2041	1	28	390015	128515	261500	3851000
2042	1	29	389843	120343	269500	3581500
2043	1	30	389921	111921	278000	3303500
2044	1	31	389734	103234	286500	3017000
2045	1	32	389781	94281	295500	2721500
2046	1	33	390046	85046	305000	2416500
2047	1	34	390015	75515	314500	2102000
2048	1	35	389687	65687	324000	1778000
2049	1	36	390062	55562	334500	1443500
2050	1	37	389609	45109	344500	1099000
2051	1	38	389843	34343	355500	743500
2052	1	39	389734	23234	366500	377000
2053	1	40	388781	11781	377000	0
<b>TOTALS</b>			<b>\$15,350,202.00</b>	<b>\$6,750,202.00</b>	<b>\$8,600,000.00</b>	

Warning: This schedule is an estimate of payments. Rural Development calculates interest amounts and principle reduction as of the date the payment is processed. Because over the life of the loan payments will be processed on dates other than the due date, the actual interest amounts and principle reduction will not match the schedule provided here.

CPAP | USDA | Rural Development | eAuth  
Accessibility Statement | Privacy Policy | Non-Discrimination

5d. Required Debt Payments and reserves (Michele L. Gosser)

Date of Issue	Type of Debt	For	Water %	Sewer %	2015/2016	2016/2017	2017/2018	
2000	USDA-RD	PV	52%	48%	26,064.75	25,975.25	26,071.50	
1995	USDA-RD	JC	52%	48%	30,032.50	29,447.50	29,840.00	
2013	BAN	WTP	100%		272,000.00	13,736,000.00		To be paid off by USDA Loan
Estimates								
2014	KIA	WTP	100%		240,000.00	747,912.00	747,912.00	Estimated ( see KIA email)
2014	USDA	WTP	100%		603,250.00	603,878.00	603,813.00	Estimated (see USDA provided schedules)
Reserve Requirements								
2000	USDA-RD	PV	52%	48%	220.00	220.00	220.00	
1995	USDA-RD	JC	52%	48%	265.00	265.00	265.00	
2014	KIA	WTP	100%			20,000.00	20,000.00	Estimated (see KIA email)
2014	USDA	WTP	100%		8,375.00	8,375.00	8,375.00	Estimated by USDA

## Water Treatment Plant

Employee LAST	FIRST	Hourly Rate	Job Title
ADKINS	JAMES	\$19.84	Class IV
BEGLEY	ROBERT	\$9.93	Maint. Worker LAST DAY 6/18/14
CRAWFORD	KOLBY	\$9.38	Water Dist. Trainee
JONES	KEVIN	\$13.24	Class III
LAWSON	CHARLIE	\$20.02	Asst. Superintendent, Class IV
NEELEY	DANIEL	\$15.88	Class IV
SHELTON	CHRIS	\$9.69	Maint. Worker HIRED 2/10/14
TOMPKINS	ANDY	\$22.11	Superintendent, Class IV
WHITIS	SCOTT	\$15.88	Class IV

## Water Distribution

BERRY	RON	\$15.89	Class IV
BLACK	HAGEN	\$8.78	Water Dist. Trainee LAST DAY 3/19/14
CRAWFORD	TOM	\$24.87	Class IV
DORMAN	CHUCK	\$19.57	Class IV
GRIFFIN	JAMES	\$14.06	Maint. Worker II
HARMON	CARL	\$17.45	Class II
MONTGOMERY	DANIEL	\$15.56	Class II
NICHOLS	NICK	\$18.12	Class IV
RILEY	ROBERT	\$20.74	Class IV
SCHEFFLER	CHRIS	\$20.02	Asst. Superintendent, Class IV
SMALLWOOD	KENLY	\$23.90	Superintendent, Class IV
WADE	JOEL	\$15.03	Class IV
REARDON	LEMAUL	\$8.79	Water Dist. Trainee HIRED 12/14/12
REYNOLDS	KENT	\$15.03	Class IV HIRED 3/17/14



Equal Opportunity Employer

**City of Danville  
Please Post**

# Human Resources Memo

**To:** All Employees

**From:** Donna Peek, HR Director

**Date:** 12/1/2014

**Re:** Position Available    **Application Deadline:** Friday, August 29<sup>th</sup>, 2008

---

**The City of Danville has (1) full-time position available:**

## **Water Plant Superintendent**

**CHARACTERISTICS OF THE CLASS:** Assists the Utility Director/City Engineer in overseeing aspects of the City's utility functions - Water treatment plant. An employee in this class must exercise considerable initiative and independent judgment. Must be able to prepare and administer department budget; must be able to supervise employees; must be able to perform heavy manual labor for extended periods of time; must have a valid drivers license; must be able to handle chemicals; must be able to distinguish colors; must be able to climb into and work in deep tight holes; must be able to see a computer screen; must be able to walk and climb in irregular terrains; must be able to communicate on radio and telephone. Must have the ability to hear auditory signals; must have full use of all limbs. Must be able to work outside under all types of weather conditions. Must have the ability to read color test reports. Must have 20/20 vision corrected. Must be able to operate a shift alone. Must be free of allergies or have proper prescriptions to control allergies.

**EXAMPLES OF DUTIES:** Assists the Utility Director/City Engineer in carrying out the administrative and program standards for the various activities of the Water treatment plant and its services. Advises subordinates on major operating problems and assists in the solution of such problems. Supervises subordinates in their working environment in accordance with the daily activities. Performs related work as required and performs other such duties as may be required.

## **POSITION QUALIFICATIONS**

Training & Experience: Responsible experience in Water Treatment, some of which shall have been a supervisory capacity. Completion of a standard high school curriculum or GED preferably supplemented by College Courses in Engineering and possession of a valid Class IV Water License.

**SPECIAL KNOWLEDGE AND ABILITIES**

Thorough knowledge of the principles and practices of daily operation and maintenance of the water utility system. The ability to supervise subordinates, good professional judgment, initiative, and working knowledge of the geography of the City of Danville.

Overtime Provisions: Non-exempt

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If you are interested in applying for this position, contact the following persons in the Human Resources Department, City Hall 238-1200 for an application or one can be downloaded from our website: <http://www.danvilleky.org> (click on the **EMPLOYMENT** link).

- Donna Peek, ext. 2105, e-mail: [dpeek@danvilleky.org](mailto:dpeek@danvilleky.org)

**Application Deadline is Friday, August 29<sup>th</sup> 2008**

(Human Resources in City Hall, 445 W. Main St., must receive applications by the above stated deadline)



Equal Opportunity Employer

**City of Danville  
Please Post**

# Human Resources Memo

**To:** Employees  
**From:** Donna Peek, HR Director  
**Date:** 09.24.08  
**Re:** Position Available      **Application Deadline:** Friday, October 3<sup>rd</sup>, 2008

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**The City of Danville has (1) full-time position available:**

## **INTERNAL POSTING**

**DEPARTMENT:**              **Water Plant**

### **Assistant Water Plant Superintendent**

#### **Characteristics of the Class**

Assists the Water Plant Superintendent in overseeing an aspect of the Cities Utility function - Water treatment and service. Supervision is received from the Water Plant Superintendent. An employee in this class must exercise considerable initiative and independent Judgment.

#### **Examples of Duties**

Assists the Water Plant Superintendent in carrying out the administrative and program standards for the various activities of the Water treatment plant and its services. Advises subordinates on major operating problems and assists in the solution of such problems; supervises subordinates in their working environment in accordance with the daily activities at the utility. Performs related work as required and performs other such duties as may be required.

#### **Position Qualifications**

##### **Training and Experience:**

Responsible experience in Water treatment work, some of which shall have been in a supervisory capacity and completion of a standard high school curriculum preferably

supplemented by College Courses in engineering and chemistry, and possession of a valid Class IVA Water treatment operators license or any equivalent combination of experience and training which provides the required knowledge, skills and abilities,

Knowledge, Skills and Abilities:

Thorough knowledge of the principles and practices of daily operation and maintenance of the Water utility; ability to supervise subordinates; good professional judgment, initiative, working knowledge of the geography of the City of Danville.

Must be able to relate well with the public. Must be able to perform heavy manual labor for extended periods of time; must have valid driver's license; must be able to handle chemicals; must be able to distinguish colors; must be able to climb into and work in deep tight holes; must be able to see a computer screen. Must be able to walk and climb on irregular terrains; must be able to prepare and administer department budget; must be able to supervise employees. Must have the ability to hear auditory signals. Must have full use of all limbs. Must be able to work outside under all types of weather conditions must have 20/20 vision corrected. Must be able to operate a shift alone. Must be free of allergies or have proper prescriptions to control allergies.

Overtime Provision: Non-Exempt.

- ~~If you are interested in applying for this position, contact the following person in the Human Resources Department, City Hall 238-1200 for an application or one can be downloaded from our website: [www.danvilleky.org](http://www.danvilleky.org) (click on the **EMPLOYMENT** link).~~

- Donna Peek, ext. 2105, e-mail: [dpeek@danvilleky.org](mailto:dpeek@danvilleky.org)

**Application Deadline: Friday, October 3<sup>rd</sup>, 2008**

(Human Resources in City Hall, 445 W. Main St., must receive applications by the above stated deadline.)

## CITY OF DANVILLE JOB DESCRIPTION

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**Position Title:** Water Distribution Trainee

**Department:** Water Distribution

**Appointing Authority:** Commission approval, recommendation by HR

**Supervisor:** Water Distribution Superintendent

**Supervises:** None

**Position Purpose and Objectives:** Distribution Trainee working in the water Distribution system receives close supervision. An employee in this class must exercise considerable initiative and independent judgment.

**Duties and Responsibilities:** The Trainee in the Distribution must be able to read meters, changing out meters, doing on/off slips, work order and other assigned tasks in a timely manner. Must work with the other departmental crews as needed to complete projects. Responsible for the upkeep and condition of vehicles, tools, pumps and electronic equipment. Perform other related work as required. Works with other departments as needed to complete projects. Works scheduled, unscheduled, and sometimes short notice overtime. Other duties as assigned.

**Essential:**

1. Must be able to work in wet muddy deep holes and tight places.
2. Must be able to hear auditory signals, have 20/20 vision corrected and be able to read meters correctly and accurately, prepare records and reports.
3. Must not be colorblind and have the ability to read color tests.
4. Must be able to perform heavy manual labor for extended periods of time under all types of weather conditions.

**Non-Essential:**

**Desired Minimum Qualifications:** Responsible experience in the Water Distribution System. Completion of a standard high school curriculum or GED preferably supplemented by college courses in engineering. Possess a valid Class IV Water Distribution Operator License or any equivalent combination of experience and training which provides the required knowledge and skills and abilities. Possess a valid Kentucky driver's license.

**Education and Experience:**

Completion of a standard high school curriculum or GED and equivalent combination of experience and training which provides the required knowledge, skills and abilities. Have a valid driver's license.

## CITY OF DANVILLE JOB DESCRIPTION

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**Special Knowledge, Skills, and Abilities:** Thorough knowledge of skills in the use of tools, machinery, equipment, and electronic equipment and the ability to work well with departmental personnel.

**Overtime Provision:** Non Exempt

**Supervision received:** Daily

**Supervision exercised:** None

**Responsibility for Public Contact:** High interaction with public

**Physical Demands:**

The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. Must have full use of all limbs and able to walk and climb over irregular terrain.

**Work Environment:**

The work environment characteristics described here are representative of those an employee encounters while performing the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

The duties listed above are intended only as illustrations of the various types of work that may be performed. The omission of specific statement of duties does not exclude them from the position if the work is similar, related or a logical assignment to the position.

This job description does not constitute an employment agreement between the employer and employee and is subject to change by the employer as the need of the employer and requirements of the job change.

**Department Approval**

**Employee Signature**

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## CITY OF DANVILLE JOB DESCRIPTION

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**Position Title:** Water Distribution Operator Class I

**Department:** Water Distribution

**Appointing Authority:** Commission approval, recommendation from HR

**Supervisor:** Water Distribution Superintendent

**Supervises:** None

**Position Purpose and Objectives:** The licensed Operator performs skilled levels of work in the operation and maintenance of the water distribution system. Read Meters prepares and maintains necessary report and records.

**Duties and Responsibilities:** The Operator I Assist in the overall operation of the water distribution system. Accurately reads meters, do on/off slips, work orders, prepares and maintains necessary reports and records. Makes water taps, repairs leaks on water mains and service lines, operates and maintains various types of equipment and machinery such as jack hammers, air compressors, tapping machines, pumps, hand tools and electronic equipment. Does concrete and landscaping work when needed. And performs other related work as may be required. Assists other departments as needed to complete projects. Works scheduled, unscheduled, and sometimes short notice overtime. Other duties as assigned.

**Essential:**

1. Must be able to make water taps, repairs water mains and service lines.
2. Must be able to operate various types of machinery, jack hammers, air compressor, exercises valves, and uses all types of hand tools, also does concrete work and landscaping.
3. Must have 20/20 vision corrected, and the ability to read meters correctly and accurately, prepare records and reports.
4. Must not be colorblind and have the ability to read color tests
5. Must be able to hear auditory signals
6. Must have full use of all limbs and able to walk on rough and uneven terrain
7. Must be able to perform heavy manual labor for extended periods of time under all types of weather conditions.
8. Must be able to work in wet muddy deep holes and tight places.
9. Must have the ability to accurately read meters, maps, and color tests.
10. Must be able to work alone without direct supervision.

**Non-Essential:**

**Desired Minimum Qualifications:** Responsible experience in the Water Distribution System. Completion of a standard high school curriculum or GED preferably supplemented by college courses in engineering. Possess a valid Class IV Water Distribution Operator

## CITY OF DANVILLE JOB DESCRIPTION

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License or any equivalent combination of experience and training which provides the required knowledge and skills and abilities. Possess a valid Kentucky driver's license.

**Education and Experience:**

Completion of high school curriculum or GED. Possession of a valid Class I Water Distribution Operator License and a valid driver's license.

**Special Knowledge, Skills, and Abilities:** Thorough knowledge of the water distribution system. Initiative, the ability to locate water lines, use sound judgment, communication with phone and radio, the ability to solve problems and work well with other departmental employees.

**Overtime Provision:** Non-Exempt

**Supervision received:** Daily

**Supervision exercised:** None

**Responsibility for Public Contact:** High level of public contact

**Physical Demands:**

The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. Must have full use of all limbs and able to walk and climb over irregular terrain.

**Work Environment:**

The work environment characteristics described here are representative of those an employee encounters while performing the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

The duties listed above are intended only as illustrations of the various types of work that may be performed. The omission of specific statement of duties does not exclude them from the position if the work is similar, related or a logical assignment to the position.

This job description does not constitute an employment agreement between the employer and employee and is subject to change by the employer as the need of the employer and requirements of the job change.

**Department Approval**

**Employee Signature**

**CITY OF DANVILLE  
JOB DESCRIPTION**

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## CITY OF DANVILLE JOB DESCRIPTION

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**Position Title:** Water Distribution Operator Class II

**Department:** Water Distribution

**Appointing Authority:** Commission approval, recommendation by HR

**Supervisor:** Water Distribution Superintendent

**Supervises:** None

**Position Purpose and Objectives:** The licensed Operator performs skilled levels of work in the operation and maintenance of the water distribution system. Read Meters prepares and maintains necessary report and records.

**Duties and Responsibilities:** The Operator II Assist in the overall operation of the water distribution system. Accurately reads meters, do on/off slips work orders, prepare and maintains necessary reports and records. Makes water taps, repairs leaks on water mains and service lines, operates and maintains various types of equipment and machinery such as jack hammers, air compressors, tapping machines, pumps, hand tools and electronic equipment. Does concrete and landscaping work when needed, and performs other related work as may be required. Assists other departments as needed to complete projects. Works scheduled, unscheduled, and sometimes short notice overtime. Other duties as assigned.

**Essential:**

1. Must be able to make water taps, repairs water mains and service lines, and operate various types of machinery, jack hammers, air compressor, exercises valves, and uses all types of hand tools, also does concrete work and landscaping.
2. Must not be colorblind and have the ability to read color tests, and the ability to hear auditory signals.
3. Must have full use of all limbs and have the ability to climb and walk on rough and uneven terrain.
4. Must have the ability to perform heavy manual labor for extended periods of time under all types of weather conditions.
5. Must be able to work in wet muddy deep holes and tight places.
6. Must have 20/20 vision corrected.
7. Must have the ability to accurately read meters, maps, and color tests.
8. Must be able to work alone without direct supervision.

**Non-Essential:**

**Desired Minimum Qualifications:** Responsible experience in the Water Distribution System. Completion of a standard high school curriculum or GED preferably supplemented by college courses in engineering. Possess a valid Class IV Water Distribution Operator

## CITY OF DANVILLE JOB DESCRIPTION

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License or any equivalent combination of experience and training which provides the required knowledge and skills and abilities. Possess a valid Kentucky driver's license.

### **Education and Experience:**

Completion of a high school curriculum or GED. Possession of a valid Class II Water Distribution Operator License and a valid driver's license.

**Special Knowledge, Skills, and Abilities:** Thorough knowledge of the water distribution system. Initiative, the ability to locate water lines, use sound judgment, communication with phone and radio, the ability to solve problems and work well with other departmental employees.

**Overtime Provision:** Non-Exempt

**Supervision received:** Daily

**Supervision exercised:** None

**Responsibility for Public Contact:** High level of public contact

### **Physical Demands:**

The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. Must have full use of all limbs and able to walk and climb over irregular terrain.

### **Work Environment:**

The work environment characteristics described here are representative of those an employee encounters while performing the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

The duties listed above are intended only as illustrations of the various types of work that may be performed. The omission of specific statement of duties does not exclude them from the position if the work is similar, related or a logical assignment to the position.

This job description does not constitute an employment agreement between the employer and employee and is subject to change by the employer as the need of the employer and requirements of the job change.

**Department Approval**

**Employee Signature**

**CITY OF DANVILLE  
JOB DESCRIPTION**

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Equal Opportunity Employer

**City of Danville  
Please Post**

# Human Resources Memo

**To:** Employees

**From:** Donna Peek, HR Director

**Date:** 12/1/2014

**Re:** Position Available

Application Deadline: Friday, October 10, 2008

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**The City of Danville has (1) full-time position available:**

**DEPARTMENT:** Water Plant

**Water Plant Operator IV or trainee**

**Duties:**

Class Characteristics: Under limited supervision; provides complete and total operations of the water treatment plant; assists in the maintenance of the treatment plant, makes regular inspections, controls and adjusts all instrumentation for plant operations; oversees the proper operation of all treatment equipment; conducts chemical analyses; makes calculations and adjustments in chemical feed equipment; prepares data, records and reports as required.

General duties and Responsibilities:

Essential:

- 1) Conducts chemical analysis.
- 2) Makes calculations and adjustment to chemical feed equipment.
- 3) Provides for complete and total operation of all treatment equipment including monitoring alarms, inspections of equipment and processes.
- 4) Create; prepare data for records and reports.

Non-Essential:

- 1) Provides maintenance of equipment and plant facilities.
- 2) Prepare reports.

Minimum Qualifications:

Training and Experience: Graduation from high school or GED.

Minimum Qualifications:

Two years experience in qualified water treatment or similar field. College degree preferred.

Special knowledge, skills, and abilities:

Knowledge:

- 1) Working knowledge of water chemistry
- 2) Working knowledge of equipment
- 3) Working knowledge of chemical handling

Abilities:

- 1) Ability to see colors
- 2) Ability to follow oral and written instructions
- 3) Ability to hear audible alarms
- 4) Ability to make complicated mathematical calculations
- 5) Ability to climb steps and ladders
- 6) Ability to make sound and resound judgments
- 7) Ability to work with the general public
- 8) Ability to lift objects up to 100 lbs.

Additional Information:

Analytical Requirements:

- 1) Must be able to complete complicated mathematical formulas accurately.
- 2) Requires judgment in converting test results to adjustments into plant operational changes.

Tools, Equipment, and Vehicles Used:

- 1) Be able to drive pickup truck.
- 2) Use laboratory equipment.
- 3) Use small mechanics tools.

Physical Requirements:

- 1) Must be able to climb stairs and ladders.
- 2) Must be able to lift 100 lbs.

Contacts:

- 1) Limited contact with public and other employees.

Confidential Information: None

Mental Effort: Often

Interruptions: Seldom

Special Licensing Requirements: Class 4A water treatment

Overtime Provisions: Non-exempt

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If you are interested in applying for this position, contact one of the following people in the Human Resources Department, City Hall 238-1200 for an application or one can be downloaded from our website: [www.danvilleky.org](http://www.danvilleky.org) (click on the **EMPLOYMENT** link).

- Donna Peek, 238-1200-ext. 2105 e-mail: [dpeek@danvilleky.org](mailto:dpeek@danvilleky.org)

**Application Deadline: Friday, October 10<sup>th</sup>, 2008**

(Human Resources in City Hall, 445 W. Main St., must receive applications by the above stated deadline)

**Please Post**

# Memo

**To:** All Employees

**From:** Donna Peek, City Clerk/HR Director

**Date:** 12/1/2014

**Re:** Position(s) Available

Application deadline: Tuesday, September 4<sup>th</sup>, 2012

---

**The City of Danville has a full-time position available:**

## **(INTERNAL POSTING)**

### **Assistant Water Distribution Superintendent**

#### **Position Purpose and Objectives:**

Assists the Water Distribution Superintendent in overseeing an aspect of the Cities Utility function - Water Distribution. An employee in this class must exercise considerable initiative and independent judgment.

#### **Essential duties and responsibilities:**

- Must be able to come to work promptly and regularly
- Must be able to work scheduled hours as required
- Must be able to take direction and work well with others
- Assist the Water Distribution Superintendent in carrying out the administrative duties
- Must be able to advise subordinates on major operating problems and assist in the solution
- Must be able to supervise subordinates in their working environment when needed
- Must be able to work under the stress of deadlines
- Must be able to concentrate and perform accurately
- Must be able to react to change productively and to handle other tasks as assigned
- Dealing directly with the public
- Handles customer questions and complaints
- Capability of driving trucks both large and small
- Using heavy equipment
- Must have the ability to drive with a valid driver's license
- Ability to follow oral and written instructions
- Ability to communicate clearly with supervisors, fellow workers and the public
- Ability to read and write
- Ability to walk and climb up and down ladders and over rough and irregular ground surfaces
- High level of multi-tasking
- Must have good communication skills
- Must be able to stand or sit, walk, bend perform repetitive movements for long periods of time

Ability to read and understand maps  
Ability to read and understand blueprints  
Must be able to inspect water lines  
Must be able to prepare reports  
Must have general knowledge of purchasing  
Performs other work as required

**Desired Qualifications:**

Working knowledge of water system of the City of Danville  
Working knowledge of processes and procedures  
Working knowledge of the geography of the City of Danville  
Working knowledge of operation of light and heavy trucks and heavy equipment  
Ability to make independent judgments with citizens  
Prior job experience in a related field – some of which shall have been in a supervisory capacity  
Ability to supervise subordinates  
Ability to use good professional judgment and initiative

**Minimum Qualifications:**

Completion of a standard high school curriculum (diploma) or GED. Any combination of education, training and experience, which provides the required knowledge, skills and ability, is preferred. Must possess a valid Ky. Drivers license. No criminal record acceptable for this position. Must possess a valid Class IV Operators license.

**Other duties and responsibilities:**

Daily contact requiring courtesy, discretion and sound judgment  
Other duties may be assigned as needed within the City of Danville

**Overtime Provision:** Non-exempt

**Physical demands and work environment:**

The City does not discriminate in its employment practices on the basis of race, color, religion, sex, national origin, age, disability or other protected classification.

The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be provided for qualified individuals with disabilities in order to enable such individuals to perform the essential requirements of the job.

While performing the duties of this job, the employee is frequently required to stand, talk, hear and walk with constant use of hands, fingers, arms and legs performing repetitive motions constantly.

The employee must frequently lift and/or move up to 75 lbs. Specific vision abilities required by this job include close vision, long range vision and the ability to adjust focus.

The noise level in the work environment varies.

**General statement:**

The duties listed above are intended only as illustrations of the various types of work that may be performed. The omission of specific statement of duties does not exclude them from the position if the work is similar, related or a logical assignment to the position.

This job description does not constitute an employment agreement between the employer and employee and is subject to change by the employer as the need of the employer and requirements of the job change.

If you are interested in applying for this position, contact Human Resources at City Hall, 238-1200 for an application. You can also download an application from our website: [www.danvilleky.org](http://www.danvilleky.org) and click on the employment link.

- Donna Peek, City Hall 859-238-1200, EXT 2410 [dpeek@danvilleky.org](mailto:dpeek@danvilleky.org)

**DEADLINE: Tuesday, September 4<sup>th</sup>, 2012**



Equal Opportunity Employer

**City of Danville  
Please Post**

# Human Resources Memo

**To:** All Employees

**From:** Donna Peek

**Date:** 6/18/2008

**Re:** Position Available

**Application Deadline:** Monday, October 17, 2005

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**The City of Danville has (1) full-time position available:**

**DEPARTMENT:** Water Plant

**Water Plant Operator III**

**Grade: 27**

**Duties:**

Class Characteristics: Under limited supervision; provides complete and total operations of the water treatment plant; assists in the maintenance of the treatment plant, makes regular inspections, controls and adjusts all instrumentation for plant operations; oversees the proper operation of all treatment equipment; conducts chemical analyses; makes calculations and adjustments in chemical feed equipment; prepares data, records and reports as required.

General duties and Responsibilities:

Essential:

- 1) Conducts chemical analysis.
- 2) Makes calculations and adjustment to chemical feed equipment.
- 3) Provides for complete and total operation of all treatment equipment including monitoring alarms, inspections of equipment and processes.
- 4) Create; prepare data for records and reports.

Non-Essential:

- 1) Provides maintenance of equipment and plant facilities.
- 2) Prepare reports.

Minimum Qualifications:

Training and Experience: Graduation from high school or GED.

Minimum Qualifications:

Two years experience in qualified water treatment or similar field. College degree preferred.

Special knowledge, skills, and abilities:

Knowledge:

- 1) Working knowledge of water chemistry
- 2) Working knowledge of equipment
- 3) Working knowledge of chemical handling

Abilities:

- 1) Ability to see colors
- 2) Ability to follow oral and written instructions
- 3) Ability to hear audible alarms
- 4) Ability to make complicated mathematical calculations
- 5) Ability to climb steps and ladders
- 6) Ability to make sound and resound judgments
- 7) Ability to work with the general public
- 8) Ability to lift objects up to 100 lbs.

Additional Information:

Analytical Requirements:

- 1) Must be able to complete complicated mathematical formulas accurately.
- 2) Requires judgment in converting test results to adjustments into plant operational changes.

Tools, Equipment, and Vehicles Used:

- 1) Be able to drive pickup truck.
- 2) Use laboratory equipment.
- 3) Use small mechanics tools.

Physical Requirements:

- 1) Must be able to climb stairs and ladders.
- 2) Must be able to lift 100 lbs.

Contacts:

- 1) Limited contact with public and other employees.

Confidential Information: None

Mental Effort: Often

Interruptions: Seldom

Special Licensing Requirements: Class 3A to class 4A water treatment

Overtime Provisions: Non-exempt

Starting Salary: Class III (Grade27): \$25,815 (12.41)

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If you are interested in applying for this position, contact the following person in the Human Resources Department, City Hall 238-1200 for an application or one can be downloaded from our website: <http://www.ci.danville.ky.us> (click on the EMPLOYMENT link).

- Donna Peek, Ext. 2105, [dpeek@ci.danville.ky.us](mailto:dpeek@ci.danville.ky.us)

**Application Deadline: Monday, October 17, 2005 by 5:00 p.m.**

(Human Resources in City Hall, 445 W. Main St., must receive applications by the above stated deadline)

# City of Danville

## Income Statement

Program		6/30/2013	YTD 6/30/2013	Budget	Variance	%
General Fund						
Legislative & Executive						
Personnel						
10-1310-5150	Regular Salaries	\$22,055.76	\$277,708.23	\$0.00	(\$277,708.23)	0.00 %
10-1310-5151	Overtime Salaries	\$1,184.64	\$6,907.45	\$0.00	(\$6,907.45)	0.00 %
10-1310-5152	Part-Time Salaries	\$3,080.10	\$34,702.46	\$0.00	(\$34,702.46)	0.00 %
10-1310-5953	FICA	\$2,012.51	\$23,769.24	\$0.00	(\$23,769.24)	0.00 %
10-1310-5954	Medical & Hospital	\$0.00	\$89,115.76	\$0.00	(\$89,115.76)	0.00 %
10-1310-5955	Dental	\$0.00	\$6,112.39	\$0.00	(\$6,112.39)	0.00 %
10-1310-5956	Life	\$0.00	\$923.88	\$0.00	(\$923.88)	0.00 %
10-1310-5959	Workers Compensation	\$33.65	\$403.80	\$0.00	(\$403.80)	0.00 %
10-1310-5968	Retirement CERS Non-HA	\$4,586.82	\$55,622.09	\$0.00	(\$55,622.09)	0.00 %
Total Personnel		\$32,953.48	\$495,265.30	\$0.00	(\$495,265.30)	0.00 %
Contractual						
10-1310-6110	CS: Contract Labor	\$0.00	\$1,500.00	\$0.00	(\$1,500.00)	0.00 %
10-1310-6120	CSC: Advertising & Publi	\$1,149.70	\$6,632.47	\$0.00	(\$6,632.47)	0.00 %
10-1310-6121	CSC: Promotional Activit	\$150.00	\$4,552.44	\$0.00	(\$4,552.44)	0.00 %
10-1310-6122	CSC: Printing & Duplicati	\$0.00	\$1,517.31	\$0.00	(\$1,517.31)	0.00 %
10-1310-6123	CSS: Recording & Reporti	\$51.00	\$282.00	\$0.00	(\$282.00)	0.00 %
10-1310-6124	CSC: Postage & Freight	\$115.94	\$397.40	\$0.00	(\$397.40)	0.00 %
10-1310-6131	CSO: Rentals & Leases	\$0.00	\$1,480.00	\$0.00	(\$1,480.00)	0.00 %
10-1310-6132	CSO: Cleaning & Janitorial	\$133.50	\$133.50	\$0.00	(\$133.50)	0.00 %
10-1310-6141	CSP: Legal Services	\$15,811.50	\$109,155.04	\$0.00	(\$109,155.04)	0.00 %
10-1310-6142	CSP: Consultants	\$4,670.21	\$30,704.41	\$0.00	(\$30,704.41)	0.00 %
10-1310-6145	CSP: Insurance/Judgement/	\$1,123.76	\$18,662.22	\$0.00	(\$18,662.22)	0.00 %
10-1310-6150	CSU: Telephone & Fax	\$398.04	\$2,487.91	\$0.00	(\$2,487.91)	0.00 %
10-1310-6151	CSU: Electric Service	\$0.00	(\$0.01)	\$0.00	\$0.01	0.00 %
10-1310-6170	CSI: Building/Structures	\$0.00	\$422.12	\$0.00	(\$422.12)	0.00 %
10-1310-6180	CSV: Vehicles & Light Tr	\$0.00	\$77.97	\$0.00	(\$77.97)	0.00 %
10-1310-6191	CSM: General Services	\$0.00	\$45.00	\$0.00	(\$45.00)	0.00 %
Total Contractual		\$23,603.65	\$178,049.78	\$0.00	(\$178,049.78)	0.00 %
Other						
10-1310-7110	MS: Marketing & Promoti	\$108.43	\$25,562.04	\$0.00	(\$25,562.04)	0.00 %
10-1310-7111	MS: Office Supplies	\$757.64	\$5,058.76	\$0.00	(\$5,058.76)	0.00 %
10-1310-7112	MS: Furniture & Fixtures	\$0.00	\$647.00	\$0.00	(\$647.00)	0.00 %
10-1310-7114	MS: Clothing	\$0.00	\$539.44	\$0.00	(\$539.44)	0.00 %
10-1310-7115	MS: Food Service/Supplies	\$115.22	\$2,834.28	\$0.00	(\$2,834.28)	0.00 %
10-1310-7117	OS: Electronic Inform Syst	\$0.00	\$2,339.45	\$0.00	(\$2,339.45)	0.00 %
10-1310-7125	OS: General Supplies	\$289.77	\$289.77	\$0.00	(\$289.77)	0.00 %
10-1310-7131	VES: Vehicles & Light Tr	\$0.00	\$50.07	\$0.00	(\$50.07)	0.00 %
10-1310-7135	VES: Miscellaneous	\$0.00	\$8.97	\$0.00	(\$8.97)	0.00 %
10-1310-7137	VES: Vehicles Allowance	\$500.00	\$6,000.00	\$0.00	(\$6,000.00)	0.00 %
10-1310-7140	Other: Membership/Subscri	\$268.00	\$37,242.55	\$0.00	(\$37,242.55)	0.00 %
10-1310-7141	Other: Staff Devp/Educate	\$0.00	\$6,624.19	\$0.00	(\$6,624.19)	0.00 %

# City of Danville

## Income Statement

		6/30/2013	YTD 6/30/2013	Budget	Variance	%
10-1310-7142	Other: Conference & Meetin	\$0.00	\$4,081.96	\$0.00	(\$4,081.96)	0.00 %
10-1310-7149	Other: Miscellaneous	\$0.00	\$859.00	\$0.00	(\$859.00)	0.00 %
Total Other		\$2,039.06	\$92,137.48	\$0.00	(\$92,137.48)	0.00 %
Total Legislative & Executive		\$58,596.19	\$765,452.56	\$0.00	(\$765,452.56)	0.00 %

# City of Danville

## Income Statement

		6/30/2013	YTD 6/30/2013	Budget	Variance	%
Finance & Administration						
Personnel						
10-1320-5150	Regular Salaries	\$9,918.60	\$124,240.31	\$0.00	(\$124,240.31)	0.00 %
10-1320-5152	Part-Time Salaries	\$2,102.07	\$23,975.13	\$0.00	(\$23,975.13)	0.00 %
10-1320-5161	Overtime Incentive	\$54.15	\$103.29	\$0.00	(\$103.29)	0.00 %
10-1320-5953	FICA	\$843.40	\$10,866.24	\$0.00	(\$10,866.24)	0.00 %
10-1320-5954	Medical & Hospital	\$0.00	\$53,698.80	\$0.00	(\$53,698.80)	0.00 %
10-1320-5955	Dental	\$0.00	\$3,832.32	\$0.00	(\$3,832.32)	0.00 %
10-1320-5956	Life	\$0.00	\$277.77	\$0.00	(\$277.77)	0.00 %
10-1320-5959	Workers Compensation	\$39.26	\$471.12	\$0.00	(\$471.12)	0.00 %
10-1320-5968	Retirement CERS Non-HA	\$1,956.46	\$22,137.75	\$0.00	(\$22,137.75)	0.00 %
Total Personnel		\$14,913.94	\$239,602.73	\$0.00	(\$239,602.73)	0.00 %
Contractual						
10-1320-6120	CSC: Advertising & Publi	\$270.42	\$497.19	\$0.00	(\$497.19)	0.00 %
10-1320-6122	CSC: Printing & Duplicati	\$2,183.65	\$5,774.99	\$0.00	(\$5,774.99)	0.00 %
10-1320-6123	CSS: Recording & Reporti	\$26.00	\$56.15	\$0.00	(\$56.15)	0.00 %
10-1320-6124	CSC: Postage & Freight	\$3,233.71	\$28,512.74	\$0.00	(\$28,512.74)	0.00 %
10-1320-6131	CSO: Rentals & Leases	\$198.00	\$1,056.00	\$0.00	(\$1,056.00)	0.00 %
10-1320-6132	CSO: Cleaning & Janitorial	\$269.86	\$5,348.09	\$0.00	(\$5,348.09)	0.00 %
10-1320-6140	CSP: Audit/Budget/Fin-Rep	\$0.00	\$25,000.00	\$0.00	(\$25,000.00)	0.00 %
10-1320-6142	CSP: Consultants	\$26,627.91	\$202,291.39	\$0.00	(\$202,291.39)	0.00 %
10-1320-6144	CSP: PVA & Property Tax I	\$0.00	\$40,000.00	\$0.00	(\$40,000.00)	0.00 %
10-1320-6145	CSP: Insurance/Judgement/	\$333.33	\$5,280.75	\$0.00	(\$5,280.75)	0.00 %
10-1320-6150	CSU: Telephone & Fax	\$1,238.08	\$9,905.24	\$0.00	(\$9,905.24)	0.00 %
10-1320-6151	CSU: Electric Service	\$4,366.74	\$25,526.35	\$0.00	(\$25,526.35)	0.00 %
10-1320-6153	CSU: Natural & Propane G	\$38.80	\$950.57	\$0.00	(\$950.57)	0.00 %
10-1320-6170	CSI: Building/Structures	\$0.00	\$2,855.22	\$0.00	(\$2,855.22)	0.00 %
10-1320-6190	CSM: Electron Inform Sy	\$133.81	\$29,052.12	\$0.00	(\$29,052.12)	0.00 %
10-1320-6191	CSM: General Services	\$0.00	\$60.00	\$0.00	(\$60.00)	0.00 %
Total Contractual		\$38,920.31	\$382,166.80	\$0.00	(\$382,166.80)	0.00 %
Other						
10-1320-7110	MS: Marketing & Promoti	\$0.00	\$75.00	\$0.00	(\$75.00)	0.00 %
10-1320-7111	MS: Office Supplies	\$0.00	\$4,884.32	\$0.00	(\$4,884.32)	0.00 %
10-1320-7112	MS: Furniture & Fixtures	\$0.00	\$1,703.91	\$0.00	(\$1,703.91)	0.00 %
10-1320-7113	MS: Cleaning Supplies	\$0.00	\$2,060.76	\$0.00	(\$2,060.76)	0.00 %
10-1320-7115	MS: Food Service/Supplies	\$0.00	\$567.15	\$0.00	(\$567.15)	0.00 %
10-1320-7122	OS: Chemicals	\$40.00	\$360.00	\$0.00	(\$360.00)	0.00 %
10-1320-7123	OS: Building Supplies	\$55.00	\$2,006.73	\$0.00	(\$2,006.73)	0.00 %
10-1320-7125	OS: General Supplies	\$0.00	\$37.36	\$0.00	(\$37.36)	0.00 %
10-1320-7140	Other: Membership/Subscri	\$124.00	\$468.00	\$0.00	(\$468.00)	0.00 %
Total Other		\$219.00	\$12,163.23	\$0.00	(\$12,163.23)	0.00 %
Total Finance & Administration		\$54,053.25	\$633,932.76	\$0.00	(\$633,932.76)	0.00 %

# City of Danville

## Income Statement

		6/30/2013	YTD 6/30/2013	Budget	Variance	%
<b>Utility Fund</b>						
<b>Revenues</b>						
<b>Operating</b>						
60-0000-4810	Operating Rev: Water Serv	\$410,818.26	\$4,043,057.06	\$0.00	\$4,043,057.06	0.00 %
60-0000-4811	Operating Rev: Sewer Serv	\$304,173.66	\$2,943,632.91	\$0.00	\$2,943,632.91	0.00 %
60-0000-4812	Operating Rev: Surcharge	\$20,186.33	\$251,566.58	\$0.00	\$251,566.58	0.00 %
60-0000-4813	Operating Rev: Tap Fees	\$320.00	\$9,817.33	\$0.00	\$9,817.33	0.00 %
60-0000-4814	Operating Rev: Labor	\$747.62	\$20,364.59	\$0.00	\$20,364.59	0.00 %
60-0000-4815	Job Work Penalty	\$126.58	\$98,651.78	\$0.00	\$98,651.78	0.00 %
60-0000-4816	Operating Rev: Turn On F	\$5,299.61	\$57,541.31	\$0.00	\$57,541.31	0.00 %
60-0000-4817	Operating Rev: Sewer BOD	\$0.00	\$2,329.71	\$0.00	\$2,329.71	0.00 %
60-0000-4818	Operating Rev: Fire Protect	\$6,652.06	\$92,137.23	\$0.00	\$92,137.23	0.00 %
60-0000-4820	Stock Sold	\$848.78	\$21,838.63	\$0.00	\$21,838.63	0.00 %
60-0000-4822	Operating Rev: Miscellane	(\$3,133.95)	\$18,923.71	\$0.00	\$18,923.71	0.00 %
60-0000-4825	Operating Rev: Kentucky R	\$1,553.71	\$23,963.53	\$0.00	\$23,963.53	0.00 %
<b>Total Operating</b>		<b>\$747,592.66</b>	<b>\$7,583,824.37</b>	<b>\$0.00</b>	<b>\$7,583,824.37</b>	<b>0.00 %</b>
<b>Non-Operating</b>						
60-0000-4832	Non-Oper Rev: Revenue I	\$374.48	\$3,027.24	\$0.00	\$3,027.24	0.00 %
60-0000-4833	Non-Oper Rev: Deprec Fu	\$51.33	\$462.42	\$0.00	\$462.42	0.00 %
60-0000-4834	Non-Oper Rev: Meter Depo	\$73.89	\$9,385.56	\$0.00	\$9,385.56	0.00 %
60-0000-4835	Non-Oper Rev: Bond Fund	\$50.08	\$1,049.95	\$0.00	\$1,049.95	0.00 %
60-0000-4840	Non-Oper Rev: Payroll Ac	\$6.19	\$32.05	\$0.00	\$32.05	0.00 %
60-0000-4845	220 Tax Refund	\$0.00	\$6,300.00	\$0.00	\$6,300.00	0.00 %
60-0000-4860	Cash Over/Short	(\$0.06)	(\$20.23)	\$0.00	(\$20.23)	0.00 %
60-0000-4872	Phylben Village - KIA Gran	\$0.00	\$234,148.00	\$0.00	\$234,148.00	0.00 %
60-0000-4876	Phylben Village - RD Grant	\$136,005.63	\$168,437.20	\$0.00	\$168,437.20	0.00 %
60-0000-4877	Loan - Clarks Run	(\$200,000.00)	\$0.00	\$0.00	\$0.00	0.00 %
60-0000-4904	Change in Fair Value	(\$10,534.05)	(\$10,534.05)	\$0.00	(\$10,534.05)	0.00 %
60-0000-4944	Intergov: Other	\$163,327.15	\$373,474.37	\$0.00	\$373,474.37	0.00 %
<b>Total Non-Operating</b>		<b>\$89,354.64</b>	<b>\$785,762.51</b>	<b>\$0.00</b>	<b>\$785,762.51</b>	<b>0.00 %</b>
<b>Total Revenues</b>		<b>\$836,947.30</b>	<b>\$8,369,586.88</b>	<b>\$0.00</b>	<b>\$8,369,586.88</b>	<b>0.00 %</b>

4010 City of Danville-Utility Fund

FYE: 6/30/2013

**Water Asset Detail (reprinted from City Records)**

**Annual Depreciation Estimated and Extended Through  
Study Period**

Asset	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Depreciation	Book Crnt Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
<b>Group: BUILDING</b>																	
106	New Wastewater Plant Cap. Int	7/01/81	6,829.81	0.00	0.00	4,236.01	136.60	4,372.61	2,457.20	S/L	50	137	137	137	137	137	137
111	Filter Plant roof & Furnace	12/31/81	21,073.00	0.00	0.00	21,073.00	0.00	21,073.00	0.00	S/L	20						
137	Chlorine Handling Facility	10/11/84	82,267.80	0.00	0.00	82,267.80	0.00	82,267.80	0.00	S/L	25						
138	Mod. to Water Treatment Plant	3/05/85	281,039.00	0.00	0.00	281,039.00	0.00	281,039.00	0.00	S/L	25						
147	Fred Anderson Painting	9/10/87	8,950.00	0.00	0.00	8,950.00	0.00	8,950.00	0.00	S/L	15						
148	Fred Anderson Painting	10/23/87	8,500.00	0.00	0.00	8,500.00	0.00	8,500.00	0.00	S/L	15						
150	Fred Anderson Painting	5/04/88	22,700.00	0.00	0.00	22,700.00	0.00	22,700.00	0.00	S/L	15						
	<b>BUILDING</b>		<b>431,359.61</b>	<b>0.00 ##</b>	<b>0.00</b>	<b>428,765.81</b>	<b>136.60</b>	<b>428,902.41</b>	<b>2,457.20</b>								
<b>Group: EQUIPMENT</b>																	
139	Equipment-Purchases	4/01/85	6,629.40	0.00	0.00	6,629.40	0.00	6,629.40	0.00	S/L	3						
143	Pipe Cutter	11/30/86	5,820.45	0.00	0.00	5,820.45	0.00	5,820.45	0.00	S/L	10						
193	Computer	6/30/87	34,063.36	0.00	0.00	34,063.36	0.00	34,063.36	0.00	S/L	6						
220	Electronic Meter Reading	3/07/89	20,850.00	0.00	0.00	20,850.00	0.00	20,850.00	0.00	S/L	6						
335	Water Salesman Stanford Rd	6/30/91	7,118.03	0.00	0.00	7,118.03	0.00	7,118.03	0.00	S/L	5						
361	Wallace & Tiernan Chlorinator	1/29/92	5,851.00	0.00	0.00	5,851.00	0.00	5,851.00	0.00	S/L	10						
1224	DR/3000 Spectrophotometer	10/20/92	3,220.00	0.00	0.00	3,220.00	0.00	3,220.00	0.00	S/L	10						
1344	Polysonics Dropper Flowmeter	5/31/93	3,354.00	0.00	0.00	3,354.00	0.00	3,354.00	0.00	S/L	10						
1345	Polysonics Dropper Flowmeter	5/31/93	3,354.00	0.00	0.00	3,354.00	0.00	3,354.00	0.00	S/L	10						
1488	Chlorine Detector	2/14/94	3,810.00	0.00	0.00	3,810.00	0.00	3,810.00	0.00	S/L	10						
1549	Shoring Equipment	10/20/94	12,729.63	0.00	0.00	12,729.63	0.00	12,729.63	0.00	S/L	10						
1550	Air Compressor	10/20/94	11,291.75	0.00	0.00	11,291.75	0.00	11,291.75	0.00	S/L	10						
1561	Security System Chlorine Bldg	2/23/95	5,795.00	0.00	0.00	5,795.00	0.00	5,795.00	0.00	S/L	10						
1577	Chlorine Safety Equipment	6/30/95	5,002.72	0.00	0.00	5,002.72	0.00	5,002.72	0.00	S/L	10						

Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Depreciation	Book Crnt Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
1744 DR/4000 Spectrophotometer	3/06/98	3,015.00	0.00	0.00	3,015.00	0.00	3,015.00	0.00	S/L	10						
1835 Hyd Allied 725 Hammer	10/30/00	8,400.00	0.00	0.00	8,400.00	0.00	8,400.00	0.00	S/L	6						
1836 Backhoe	1/16/01	49,185.00	0.00	0.00	49,185.00	0.00	49,185.00	0.00	S/L	6						
1838 Global Position System	5/16/01	11,790.00	0.00	0.00	11,790.00	0.00	11,790.00	0.00	S/L	4						
1859 Air Compressor	1/24/02	11,600.00	0.00	0.00	11,600.00	0.00	11,600.00	0.00	S/L	10						
5017 Vehicle Transceiver Unit/VXU Sol	6/21/07	17,000.00	0.00	0.00	8,500.00	1,700.00	10,200.00	6,800.00	S/L	10	1700	1700	1700	1700		
5022 Hydro Evacuator FX30	8/22/07	32,465.37	0.00	0.00	15,691.61	3,246.54	18,938.15	13,527.22	S/L	10	3247	3247	3247	3247		
5032 GE 300HP 1800 L449TP20 Motor	3/14/11	15,818.84	0.00	0.00	2,109.17	1,581.88	3,691.05	12,127.79	S/L	10	1582	1582	1582	1582	1582	1582
5035 Kohler Model 900REOZDD Gener	6/29/11	179,748.00	0.00	0.00	17,974.80	17,974.80	35,949.60	143,798.40	S/L	10	17975	17975	17975	17975	17975	17975
5036 BFP Trailer Assembly	6/29/11	250,000.00	0.00	0.00	25,000.00	25,000.00	50,000.00	200,000.00	S/L	10	25000	25000	25000	25000	25000	25000
5038 70 Ft. 90 MPH SSVN Tower	11/07/11	7,550.00	0.00	0.00	1,006.67	1,510.00	2,516.67	5,033.33	S/L	5	1510	1510	1510			
5040 Piranha Dredge Model P-10M	2/27/13	48,358.36	0.00 c	0.00	0.00	1,611.95	1,611.95	46,746.41	S/L	10	1612	1612	1612	1612	1612	1612
<b>EQUIPMENT</b>		<b>763,819.91</b>	<b>0.00 ##</b>	<b>0.00</b>	<b>283,161.59</b>	<b>52,625.17</b>	<b>335,786.76</b>	<b>428,033.15</b>								

#### Group: LAND

176 Land for Lines & Treatment Plant	7/01/64	11,821.45	0.00	0.00	0.00	0.00	0.00	11,821.45	Land	0						
177 South Fourth St & Aldridge Ln	5/31/67	7,700.00	0.00	0.00	0.00	0.00	0.00	7,700.00	Land	0						
222 Easements-Water Line to Lake	7/01/88	5,880.00	0.00	0.00	0.00	0.00	0.00	5,880.00	Land	0						
327 Land-Easements	4/11/91	15,307.00	0.00	0.00	0.00	0.00	0.00	15,307.00	Land	0						
1495 East Main Street Pond	6/29/94	40,000.00	0.00	0.00	0.00	0.00	0.00	40,000.00	Land	0						
<b>LAND</b>		<b>80,708.45</b>	<b>0.00 ##</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>80,708.45</b>								

#### Group: PLANT IN SERVICE

6 Clearview Water/Purchase	6/30/66	97,500.00	0.00	0.00	86,752.44	1,950.00	88,702.44	8,797.56	S/L	50	1950	1950	1950			
8 Shakertown WA Line Housing Prt	6/30/66	9,806.62	0.00	0.00	8,725.59	196.13	8,921.72	884.90	S/L	50	196	196	196			
10 Audit Adj.	6/30/66	3,691.41	0.00	0.00	3,691.41	0.00	3,691.41	0.00	S/L	50	0	0				
12 Shakertown Water Line	4/30/67	3,500.00	0.00	0.00	3,056.61	70.00	3,126.61	373.39	S/L	50	70	70	70	70		
13 Indian Hills Water Line	4/30/67	65,000.00	0.00	0.00	56,765.00	1,300.00	58,065.00	6,935.00	S/L	50	1300	1300	1300	1300		
14 Rolling Hills Water Line	4/30/67	4,400.00	0.00	0.00	3,842.55	88.00	3,930.55	469.45	S/L	50	88	1300	1300	1300		
15 Streamland Water Line	4/30/67	5,000.00	0.00	0.00	4,366.52	100.00	4,466.52	533.48	S/L	50	100	100	100	100		

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16	Reclass Const in Process-1966	5/31/67	24,709.31	0.00	0.00	21,815.25	494.19	22,309.44	2,399.87	S/L	50	494	494	494	494		
17	Water Line-Dexter Court	9/30/67	3,222.10	0.00	0.00	2,799.08	64.44	2,863.52	358.58	S/L	50	64	64	64	64		
18	Green Acres Water Line	6/30/68	24,505.74	0.00	0.00	20,913.85	490.11	21,403.96	3,101.78	S/L	50	490	490	490	490	490	
20	Audit Adj. 15 6/30/69	7/01/68	332,359.93	0.00	0.00	283,056.65	6,647.20	289,703.85	42,656.08	S/L	50	6647	6647	6647	6647	6647	
23	Audit Adj 2 6/30/69	7/01/68	7,900.00	0.00	0.00	6,728.08	158.00	6,886.08	1,013.92	S/L	50	158	158	158	158	158	
24	Const in Process 1966,67	7/01/69	2,095,015.83	0.00	0.00	1,750,691.37	41,900.32	1,792,591.69	302,424.14	S/L	50	41900	41900	41900	41900	41900	41900
27	Whirlpool Line	7/01/71	51,376.50	0.00	0.00	41,139.01	1,027.53	42,166.54	9,209.96	S/L	50	1028	1028	1028	1028	1028	1028
29	Audit Adj 32 6/30/72	9/30/71	7,112.06	0.00	0.00	5,672.13	142.24	5,814.37	1,297.69	S/L	50	142	142	142	142	142	142
30	Audit Adj 11,26 6/30/72	7/01/71	6,284.58	0.00	0.00	5,025.54	125.69	5,151.23	1,133.35	S/L	50	126	126	126	126	126	126
31	Audit Adj 15 6/30/72	7/01/71	3,693.45	0.00	0.00	2,953.54	73.87	3,027.41	666.04	S/L	50	74	74	74	74	74	74
33	Reclass/Revenue Sharing Disb	6/30/74	12,669.02	0.00	0.00	9,492.10	253.38	9,745.48	2,923.54	S/L	50	253	253	253	253	253	253
34	Reclass of Cap Outlay Exp	6/30/74	42,803.72	0.00	0.00	32,090.98	856.07	32,947.05	9,856.67	S/L	50	856	856	856	856	856	856
78	Construction in Process	6/30/68	195,286.00	0.00	0.00	168,106.26	3,905.72	172,011.98	23,274.02	S/L	50	3906	3906	3906	3906	3906	3906
79	Treatment Plant	6/30/68	8,648.80	0.00	0.00	7,434.05	172.98	7,607.03	1,041.77	S/L	50	173	173	173	173	173	173
98	400 HP Pump at Lake	5/4/10/80	12,035.98	0.00	0.00	12,035.98	0.00	12,035.98	0.00	S/L	25	0	0				
129/3C	Filter Plant Improvements	1/05/85	83,905.48	0.00	0.00	58,686.81	2,097.64	60,784.45	23,121.03	S/L	40	2098	2098	2098	2098	2098	2098
103	Clearview Water Dist.	12/31/81	200,007.50	0.00	0.00	152,505.78	5,000.19	157,505.97	42,501.53	S/L	40	5000	5000	5000	5000	5000	5000
112	Harrodsburg Water Line	8/31/82	4,208.00	0.00	0.00	4,208.00	0.00	4,208.00	0.00	S/L	20						
119	Mapping	1/01/83	49,833.40	0.00	0.00	49,833.40	0.00	49,833.40	0.00	S/L	10						
131	Mapping Aerial Surveys	1/05/85	22,257.80	0.00	0.00	22,257.80	0.00	22,257.80	0.00	S/L	10						
132	Fence-Filter Plant	9/15/84	2,733.00	0.00	0.00	2,733.00	0.00	2,733.00	0.00	S/L	10						
140	Green Acres Waterline	4/01/85	128,703.22	0.00	0.00	128,703.22	0.00	128,703.22	0.00	S/L	20						
146	High Street Water Line	6/30/87	5,593.00	0.00	0.00	2,796.50	111.86	2,908.36	2,684.64	S/L	50	112	112	112	112	112	112
165	Eng. Fees-Paint Water Tanks	5/31/88	7,877.06	0.00	0.00	7,877.06	0.00	7,877.06	0.00	S/L	15						
167	Water Tower	7/20/87	1,743,263.27	0.00	0.00	868,766.35	34,865.27	903,631.62	839,631.65	S/L	50	34865	34865	34865	34865	34865	34865
171	Fourth Street	9/17/87	3,343.01	0.00	0.00	3,343.01	0.00	3,343.01	0.00	S/L	20						
172	Balance Forward 7/01/64	7/01/64	1,436,567.93	0.00	0.00	1,436,567.93	0.00	1,436,567.93	0.00	S/L	50						
195	Paint Water Tank	6/30/87	24,068.15	0.00	0.00	24,068.15	0.00	24,068.15	0.00	S/L	15						
210	Water Line to Lake	5/01/89	1,655,139.78	0.00	0.00	766,738.06	33,102.80	799,840.86	855,298.92	S/L	50	33103	33103	33103	33103	33103	33103
211	By-Pass Water Tower-Completion	8/29/88	18,626.08	0.00	0.00	9,279.94	372.52	9,652.46	8,973.62	S/L	50	373	373	373	373	373	373
213	Improvements-Water & Sewer Li	12/31/88	18,446.66	0.00	0.00	18,446.66	0.00	18,446.66	0.00	S/L	20	0					
214	Water Tank Ladder Guards	5/31/88	3,550.00	0.00	0.00	3,550.00	0.00	3,550.00	0.00	S/L	10						

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227	6 Fire Hydrants	10/31/89	3,270.00	0.00	0.00	1,482.40	65.40	1,547.80	1,722.20	S/L	50	65	65	65	65	65	65
304	Chemical Study	6/30/03	1,663,735.66	0.00	0.00	332,747.11	33,274.71	366,021.82	1,297,713.84	S/L	50	33275	33275	33275	33275	33275	33275
338	Water Treatment Plant	6/30/91	2,887,916.19	0.00	0.00	2,425,849.64	115,516.65	2,541,366.29	346,549.90	S/L	25	115517	115517	115517			
340	Perryville Water System North	8/02/90	100,000.00	0.00	0.00	43,833.33	2,000.00	45,833.33	54,166.67	S/L	50	2000	2000	2000	2000	2000	2000
341	Raw Water Pump Station &	12/11/90	13,580.19	0.00	0.00	11,724.27	543.21	12,267.48	1,312.71	S/L	25	543	543				
346	Waterline Perryville Rd to	8/31/91	9,015.66	0.00	0.00	3,756.49	180.31	3,936.80	5,078.86	S/L	50	180	180	180	180	180	180
347	Water Line Burgin Road	4/17/92	101,933.88	0.00	0.00	41,113.38	2,038.68	43,152.06	58,781.82	S/L	50	2039	2039	2039	2039	2039	2039
359	6" Water Line (Popplewell Rd)	4/14/92	46,873.00	0.00	0.00	18,983.57	937.46	19,921.03	26,951.97	S/L	50	937	937	937	937	937	937
1175	Water Line Lexington Road	6/29/92	8,821.00	0.00	0.00	3,528.40	176.42	3,704.82	5,116.18	S/L	50	176	176	176	176	176	176
1213	Gravity Sewer Line Fries Lane	2/27/92	176,066.35	0.00	0.00	71,600.35	3,521.33	75,121.68	100,944.67	S/L	50	3521	3521	3521	3521	3521	3521
1229	Ben Ali Waterline	12/18/92	5,790.00	0.00	0.00	2,258.10	115.80	2,373.90	3,416.10	S/L	50	116	116	116	116	116	116
1230	Chain Link Fence, Two Gates	10/31/92	4,193.50	0.00	0.00	4,193.50	0.00	4,193.50	0.00	S/L	10						
1489	Chlorine Feed Parts	3/31/94	4,664.50	0.00	0.00	4,664.50	0.00	4,664.50	0.00	S/L	10	0					
1491	12" Waterline for DAVCO	8/11/93	29,419.00	0.00	0.00	11,130.19	588.38	11,718.57	17,700.43	S/L	50	588	588	588	588	588	588
1492	Hedgeville Water Association	11/30/93	316,224.77	0.00	0.00	117,530.26	6,324.50	123,854.76	192,370.01	S/L	50	6325	6325	6325	6325	6325	6325
1493	Walmart SuperCenter Water Line	4/30/94	52,571.67	0.00	0.00	19,100.99	1,051.43	20,152.42	32,419.25	S/L	50	1051	1051	1051	1051	1051	1051
1551	East Main Pond Improvements	7/01/97	449,724.69	0.00	0.00	134,917.36	8,994.49	143,911.85	305,812.84	S/L	50	8994	8994	8994	8994	8994	8994
1570	KY 34/US 150 Bypass Waterline	6/30/96	286,004.24	0.00	0.00	91,521.31	5,720.08	97,241.39	188,762.85	S/L	50	5720	5720	5720	5720	5720	5720
1571	Waterline Improve. Gose Pike	6/30/96	98,187.88	0.00	0.00	31,420.16	1,963.76	33,383.92	64,803.96	S/L	50	1964	1964	1964	1964	1964	1964
1573	US 127 Waterline Extension	2/28/95	4,430.00	0.00	0.00	1,535.73	88.60	1,624.33	2,805.67	S/L	50	89	89	89	89	89	89
1742	Waterline Improve Gose Pike	1/31/96	6,815.87	0.00	0.00	2,237.91	136.32	2,374.23	4,441.64	S/L	50	136	136	136	136	136	136
1743	Waterline Bluegrass Estates	10/10/96	13,379.85	0.00	0.00	4,214.69	267.60	4,482.29	8,897.56	S/L	50	268	268	268	268	268	268
1744	KY 34/US 150 Bypass Waterline	9/10/96	4,950.00	0.00	0.00	1,567.50	99.00	1,666.50	3,283.50	S/L	50	99	99	99	99	99	99
1780	12" Waterline Whirlaway Drive	1/30/98	20,740.00	0.00	0.00	5,980.03	414.80	6,394.83	14,345.17	S/L	50	415	415	415	415	415	415
1808	Waterline Extension KY 52	1/03/99	20,810.74	0.00	0.00	5,618.85	416.21	6,035.06	14,775.68	S/L	50	416	416	416	416	416	416
1837	Mapping	4/06/01	89,840.00	0.00	0.00	89,840.00	0.00	89,840.00	0.00	S/L	10	0	0	0	0	0	0
1839	Garrard Co Wline 12" Valve In	8/15/00	7,500.00	0.00	0.00	1,787.50	150.00	1,937.50	5,562.50	S/L	50	150	150	150	150	150	150
1840	Streamland W/line Connector	12/29/00	25,470.00	0.00	0.00	5,858.10	509.40	6,367.50	19,102.50	S/L	50	509	509	509	509	509	509
1841	Stanford Road Waterline	4/17/01	10,912.00	0.00	0.00	2,437.01	218.24	2,655.25	8,256.75	S/L	50	218	218	218	218	218	218
5014	SCADA/Electrical Upgrade	1/23/06	540,868.00	0.00	0.00	138,822.79	21,634.72	160,457.51	380,410.49	S/L	25	21635	21635	21635	21635	21635	21635
5015	Clarks Run Pump Station Improv	7/31/05	27,160.00	0.00	0.00	7,514.27	1,086.40	8,600.67	18,559.33	S/L	25	1086	1086	1086	1086	1086	1086
5016	Burgin Road Sewer Extension	1/22/07	833,623.11	0.00	0.00	90,309.16	16,672.46	106,981.62	726,641.49	S/L	50	16672	16672	16672	16672	16672	16672

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5019	Stewart's Lane 12 in waterline re	12/31/06	27,786.64	0.00	0.00	3,056.52	555.73	3,612.25	24,174.39	S/L	50	556	556	556	556	556	556						
5020	Carbon Silo Project-WTP	5/31/08	449,142.22	0.00	0.00	36,679.93	8,982.84	45,662.77	403,479.45	S/L	50	8983	8983	8983	8983	8983	8983						
5027	Stanford Emergency Connector F	10/08/08	541,896.41	0.00	0.00	40,642.24	10,837.93	51,480.17	490,416.24	S/L	50	10838	10838	10838	10838	10838	10838						
5029	New Motor/Refurbish Pump/12"	12/31/09	163,264.90	0.00	0.00	27,210.82	10,884.33	38,095.15	125,169.75	S/L	15	10884	10884	10884	10884	10884	10884						
5030	Airport Area Waterline Ext	5/19/10	225,236.38	0.00	0.00	9,384.85	4,504.73	13,889.58	211,346.80	S/L	50	4505	4505	4505	4505	4505	4505						
5039	Lebanon Road Waterline	8/09/12	38,253.03	0.00 c	0.00	0.00	701.31	701.31	37,551.72	S/L	50	701	701	701	701	701	701						
PLANT IN SERVICE			17,734,715.72	0.00 ##	0.00	9,943,568.87	396,739.38	10,340,308.25	7,394,407.47														
Group: VEHICLE												annual depreciation totals for plant-in-service						449501	450713	450170	330997	322722	315427
301	2003 Dodge Dakota	11/22/02	13,479.00	0.00	0.00	13,479.00	0.00	13,479.00	0.00	S/L	5	vehicle depreciation											
419	2004 White Ford Ranger 4x4	11/30/03	13,887.43	0.00	0.00	13,887.43	0.00	13,887.43	0.00	S/L	5												
420	2004 White Ford Ranger 4x4	11/30/03	16,587.43	0.00	0.00	16,587.43	0.00	16,587.43	0.00	S/L	5												
1463	1994 International Truck	6/30/94	24,928.05	0.00	0.00	24,928.05	0.00	24,928.05	0.00	S/L	6												
1768	1998 White Jeep Cherokee	10/01/97	19,526.00	0.00	0.00	19,526.00	0.00	19,526.00	0.00	S/L	3												
1798	1999 White F250 4x4 Ford Truck	12/03/98	20,742.00	0.00	0.00	20,742.00	0.00	20,742.00	0.00	S/L	4												
1799	1999 White F250 4x2 Ford Truck	11/11/98	20,073.00	0.00	0.00	20,073.00	0.00	20,073.00	0.00	S/L	4												
1813	2000 Ford Ranger White 4x4 RC	2/17/00	12,390.00	0.00	0.00	12,390.00	0.00	12,390.00	0.00	S/L	4												
1818	2000 White Jeep Cherokee 4WD	2/02/00	20,961.00	0.00	0.00	20,961.00	0.00	20,961.00	0.00	S/L	4												
1854	2002 Ford White 4x4 PU	10/10/01	9,495.00	0.00	0.00	9,495.00	0.00	9,495.00	0.00	S/L	5												
1857	2002 Ford 4X4 White Ranger	12/10/01	13,263.95	0.00	0.00	13,263.95	0.00	13,263.95	0.00	S/L	4												
1860	2002 Ford 4x4 White Ranger	2/26/02	11,965.00	0.00	0.00	11,965.00	0.00	11,965.00	0.00	S/L	4												
1863	2002 Ford F250 White 4x4	11/06/01	18,410.00	0.00	0.00	18,410.00	0.00	18,410.00	0.00	S/L	4												
5012	2005 White Dodge Ram 1500 Vin	3/03/05	15,439.00	0.00	0.00	15,439.00	0.00	15,439.00	0.00	S/L	5												
5024	2009 Ford E250 van (vin 0524)	10/30/08	15,714.00	0.00	0.00	11,523.60	3,142.80	14,666.40	1,047.60	S/L	5												
5025	2009 Ford F250 4x4 (vin 9885) w/	12/02/08	19,315.00	0.00	0.00	13,842.42	3,863.00	17,705.42	1,609.58	S/L	5												
5031	2011 Ford F150-White (vin 1686)	6/22/11	18,870.00	0.00	0.00	3,774.00	3,774.00	7,548.00	11,322.00	S/L	5	3774	3774	3774									
VEHICLE			285,045.86	0.00 ##	0.00	260,286.88	10,779.80	271,066.68	13,979.18														
Grand Total			19,295,649.55	0.00 ##	0.00	10,915,783.15	460,280.95	11,376,064.10	7,919,585.45														

**FY 13 Depreciation Plus Estimated Depreciation FY 14 Through FY 19**

	<u>Book Cost</u>	<u>Annual Depreciation</u>	<u>Accumulated Depreciation</u>	<u>Rate Base Book Value</u>
FY 2013 Numbers	18,019,762	407,519	10,611,375	7,408,387
new assets	137,000			
addt'l-new depreciation		-		
addt'l-new acc deprec			-	
addt'l old annual deprec		453,275		
addt'l old acc deprec			453,275	
FY 2014 Numbers	18,156,762	453,275	11,064,650	7,092,112
new assets	345,000			
addt'l-new depreciation		13,300		
addt'l-new acc deprec			13,330	
addt'l old annual deprec		454,487		
addt'l old acc deprec			450,713	
FY 2015 Numbers	18,501,762	467,787	11,528,693	6,973,068
new assets	13,294,000			
addt'l-new depreciation		587,432		
addt'l-new acc deprec			587,432	
addt'l old annual deprec		453,944		
addt'l old acc deprec			450,170	
FY 2016 Numbers	31,795,762	1,041,376	12,566,295	19,229,466
new assets	15,071,000			
addt'l-new depreciation		1,452,533		
addt'l-new acc deprec			1,452,533	
addt'l old annual deprec		330,997		
addt'l old acc deprec			330,997	
FY 2017 Numbers	46,866,762	1,783,530	14,349,825	32,516,936
new assets	355,000			
addt'l-new depreciation		1,486,100		
addt'l-new acc deprec			1,486,100	
addt'l old annual deprec		322,722		
addt'l old acc deprec			322,722	
FY 2018 Numbers	47,221,762	1,808,822	16,158,647	31,063,114
new assets	3,050,000			
addt'l-new depreciation		1,503,500		
addt'l-new acc deprec			1,503,500	
addt'l old annual deprec		315,427		
addt'l old acc deprec			315,427	
FY 2019 Numbers	50,271,762	1,818,927	17,977,574	32,294,188

10. Trial Balance fye 6/30/13 (Michele L. Gosser)

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2012 to 6/30/2013		Ending Balance
			Total Debits	Total Credits	
60-0000-1103	Cash:	\$0.29	\$0.00	\$0.29	\$0.00
60-0000-1108	Cash - Phylben Village	\$38,996.60	\$437,532.36	\$310,798.00	\$165,730.96
60-0000-1111	Phylben Village Debt Service	\$14,590.09	\$26,112.80	\$26,000.00	\$14,702.89
60-0000-1112	Phylben Village Depreciation	\$11,397.07	\$7,229.92	\$0.00	\$18,626.99
60-0000-1116	Cash - Debt Service (2014A)	\$0.00	\$24,901.98	\$417.61	\$24,484.37
60-0000-1200	Accounts Receivable	\$861,776.87	\$7,946,536.08	\$7,863,585.80	\$944,727.15
60-0000-1201	A/R: Kentucky Sales Tax	\$19,137.96	\$93,524.57	\$93,404.79	\$19,257.74
60-0000-1202	A/R: Boyle Co School Tax	\$4,746.79	\$44,953.00	\$44,491.35	\$5,208.44
60-0000-1203	A/R: Danville School Tax	\$6,640.68	\$48,201.07	\$47,718.67	\$7,123.08
60-0000-1204	A/R: Lincoln Co Sch Tax	\$419.76	\$1,654.75	\$1,627.48	\$447.03
60-0000-1290	Allowance for Bad Debts	(\$385,626.61)	\$0.00	\$67,476.48	(\$453,103.09)
60-0000-1298	A/R: Other	\$87,670.80	\$220,899.72	\$87,670.80	\$220,899.72
60-0000-1310	Stock: Waterline Maintenance	\$95,161.69	\$2,391.29	\$0.00	\$97,552.98
60-0000-1311	Stock: Meter Maintenance	\$28,894.00	\$0.00	\$3,088.48	\$25,805.52
60-0000-1314	Stock: Chemical	\$62,222.34	\$0.00	\$2,977.71	\$59,244.63
60-0000-1316	Stock: Wastewater	\$55,637.39	\$300.00	\$40,176.71	\$15,760.68
60-0000-1700	Unrealized Appreciation	\$49,265.55	\$0.00	\$10,534.05	\$38,731.50
60-0000-1710	Invest: CD - FNB (JC KIA)	\$136,512.47	\$448.09	\$0.00	\$136,960.56
60-0000-1712	Cash: FNB - JC Debt Service	\$46,523.68	\$29,689.79	\$29,613.01	\$46,600.46
60-0000-1714	Cash: FNB JC Depr	\$19,578.05	\$3,188.41	\$0.00	\$22,766.46
60-0000-1727	Invest: CD - Meter	\$30,000.00	\$0.00	\$0.00	\$30,000.00
60-0000-1750	Invest: US Treas Bond 5/18	\$49,700.54	\$51.01	\$0.00	\$49,751.55
60-0000-1756	Cash Equiv - HL	\$90,307.40	\$9.04	\$0.00	\$90,316.44
60-0000-1760	Invest: US Treas Bond 2-2019	\$49,854.16	\$22.14	\$0.00	\$49,876.30
60-0000-1761	Invest: CD LNB	\$104,115.97	\$373.94	\$0.00	\$104,489.91
60-0000-1770	Perryville RD Depr Reserve	\$8,324.50	\$2,643.22	\$0.00	\$10,967.72
60-0000-1771	KIA Depr Reserve 98-08	\$201,718.90	\$49,067.07	\$0.00	\$250,785.97
60-0000-1773	KIA Debt Service 89-06 Perry	\$3,114.85	\$0.92	\$0.00	\$3,115.77
60-0000-1774	KIA Debt Service 98-08	\$95,231.71	\$564,717.79	\$564,402.00	\$95,547.50
60-0000-1775	Perryville Rd Bond	\$12,586.69	\$26,023.21	\$26,024.00	\$12,585.90
60-0000-1777	2008 RD Sinking Fund	\$75,480.40	\$79,845.37	\$79,806.86	\$75,518.91
60-0000-1778	2008 RD Depr	\$38,823.48	\$12,576.10	\$4.82	\$51,394.76
60-0000-1867	Cash: FNB - Bnd Pmt Act	\$630,890.60	\$452,718.77	\$453,754.31	\$629,855.06
60-0000-1870	Cash: CKFSB -Depr	\$0.57	\$25,415.84	\$29.16	\$7.25

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2012 to 6/30/2013		Ending Balance
			Total Debits	Total Credits	
60-0000-1900	F/A: Plant in Service	\$49,951,741.61	\$517,950.63	\$0.00	\$50,469,692.24
60-0000-1901	F/A: Construction in Process	\$812,429.25	\$1,416,819.99	\$469,592.27	\$1,759,656.97
60-0000-1902	F/A: Accumulated Depreciation	(\$22,541,919.93)	\$0.00	\$1,143,044.18	(\$23,684,964.11)
60-0000-2000	Encumbrances	\$0.00	\$21.68	\$21.68	\$0.00
60-0000-2001	Accounts Payable Control	(\$48,337.54)	\$4,542,768.81	\$4,666,363.23	(\$171,931.96)
60-0000-2100	Accrued Payroll	(\$59,490.59)	\$0.00	\$2,665.56	(\$62,156.15)
60-0000-2101	A/P: Contractors	(\$248,288.23)	\$248,288.23	\$167,277.76	(\$167,277.76)
60-0000-2110	Payroll Taxes Payable	(\$4,551.03)	\$0.00	\$203.92	(\$4,754.95)
60-0000-2115	Abandoned/Escheat Property	(\$2,946.28)	\$0.00	\$0.00	(\$2,946.28)
60-0000-2123	Due to State of Kentucky	(\$34,750.00)	\$0.00	\$0.00	(\$34,750.00)
60-0000-2125	Interest Payable	(\$11,961.00)	\$5,843.00	\$0.00	(\$6,118.00)
60-0000-2126	Bond Payable-P-ville S 2000	(\$398,400.00)	\$7,100.00	\$0.00	(\$391,300.00)
60-0000-2127	Acc Interest P-ville S 2000	(\$4,731.00)	\$84.00	\$0.00	(\$4,647.00)
60-0000-2129	Bond Payable 2003	(\$860,000.00)	\$425,000.00	\$0.00	(\$435,000.00)
60-0000-2130	Deferred Int 2003 Refunding	\$102,570.84	\$0.00	\$51,286.00	\$51,284.84
60-0000-2131	RD Bond 2008	(\$1,449,300.00)	\$16,400.00	\$0.00	(\$1,432,900.00)
60-0000-2132	Accrued Interest: RD 2008	(\$26,420.00)	\$299.00	\$0.00	(\$26,121.00)
60-0000-2140	Customer Deposits Payable	(\$48,550.00)	\$72,734.20	\$64,534.20	(\$40,350.00)
60-0000-2141	Accr. Int. RD 2010 BA	(\$7,500.00)	\$100.00	\$0.00	(\$7,400.00)
60-0000-2142	RD 2010 Build America	(\$600,000.00)	\$8,000.00	\$0.00	(\$592,000.00)
60-0000-2156	KIA Loan JC C88-06	(\$265,000.00)	\$80,000.00	\$0.00	(\$185,000.00)
60-0000-2157	Acc Deferred Gain KIAjC C88-06	(\$28,044.00)	\$14,022.00	\$0.00	(\$14,022.00)
60-0000-2158	Bonds Pay JC S1995	(\$419,000.00)	\$11,000.00	\$0.00	(\$408,000.00)
60-0000-2159	Acc Int JC Debt	(\$1,204.00)	\$364.00	\$0.00	(\$840.00)
60-0000-2160	Acc KY Sales Tax Payable	\$0.00	\$164,701.61	\$172,846.69	(\$8,145.08)
60-0000-2170	Compensated Absence Payable ST	(\$3,227.06)	\$0.00	\$6.84	(\$3,233.90)
60-0000-2171	Compensated Absence Payable LT	(\$61,314.19)	\$0.00	\$129.97	(\$61,444.16)
60-0000-2187	N/P - Whitaker Bank	\$0.00	\$0.00	\$200,000.00	(\$200,000.00)
60-0000-2188	Accrued Interest - Whitaker	\$0.00	\$0.00	\$950.00	(\$950.00)
60-0000-2200	Accrued Interest KIA	(\$13,374.00)	\$1,360.00	\$0.00	(\$12,014.00)
60-0000-2201	N/P - KIA	(\$4,012,133.00)	\$408,155.00	\$0.00	(\$3,603,978.00)
60-0000-2265	Kentucky River Authority Liab	(\$10,422.68)	\$0.00	\$205.24	(\$10,627.92)
60-0000-2301	Due to Boyle Co. School	(\$8,402.71)	\$53,714.72	\$54,004.53	(\$8,692.52)
60-0000-2306	Due to Danville City School	72.96)	\$54,247.96	\$54,160.47	(\$5.47)

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2012 to 6/30/2013		Ending Balance
			Total Debits	Total Credits	
60-0000-2307	Due to Old Bridge	\$2,530.00	\$0.00	\$1,012.00	\$1,518.00
60-0000-2308	Due to Riverview	(\$80.00)	\$0.00	\$0.00	(\$80.00)
60-0000-2309	Due to Lincoln County Schools	(\$428.43)	\$1,767.86	\$1,817.60	(\$478.17)
60-0000-3110	Contributions from Customers	(\$369,567.32)	\$0.00	\$0.00	(\$369,567.32)
60-0000-3120	Contributions - Intergov	(\$8,100,346.10)	\$0.00	\$0.00	(\$8,100,346.10)
60-0000-3121	Residual Equity Transfer to FA	(\$81,126.48)	\$0.00	\$0.00	(\$81,126.48)
60-0000-3600	Fund Balance	(\$12,892,596.76)	\$0.00	\$0.00	(\$12,892,596.76)
60-0000-3620	Fund Balance - Res, Spec Asses	(\$1,311,403.37)	\$0.00	\$0.00	(\$1,311,403.37)
60-0000-4810	Operating Rev: Water Service	\$0.00	\$46,317.55	\$4,089,374.61	(\$4,043,057.06)
60-0000-4811	Operating Rev: Sewer Service	\$0.00	\$69,343.50	\$3,012,976.41	(\$2,943,632.91)
60-0000-4812	Operating Rev: Surcharge	\$0.00	\$1,004.67	\$252,571.25	(\$251,566.58)
60-0000-4813	Operating Rev: Tap Fees	\$0.00	\$522.13	\$10,339.46	(\$9,817.33)
60-0000-4814	Operating Rev: Labor	\$0.00	\$623.65	\$20,988.24	(\$20,364.59)
60-0000-4815	Job Work Penalty	\$0.00	\$5,483.56	\$104,135.34	(\$98,651.78)
60-0000-4816	Operating Rev: Turn On Fees	\$0.00	\$1,541.52	\$59,082.83	(\$57,541.31)
60-0000-4817	Operating Rev: Sewer BOD Fee	\$0.00	\$0.00	\$2,329.71	(\$2,329.71)
60-0000-4818	Operating Rev: Fire Protect SF	\$0.00	\$841.78	\$92,979.01	(\$92,137.23)
60-0000-4820	Stock Sold	\$0.00	\$2,363.12	\$24,201.75	(\$21,838.63)
60-0000-4822	Operating Rev: Miscellaneous	\$0.00	\$147,829.76	\$166,753.47	(\$18,923.71)
60-0000-4825	Operating Rev: Kentucky River	\$0.00	\$2,083.04	\$26,046.57	(\$23,963.53)
60-0000-4832	Non-Oper Rev: Revenue Interest	\$0.00	\$33.98	\$3,061.22	(\$3,027.24)
60-0000-4833	Non-Oper Rev: Deprec Fund Int	\$0.00	\$0.00	\$462.42	(\$462.42)
60-0000-4834	Non-Oper Rev: Meter Depos Int	\$0.00	\$0.00	\$9,385.56	(\$9,385.56)
60-0000-4835	Non-Oper Rev: Bond Fund Int	\$0.00	\$53.56	\$1,103.51	(\$1,049.95)
60-0000-4840	Non-Oper Rev: Payroll Acct Int	\$0.00	\$0.00	\$32.05	(\$32.05)
60-0000-4845	220 Tax Refund	\$0.00	\$0.00	\$6,300.00	(\$6,300.00)
60-0000-4860	Cash Over/Short	\$0.00	\$7,958.81	\$7,938.58	\$20.23
60-0000-4872	Phylben Village - KIA Grant	\$0.00	\$0.00	\$234,148.00	(\$234,148.00)
60-0000-4876	Phylben Village - RD Grant	\$0.00	\$0.00	\$168,437.20	(\$168,437.20)
60-0000-4877	Loan - Clarks Run	\$0.00	\$292,403.86	\$292,403.86	\$0.00
60-0000-4904	Change in Fair Value	\$0.00	\$10,534.05	\$0.00	\$10,534.05
60-0000-4944	Intergov: Other	\$0.00	\$31,250.00	\$404,724.37	(\$373,474.37)
60-0091-1990	Due to/Due from	\$422,881.72	\$8,458,966.18	\$8,417,319.48	\$464,528.42
60-1810-5150	Regular Salaries	\$0.00	\$247,266.29	\$0.00	\$247,266.29

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2012 to 6/30/2013		Ending Balance
			Total Debits	Total Credits	
60-1810-5151	Overtime Salaries	\$0.00	\$35,027.10	\$0.00	\$35,027.10
60-1810-5953	FICA	\$0.00	\$20,855.98	\$0.00	\$20,855.98
60-1810-5954	Medical & Hospital	\$0.00	\$65,466.99	\$0.00	\$65,466.99
60-1810-5955	Dental	\$0.00	\$3,804.72	\$0.00	\$3,804.72
60-1810-5956	Life	\$0.00	\$596.80	\$0.00	\$596.80
60-1810-5959	Workers Compensation	\$0.00	\$6,763.68	\$0.00	\$6,763.68
60-1810-5968	Retirement CERS Non-HAZ	\$0.00	\$54,936.61	\$0.00	\$54,936.61
60-1810-6110	CS: Contract Labor	\$0.00	\$336.88	\$0.00	\$336.88
60-1810-6120	CSC: Advertising & Publicity	\$0.00	\$247.21	\$0.00	\$247.21
60-1810-6124	CSC: Postage & Freight	\$0.00	\$2,272.99	\$1.52	\$2,271.47
60-1810-6131	CSO: Rentals & Leases	\$0.00	\$6,051.96	\$75.00	\$5,976.96
60-1810-6141	CSP: Legal Services	\$0.00	\$7,299.00	\$3,707.00	\$3,592.00
60-1810-6142	CSP: Consultants	\$0.00	\$698.00	\$0.00	\$698.00
60-1810-6143	CSP: Laboratory Analysis	\$0.00	\$37,217.89	\$0.00	\$37,217.89
60-1810-6145	CSP: Insurance/Judgement/Claim	\$0.00	\$55,353.81	\$0.00	\$55,353.81
60-1810-6150	CSU: Telephone & Fax	\$0.00	\$37,466.70	\$33,304.92	\$4,161.78
60-1810-6151	CSU: Electric Service	\$0.00	\$388,123.74	\$0.00	\$388,123.74
60-1810-6153	CSU: Natural & Propane Gas	\$0.00	\$11,685.61	\$0.00	\$11,685.61
60-1810-6162	CSW: Landfill Charges	\$0.00	\$11,093.00	\$0.00	\$11,093.00
60-1810-6173	CSI: Water Plant	\$0.00	\$85,582.76	\$4,479.78	\$81,102.98
60-1810-6178	CSI: Water Lines/Fire Hydrants	\$0.00	\$4,580.00	\$0.00	\$4,580.00
60-1810-6180	CSV: Vehicles & Light Trucks	\$0.00	\$46.97	\$46.97	\$0.00
60-1810-6190	CSM: Electron Inform Systems	\$0.00	\$3,517.02	\$1,240.88	\$2,276.14
60-1810-6191	CSM: General Services	\$0.00	\$67.84	\$0.00	\$67.84
60-1810-7110	MS: Marketing & Promotions	\$0.00	\$4,602.84	\$0.00	\$4,602.84
60-1810-7111	MS: Office Supplies	\$0.00	\$3,090.00	\$3,000.00	\$90.00
60-1810-7114	MS: Clothing	\$0.00	\$4,399.91	\$13.86	\$4,386.05
60-1810-7116	MS: Safety & First Aid Supply	\$0.00	\$1,823.14	\$0.00	\$1,823.14
60-1810-7117	OS: Electronic Inform System	\$0.00	\$8,101.22	\$342.31	\$7,758.91
60-1810-7118	OS: Water Plant	\$0.00	\$111,180.46	\$11,626.82	\$99,553.64
60-1810-7119	OS: Lake Pump Station	\$0.00	\$2,275.03	\$0.00	\$2,275.03
60-1810-7122	OS: Chemicals	\$0.00	\$611,699.16	\$4,452.63	\$607,246.53
60-1810-7125	OS: General Supplies	\$0.00	\$527.36	\$0.00	\$527.36
60-1810-7129	MS: Hydrants	\$0.00	\$1,670.88	\$0.00	\$1,670.88

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2012 to 6/30/2013		Ending Balance
			Total Debits	Total Credits	
60-1810-7130	VES: Tools & Equipment	\$0.00	\$119.97	\$0.00	\$119.97
60-1810-7131	VES: Vehicles & Light Trucks	\$0.00	\$1,331.55	\$0.00	\$1,331.55
60-1810-7133	VES: Machinery & Equipment	\$0.00	\$207.48	\$0.00	\$207.48
60-1810-7134	VES: Gasoline & Oil	\$0.00	\$13,326.67	\$0.00	\$13,326.67
60-1810-7136	OS: Water Meters	\$0.00	\$1,331.12	\$0.00	\$1,331.12
60-1810-7140	Other: Membership/Subscription	\$0.00	\$1,658.39	\$0.00	\$1,658.39
60-1810-7141	Other: Staff Devp/Educat	\$0.00	\$3,508.39	\$55.14	\$3,453.25
60-1815-5150	Regular Salaries	\$0.00	\$408,959.15	\$0.00	\$408,959.15
60-1815-5151	Overtime Salaries	\$0.00	\$36,465.40	\$0.00	\$36,465.40
60-1815-5953	FICA	\$0.00	\$32,431.78	\$0.00	\$32,431.78
60-1815-5954	Medical & Hospital	\$0.00	\$139,602.82	\$0.00	\$139,602.82
60-1815-5955	Dental	\$0.00	\$8,487.00	\$0.00	\$8,487.00
60-1815-5956	Life	\$0.00	\$780.14	\$0.00	\$780.14
60-1815-5959	Workers Compensation	\$0.00	\$9,424.24	\$0.00	\$9,424.24
60-1815-5968	Retirement CERS Non-HAZ	\$0.00	\$84,830.59	\$0.00	\$84,830.59
60-1815-6110	CS: Contract Labor	\$0.00	\$5,000.00	\$0.00	\$5,000.00
60-1815-6111	Uniform Services	\$0.00	\$3,947.62	\$0.00	\$3,947.62
60-1815-6120	CSC: Advertising & Publicity	\$0.00	\$215.09	\$0.00	\$215.09
60-1815-6122	CSC: Printing & Duplicating	\$0.00	\$328.00	\$0.00	\$328.00
60-1815-6124	CSC: Postage & Freight	\$0.00	\$3,549.98	\$0.00	\$3,549.98
60-1815-6131	CSO: Rentals & Leases	\$0.00	\$8,350.00	\$0.00	\$8,350.00
60-1815-6132	CSO: Cleaning & Janitorial	\$0.00	\$451.03	\$0.00	\$451.03
60-1815-6142	CSP: Consultants	\$0.00	\$935.50	\$0.00	\$935.50
60-1815-6145	CSP: Insurance/Judgement/Claim	\$0.00	\$28,693.58	\$457.00	\$28,236.58
60-1815-6150	CSU: Telephone & Fax	\$0.00	\$2,662.96	\$455.54	\$2,207.42
60-1815-6151	CSU: Electric Service	\$0.00	\$6,212.12	\$0.00	\$6,212.12
60-1815-6153	CSU: Natural & Propane Gas	\$0.00	\$1,199.90	\$0.00	\$1,199.90
60-1815-6163	CSW: Solid Waste Collection	\$0.00	\$721.94	\$0.00	\$721.94
60-1815-6170	CSI: Building/Structures	\$0.00	\$283.00	\$0.00	\$283.00
60-1815-6178	CSI: Water Lines/Fire Hydrants	\$0.00	\$27,025.67	\$0.00	\$27,025.67
60-1815-6179	CSI: Water Meters	\$0.00	\$3,088.48	\$0.00	\$3,088.48
60-1815-6180	CSV: Vehicles & Light Trucks	\$0.00	\$46.97	\$0.00	\$46.97
60-1815-6181	CSV: Heavy Trucks & Equipment	\$0.00	\$2,706.09	\$0.00	\$2,706.09
60-1815-6190	CSM: Electron Inform Systems	\$0.00	\$3,136.27	\$0.00	\$6.27

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2012 to 6/30/2013		Ending Balance
			Total Debits	Total Credits	
60-1815-7111	MS: Office Supplies	\$0.00	\$1,331.02	\$23.43	\$1,307.59
60-1815-7113	MS: Cleaning Supplies	\$0.00	\$1,105.65	\$39.88	\$1,065.77
60-1815-7114	MS: Clothing	\$0.00	\$2,909.13	\$0.00	\$2,909.13
60-1815-7115	MS: Food Service/Supplies	\$0.00	\$234.54	\$26.35	\$208.19
60-1815-7116	MS: Safety & First Aid Supply	\$0.00	\$3,124.79	\$0.00	\$3,124.79
60-1815-7117	OS: Electronic Inform System	\$0.00	\$3,071.50	\$0.00	\$3,071.50
60-1815-7123	OS: Building Supplies	\$0.00	\$2,788.34	\$0.00	\$2,788.34
60-1815-7124	OS: Construction Materials	\$0.00	\$9,944.21	\$0.00	\$9,944.21
60-1815-7125	OS: General Supplies	\$0.00	\$2,972.47	\$0.00	\$2,972.47
60-1815-7129	MS: Hydrants	\$0.00	\$107,216.74	\$2,391.29	\$104,825.45
60-1815-7130	VES: Tools & Equipment	\$0.00	\$12,752.56	\$26.57	\$12,725.99
60-1815-7131	VES: Vehicles & Light Trucks	\$0.00	\$6,330.49	\$271.29	\$6,059.20
60-1815-7132	VES: Heavy Trucks & Equipment	\$0.00	\$659.02	\$0.00	\$659.02
60-1815-7134	VES: Gasoline & Oil	\$0.00	\$30,545.42	\$0.00	\$30,545.42
60-1815-7135	VES: Miscellaneous	\$0.00	\$3,540.27	\$0.00	\$3,540.27
60-1815-7136	OS: Water Meters	\$0.00	\$24,633.47	\$401.25	\$24,232.22
60-1815-7140	Other: Membership/Subscription	\$0.00	\$1,547.42	\$0.00	\$1,547.42
60-1815-7141	Other: Staff Devp/Educat	\$0.00	\$4,560.00	\$213.20	\$4,346.80
60-1820-5150	Regular Salaries	\$0.00	\$273,195.07	\$18,127.93	\$255,067.14
60-1820-5151	Overtime Salaries	\$0.00	\$38,250.92	\$7,377.52	\$30,873.40
60-1820-5953	FICA	\$0.00	\$22,770.65	\$1,869.76	\$20,900.89
60-1820-5954	Medical & Hospital	\$0.00	\$73,359.84	\$0.00	\$73,359.84
60-1820-5955	Dental	\$0.00	\$4,657.02	\$0.00	\$4,657.02
60-1820-5956	Life	\$0.00	\$533.20	\$0.00	\$533.20
60-1820-5959	Workers Compensation	\$0.00	\$8,913.12	\$0.00	\$8,913.12
60-1820-5968	Retirement CERS Non-HAZ	\$0.00	\$58,120.13	\$4,150.47	\$53,969.66
60-1820-6111	Uniform Services	\$0.00	\$474.88	\$0.00	\$474.88
60-1820-6120	CSC: Advertising & Publicity	\$0.00	\$227.40	\$0.00	\$227.40
60-1820-6124	CSC: Postage & Freight	\$0.00	\$84.71	\$0.00	\$84.71
60-1820-6132	CSO: Cleaning & Janitorial	\$0.00	\$570.99	\$6.60	\$564.39
60-1820-6142	CSP: Consultants	\$0.00	\$468.00	\$0.00	\$468.00
60-1820-6143	CSP: Laboratory Analysis	\$0.00	\$26,060.60	\$0.00	\$26,060.60
60-1820-6145	CSP: Insurance/Judgement/Claim	\$0.00	\$39,703.01	\$0.00	\$39,703.01
60-1820-6150	CSU: Telephone & Fax	\$0.00	\$26,974.62	\$25,559.06	\$5.56

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2012 to 6/30/2013		Ending Balance
			Total Debits	Total Credits	
60-1820-6151	CSU: Electric Service	\$0.00	\$264,542.88	\$0.00	\$264,542.88
60-1820-6163	CSW: Solid Waste Collection	\$0.00	\$19,759.72	\$0.00	\$19,759.72
60-1820-6175	CSI: Sewer Plant	\$0.00	\$41,402.78	\$395.00	\$41,007.78
60-1820-6176	CSI: Sewer Lift Stations	\$0.00	\$60.00	\$0.00	\$60.00
60-1820-6180	CSV: Vehicles & Light Trucks	\$0.00	\$42.76	\$0.00	\$42.76
60-1820-6190	CSM: Electron Inform Systems	\$0.00	\$1,324.40	\$0.00	\$1,324.40
60-1820-7111	MS: Office Supplies	\$0.00	\$59.90	\$0.00	\$59.90
60-1820-7114	MS: Clothing	\$0.00	\$4,025.74	\$7.00	\$4,018.74
60-1820-7115	MS: Food Service/Supplies	\$0.00	\$0.00	\$174.36	(\$174.36)
60-1820-7117	OS: Electronic Inform System	\$0.00	\$543.75	\$0.00	\$543.75
60-1820-7122	OS: Chemicals	\$0.00	\$66,724.71	\$0.00	\$66,724.71
60-1820-7126	OS: Sewer Plant	\$0.00	\$30,935.22	\$696.12	\$30,239.10
60-1820-7131	VES: Vehicles & Light Trucks	\$0.00	\$2,676.60	\$1.52	\$2,675.08
60-1820-7134	VES: Gasoline & Oil	\$0.00	\$9,116.06	\$0.00	\$9,116.06
60-1820-7135	VES: Miscellaneous	\$0.00	\$12,144.00	\$0.00	\$12,144.00
60-1820-7140	Other: Membership/Subscription	\$0.00	\$220.00	\$0.00	\$220.00
60-1820-7141	Other: Staff Devp/Educat	\$0.00	\$2,160.12	\$0.00	\$2,160.12
60-1825-5150	Regular Salaries	\$0.00	\$212,859.16	\$0.00	\$212,859.16
60-1825-5151	Overtime Salaries	\$0.00	\$18,228.77	\$0.00	\$18,228.77
60-1825-5953	FICA	\$0.00	\$16,878.01	\$0.00	\$16,878.01
60-1825-5954	Medical & Hospital	\$0.00	\$45,734.97	\$0.00	\$45,734.97
60-1825-5955	Dental	\$0.00	\$3,915.72	\$0.00	\$3,915.72
60-1825-5956	Life	\$0.00	\$489.09	\$0.00	\$489.09
60-1825-5959	Workers Compensation	\$0.00	\$7,221.96	\$0.00	\$7,221.96
60-1825-5968	Retirement CERS Non-HAZ	\$0.00	\$45,066.07	\$0.00	\$45,066.07
60-1825-6111	Uniform Services	\$0.00	\$2,682.90	\$0.00	\$2,682.90
60-1825-6131	CSO: Rentals & Leases	\$0.00	\$187.50	\$0.00	\$187.50
60-1825-6132	CSO: Cleaning & Janitorial	\$0.00	\$800.18	\$0.00	\$800.18
60-1825-6142	CSP: Consultants	\$0.00	\$3,307.50	\$0.00	\$3,307.50
60-1825-6145	CSP: Insurance/Judgement/Claim	\$0.00	\$24,628.89	\$0.00	\$24,628.89
60-1825-6150	CSU: Telephone & Fax	\$0.00	\$1,849.52	\$818.46	\$1,031.06
60-1825-6151	CSU: Electric Service	\$0.00	\$31,185.45	\$0.00	\$31,185.45
60-1825-6153	CSU: Natural & Propane Gas	\$0.00	\$1,199.89	\$0.00	\$1,199.89
60-1825-6163	CSW: Solid Waste Collection	\$0.00	\$721.92	\$0.00	\$721.92

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2012 to 6/30/2013		Ending Balance
			Total Debits	Total Credits	
60-1825-6176	CSI: Sewer Lift Stations	\$0.00	\$29,198.68	\$150.00	\$29,048.68
60-1825-6177	CSI: Sewer Lines	\$0.00	\$11,098.00	\$0.00	\$11,098.00
60-1825-6180	CSV: Vehicles & Light Trucks	\$0.00	\$2,267.00	\$0.00	\$2,267.00
60-1825-6182	CSV: Machinery & Equipment	\$0.00	\$160.00	\$0.00	\$160.00
60-1825-6190	CSM: Electron Inform Systems	\$0.00	\$1,362.76	\$0.00	\$1,362.76
60-1825-7111	MS: Office Supplies	\$0.00	\$525.47	\$23.42	\$502.05
60-1825-7113	MS: Cleaning Supplies	\$0.00	\$1,055.22	\$39.88	\$1,015.34
60-1825-7114	MS: Clothing	\$0.00	\$909.74	\$0.00	\$909.74
60-1825-7115	MS: Food Service/Supplies	\$0.00	\$219.25	\$26.35	\$192.90
60-1825-7116	MS: Safety & First Aid Supply	\$0.00	\$2,252.93	\$0.00	\$2,252.93
60-1825-7117	OS: Electronic Inform System	\$0.00	\$672.75	\$0.00	\$672.75
60-1825-7122	OS: Chemicals	\$0.00	\$4,204.54	\$0.00	\$4,204.54
60-1825-7123	OS: Building Supplies	\$0.00	\$2,383.33	\$0.00	\$2,383.33
60-1825-7124	OS: Construction Materials	\$0.00	\$4,793.35	\$0.00	\$4,793.35
60-1825-7125	OS: General Supplies	\$0.00	\$4,295.00	\$0.00	\$4,295.00
60-1825-7127	OS: Sewer Lift Stations	\$0.00	\$35,794.57	\$0.00	\$35,794.57
60-1825-7128	OS: Sewer Line	\$0.00	\$56,271.40	\$300.00	\$55,971.40
60-1825-7130	VES: Tools & Equipment	\$0.00	\$7,251.21	\$0.00	\$7,251.21
60-1825-7131	VES: Vehicles & Light Trucks	\$0.00	\$7,832.99	\$0.00	\$7,832.99
60-1825-7132	VES: Heavy Trucks & Equipment	\$0.00	\$527.09	\$0.00	\$527.09
60-1825-7133	VES: Machinery & Equipment	\$0.00	\$3,601.19	\$0.00	\$3,601.19
60-1825-7134	VES: Gasoline & Oil	\$0.00	\$17,091.94	\$32.00	\$17,059.94
60-1825-7135	VES: Miscellaneous	\$0.00	\$417.50	\$0.00	\$417.50
60-1825-7140	Other: Membership/Subscription	\$0.00	\$1,347.42	\$0.00	\$1,347.42
60-1825-7141	Other: Staff Devp/Educat	\$0.00	\$2,316.90	\$451.89	\$1,865.01
60-1830-5150	Regular Salaries	\$0.00	\$45,596.99	\$0.00	\$45,596.99
60-1830-5151	Overtime Salaries	\$0.00	\$12,737.43	\$0.00	\$12,737.43
60-1830-5953	FICA	\$0.00	\$4,249.65	\$0.00	\$4,249.65
60-1830-5954	Medical & Hospital	\$0.00	\$4,228.20	\$0.00	\$4,228.20
60-1830-5955	Dental	\$0.00	\$480.24	\$0.00	\$480.24
60-1830-5956	Life	\$0.00	\$92.35	\$0.00	\$92.35
60-1830-5959	Workers Compensation	\$0.00	\$784.56	\$0.00	\$784.56
60-1830-5968	Retirement CERS Non-HAZ	\$0.00	\$10,925.65	\$0.00	\$10,925.65
60-1830-6143	CSP: Laboratory Analysis	\$0.00	\$3,485.00	\$0.00	\$3,485.00

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2012 to 6/30/2013		Ending Balance
			Total Debits	Total Credits	
60-1830-6145	CSP: Insurance/Judgement/Claim	\$0.00	\$1,464.46	\$0.00	\$1,464.46
60-1830-6150	CSU: Telephone & Fax	\$0.00	\$2,843.60	\$1,830.06	\$1,013.54
60-1830-6151	CSU: Electric Service	\$0.00	\$43,503.20	\$0.00	\$43,503.20
60-1830-6175	CSI: Sewer Plant	\$0.00	\$649.28	\$0.00	\$649.28
60-1830-7122	OS: Chemicals	\$0.00	\$5,719.41	\$0.00	\$5,719.41
60-1830-7125	OS: General Supplies	\$0.00	\$570.00	\$0.00	\$570.00
60-1830-7126	OS: Sewer Plant	\$0.00	\$2,179.17	\$0.00	\$2,179.17
60-1830-7130	VES: Tools & Equipment	\$0.00	\$392.36	\$0.00	\$392.36
60-1830-7134	VES: Gasoline & Oil	\$0.00	\$4,242.14	\$0.00	\$4,242.14
60-1840-1810	Water Treatment Plant	\$0.00	\$13,000.00	\$13,000.00	\$0.00
60-1840-5810	Water Treatment Plant	\$0.00	\$13,000.00	\$0.00	\$13,000.00
60-1910-7935	Comp. Absences - General	\$0.00	\$136.81	\$0.00	\$136.81
60-1910-7938	Interest Expense	\$0.00	\$37,264.00	\$0.00	\$37,264.00
60-1910-7989	Depreciation	\$0.00	\$1,143,044.18	\$0.00	\$1,143,044.18
60-1910-7992	Interfund Charge	\$0.00	\$784,040.86	\$21,854.88	\$762,185.98
60-1910-7993	Contingency - Utility Fund	\$0.00	\$8,500.00	\$0.00	\$8,500.00
60-1910-7995	Miscellaneous	\$0.00	\$16.50	\$0.00	\$16.50
60-1910-7998	Kentucky River Authority	\$0.00	\$41,417.12	\$0.00	\$41,417.12
60-1910-8900	Bad Debt Expense	\$0.00	\$66,918.01	\$3,861.06	\$63,056.95
60-1920-8127	Debt Serv: KIA Loan	\$0.00	\$564,402.00	\$409,515.00	\$154,887.00
60-1920-8130	Debt Serv: 2003 Revenue Bond	\$0.00	\$453,706.26	\$430,843.00	\$22,863.26
60-1920-8131	Debt Serv: PV USDA RD Loan	\$0.00	\$26,024.00	\$7,184.00	\$18,840.00
60-1920-8139	Debt Serv: JC USDA Bond	\$0.00	\$29,607.50	\$11,000.00	\$18,607.50
60-1920-8140	Debt Serv: JC KIA C88-06	\$0.00	\$102,312.73	\$88,234.21	\$14,078.52
60-1920-8141	Debt Serv: RD Loan	\$0.00	\$79,806.86	\$16,699.00	\$63,107.86
60-1920-8143	Debt Serv: RD Loan Phylben	\$0.00	\$26,000.00	\$8,100.00	\$17,900.00
60-1920-8144	Debt Serv: Clarks Run	\$0.00	\$50,401.11	\$50,401.11	\$0.00
60-6500-9003	Water Distribution Improvement	\$0.00	\$47,308.03	\$38,253.03	\$9,055.00
60-6500-9006	Sewer Services - Line Replace	\$0.00	\$96,864.69	\$96,716.72	\$147.97
60-6500-9012	Water Services-Electronic Info	\$0.00	\$931.47	\$0.00	\$931.47
60-6500-9070	Water: WTP System Upgrade	\$0.00	\$612,628.24	\$612,628.24	\$0.00
60-6500-9072	Phylben Village/Sewer projects	\$0.00	\$34,473.97	\$0.00	\$34,473.97
60-6500-9073	Spears Creek Lagoon	\$0.00	\$6,752.28	\$6,752.28	\$0.00
60-6500-9089	Clarks Run Pump Station	\$0.00	\$595,596.54	\$595,596.54	\$0.00

City of Danville  
Trial Balance Report

60-6500-9115      K33/34 Utility Relocation

	\$0.00	\$416,222.24	\$416,222.24	\$0.00
GRAND TOTALS:	\$0.00	\$37,166,370.76	\$37,166,370.76	\$0.00

City of Danville  
Trial Balance Report

Report name: New Trial Balance Report  
Report format: Balance  
Include these post dates: 7/1/2012 to 6/30/2013  
Do not filter accounts by chart template  
Exclude accounts with zero balances  
Do not exclude accounts with no activity  
Include these transaction types: Regular  
Include all Accounts  
Include these Funds: 60  
Include all Account Codes  
Include all Account Attributes  
Include all Projects  
Include all Project Attributes  
Include all Transaction Attributes  
Include all Classes  
Include all Posted Transactions  
Include these Not Yet Posted Transactions: <None>  
User has access to all accounts  
User has access to all Projects  
Include all Grant(s)  
Include all Department(s)

10. Trial Balance fye 6/30/14 (Michele L. Gosser)

City of Danville  
Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2013 to 6/30/2014		Ending Balance
			Total Debits	Total Credits	
60-0000-1108	Cash - Phylben Village	\$165,730.96	\$32,810.54	\$188,509.84	\$10,031.66
60-0000-1111	Phylben Village Debt Service	\$14,702.89	\$26,184.04	\$26,260.03	\$14,626.90
60-0000-1112	Phylben Village Depreciation	\$18,626.99	\$7,279.33	\$0.00	\$25,906.32
60-0000-1116	Cash - Debt Service (2014A)	\$24,484.37	\$57,573.22	\$3,829.03	\$78,228.56
60-0000-1170	Cash - FNB - WTP Expan.	\$0.00	\$475,676.95	\$474,809.02	\$867.93
60-0000-1171	Cash - KIA WTP	\$0.00	\$429,513.16	\$429,216.83	\$296.33
60-0000-1200	Accounts Receivable	\$944,727.15	\$8,423,393.02	\$8,337,686.37	\$1,030,433.80
60-0000-1201	A/R: Kentucky Sales Tax	\$19,257.74	\$115,956.37	\$130,301.34	\$4,912.77
60-0000-1202	A/R: Boyle Co School Tax	\$5,208.44	\$51,019.20	\$50,617.57	\$5,610.07
60-0000-1203	A/R: Danville School Tax	\$7,123.08	\$54,438.19	\$52,941.99	\$8,619.28
60-0000-1204	A/R: Lincoln Co Sch Tax	\$447.03	\$2,099.18	\$2,039.06	\$507.15
60-0000-1290	Allowance for Bad Debts	(\$453,103.09)	\$0.00	\$84,300.76	(\$537,403.85)
60-0000-1298	A/R: Other	\$220,899.72	\$353,146.11	\$0.00	\$574,045.83
60-0000-1310	Stock: Waterline Maintenance	\$97,552.98	\$5,085.77	\$0.00	\$102,638.75
60-0000-1311	Stock: Meter Maintenance	\$25,805.52	\$12,557.58	\$0.00	\$38,363.10
60-0000-1314	Stock: Chemical	\$59,244.63	\$0.00	\$2,872.19	\$56,372.44
60-0000-1316	Stock: Wastewater	\$15,760.68	\$4,516.91	\$0.00	\$20,277.59
60-0000-1700	Unrealized Appreaciation	\$38,731.50	\$0.00	\$6,776.32	\$31,955.18
60-0000-1710	Invest: CD - FNB (JC KIA)	\$136,960.56	\$205.55	\$0.00	\$137,166.11
60-0000-1712	Cash: FNB - JC Debt Service	\$46,600.46	\$50,046.19	\$49,292.50	\$47,354.15
60-0000-1714	Cash: FNB JC Depr	\$22,766.46	\$3,240.85	\$0.00	\$26,007.31
60-0000-1727	Invest: CD - Meter	\$30,000.00	\$74.79	\$0.00	\$30,074.79
60-0000-1750	Invest: US Treas Bond 5/18	\$49,751.55	\$51.07	\$0.00	\$49,802.62
60-0000-1756	Cash Equiv - HL	\$90,316.44	\$9.89	\$0.77	\$90,325.56
60-0000-1760	Invest: US Treas Bond 2-2019	\$49,876.30	\$22.15	\$0.00	\$49,898.45
60-0000-1761	Invest: CD LNB	\$104,489.91	\$200.25	\$0.00	\$104,690.16
60-0000-1762	US Bank - Cash	\$0.00	\$13,950,935.63	\$593,579.67	\$13,357,355.96
60-0000-1770	Perryville RD Depr Reserve	\$10,967.72	\$2,670.66	\$0.00	\$13,638.38
60-0000-1771	KIA Depr Reserve 98-08	\$250,785.97	\$49,597.35	\$0.00	\$300,383.32
60-0000-1773	KIA Debt Service 89-06 Perry	\$3,115.77	\$4.27	\$3,120.04	\$0.00
60-0000-1774	KIA Debt Service 98-08	\$95,547.50	\$614,215.15	\$563,772.62	\$145,990.03
60-0000-1775	Perryville Rd Bond	\$12,585.90	\$26,033.76	\$25,986.74	\$12,632.92
60-0000-1777	2008 RD Sinking Fund	\$75,518.91	\$89,227.58	\$89,082.73	\$75,663.76
60-0000-1778	2008 RD Depr	\$0.76	\$12,683.89	\$0.00	\$0.65

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2013 to 6/30/2014		Ending Balance
			Total Debits	Total Credits	
60-0000-1867	Cash: FNB - Bnd Pmt Act	\$629,855.06	\$451,149.72	\$449,696.26	\$631,308.52
60-0000-1870	Cash: CKFSB -Depr	\$125,127.25	\$25,362.37	\$0.00	\$150,489.62
60-0000-1900	F/A: Plant in Service	\$50,469,692.24	\$770,113.06	\$20,742.00	\$51,219,063.30
60-0000-1901	F/A: Construction in Process	\$1,759,656.97	\$2,501,345.97	\$668,323.86	\$3,592,679.08
60-0000-1902	F/A: Accumulated Depreciation	(\$23,684,964.11)	\$20,742.00	\$1,145,251.88	(\$24,809,473.99)
60-0000-2001	Accounts Payable Control	(\$171,931.96)	\$6,572,074.04	\$6,631,572.71	(\$231,430.63)
60-0000-2100	Accrued Payroll	(\$62,156.15)	\$0.00	\$5,222.60	(\$67,378.75)
60-0000-2101	A/P: Contractors	(\$167,277.76)	\$167,277.76	\$790,798.40	(\$790,798.40)
60-0000-2110	Payroll Taxes Payable	(\$4,754.95)	\$0.00	\$399.52	(\$5,154.47)
60-0000-2115	Abandoned/Escheat Property	(\$2,946.28)	\$0.00	\$0.00	(\$2,946.28)
60-0000-2123	Due to State of Kentucky	(\$34,750.00)	\$34,750.00	\$0.00	\$0.00
60-0000-2125	Interest Payable	(\$6,118.00)	\$6,118.00	\$0.00	\$0.00
60-0000-2126	Bond Payable-P-ville S 2000	(\$391,300.00)	\$7,400.00	\$0.00	(\$383,900.00)
60-0000-2127	Acc Interest P-ville S 2000	(\$4,647.00)	\$88.00	\$0.00	(\$4,559.00)
60-0000-2129	Bond Payable 2003	(\$435,000.00)	\$435,000.00	\$0.00	\$0.00
60-0000-2130	Deferred Int 2003 Refunding	\$51,284.84	\$0.16	\$51,285.00	\$0.00
60-0000-2131	RD Bond 2008	(\$1,432,900.00)	\$17,100.00	\$0.00	(\$1,415,800.00)
60-0000-2132	Accrued Interest: RD 2008	(\$26,121.00)	\$314.00	\$0.00	(\$25,807.00)
60-0000-2140	Customer Deposits Payable	(\$40,350.00)	\$62,300.00	\$63,500.00	(\$41,550.00)
60-0000-2141	Accr. Int. RD 2010 BA	(\$7,400.00)	\$106.00	\$0.00	(\$7,294.00)
60-0000-2142	RD 2010 Build America	(\$592,000.00)	\$8,500.00	\$0.00	(\$583,500.00)
60-0000-2156	KIA Loan JC C88-06	(\$185,000.00)	\$185,000.00	\$0.00	\$0.00
60-0000-2157	Acc Deferred Gain KIAJC C88-06	(\$14,022.00)	\$14,022.00	\$0.00	\$0.00
60-0000-2158	Bonds Pay JC S1995	(\$408,000.00)	\$11,000.00	\$0.00	(\$397,000.00)
60-0000-2159	Acc Int JC Debt	(\$840.00)	\$840.00	\$0.00	\$0.00
60-0000-2160	Acc KY Sales Tax Payable	(\$8,145.08)	\$132,117.44	\$134,514.88	(\$10,542.52)
60-0000-2170	Compensated Absence Payable ST	(\$3,233.90)	\$0.00	\$213.64	(\$3,447.54)
60-0000-2171	Compensated Absence Payable LT	(\$61,444.16)	\$0.00	\$4,059.04	(\$65,503.20)
60-0000-2187	N/P - Whitaker Bank	(\$200,000.00)	\$0.00	\$0.00	(\$200,000.00)
60-0000-2188	Accrued Interest - Whitaker	(\$950.00)	\$0.00	\$0.00	(\$950.00)
60-0000-2200	Accrued Interest KIA	(\$12,014.00)	\$1,413.00	\$0.00	(\$10,601.00)
60-0000-2201	N/P - KIA	(\$3,603,978.00)	\$423,811.23	\$0.00	(\$3,180,166.77)
60-0000-2202	KIA Loan F13-011 (WTP)	\$0.00	\$0.00	\$428,961.24	(\$428,961.24)
60-0000-2203	Accrued Interest - KIA F13-011 (WTP)	\$0.00	\$0.00	\$508.24	\$508.24

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2013 to 6/30/2014		Ending Balance
			Total Debits	Total Credits	
60-0000-2204	BAN (RD-WTP)	\$0.00	\$145,066.67	\$13,745,066.67	(\$13,600,000.00)
60-0000-2205	Accrued Interest BAN - RD-WTP	\$0.00	\$0.00	\$145,066.67	(\$145,066.67)
60-0000-2206	Bond Premium BAN RD-WTP	\$0.00	\$0.00	\$414,256.00	(\$414,256.00)
60-0000-2265	Kentucky River Authority Liab	(\$10,627.92)	\$10,627.92	\$0.00	\$0.00
60-0000-2301	Due to Boyle Co. School	(\$8,692.52)	\$53,071.75	\$53,051.84	(\$8,672.61)
60-0000-2306	Due to Danville City School	(\$10,685.47)	\$52,303.31	\$54,790.87	(\$13,173.03)
60-0000-2307	Due to Old Bridge	\$1,518.00	\$0.00	\$0.00	\$1,518.00
60-0000-2308	Due to Riverview	(\$80.00)	\$0.00	\$0.00	(\$80.00)
60-0000-2309	Due to Lincoln County Schools	(\$478.17)	\$1,935.03	\$2,019.88	(\$563.02)
60-0000-2998	Internal Transfer	\$0.00	\$606,126.79	\$606,126.79	\$0.00
60-0000-3110	Contributions from Customers	(\$369,567.32)	\$0.00	\$0.00	(\$369,567.32)
60-0000-3120	Contributions - Intergov	(\$8,100,346.10)	\$0.00	\$0.00	(\$8,100,346.10)
60-0000-3121	Residual Equity Transfer to FA	(\$81,126.48)	\$0.00	\$0.00	(\$81,126.48)
60-0000-3600	Fund Balance	(\$14,282,289.88)	\$0.00	\$0.00	(\$14,282,289.88)
60-0000-3620	Fund Balance - Res, Spec Asses	(\$1,311,403.37)	\$0.00	\$0.00	(\$1,311,403.37)
60-0000-4799	Other Rev: Miscellaneous	\$0.00	\$0.00	\$44,750.00	(\$44,750.00)
60-0000-4810	Operating Rev: Water Service	\$0.00	\$299,528.52	\$4,391,133.98	(\$4,091,605.46)
60-0000-4811	Operating Rev: Sewer Service	\$0.00	\$192,593.00	\$3,126,510.94	(\$2,933,917.94)
60-0000-4812	Operating Rev: Surcharge	\$0.00	\$13,819.48	\$278,155.00	(\$264,335.52)
60-0000-4813	Operating Rev: Tap Fees	\$0.00	\$80.00	\$6,980.00	(\$6,900.00)
60-0000-4814	Operating Rev: Labor	\$0.00	\$623.44	\$7,120.01	(\$6,496.57)
60-0000-4815	Job Work Penalty	\$0.00	\$7,824.47	\$110,321.94	(\$102,497.47)
60-0000-4816	Operating Rev: Turn On Fees	\$0.00	\$1,438.98	\$58,041.09	(\$56,602.11)
60-0000-4817	Operating Rev: Sewer BOD Fee	\$0.00	\$0.00	\$1,908.52	(\$1,908.52)
60-0000-4818	Operating Rev: Fire Protect SF	\$0.00	\$1,416.24	\$96,033.51	(\$94,617.27)
60-0000-4820	Stock Sold	\$0.00	\$760.68	\$17,925.59	(\$17,164.91)
60-0000-4822	Operating Rev: Miscellaneous	\$0.00	\$138,770.38	\$169,116.51	(\$30,346.13)
60-0000-4825	Operating Rev: Kentucky River	\$0.00	\$2,198.36	\$39,411.91	(\$37,213.55)
60-0000-4832	Non-Oper Rev: Revenue Interest	\$0.00	\$0.03	\$2,686.19	(\$2,686.16)
60-0000-4833	Non-Oper Rev: Deprec Fund Int	\$0.00	\$0.00	\$218.24	(\$218.24)
60-0000-4834	Non-Oper Rev: Meter Depos Int	\$0.00	\$0.77	\$9,461.28	(\$9,460.51)
60-0000-4835	Non-Oper Rev: Bond Fund Int	\$0.00	\$24.00	\$2,772.44	(\$2,748.44)
60-0000-4840	Non-Oper Rev: Payroll Acct Int	\$0.00	\$0.00	\$78.09	(\$78.09)
60-0000-4841	Loan Proceeds	\$0.00	\$13,600,000.00	\$13,600,000.00	\$0.00

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2013 to 6/30/2014		Ending Balance
			Total Debits	Total Credits	
60-0000-4843	Non-Oper Rev: KIA	\$0.00	\$428,961.24	\$428,961.24	\$0.00
60-0000-4845	220 Tax Refund	\$0.00	\$0.00	\$5,721.82	(\$5,721.82)
60-0000-4860	Cash Over/Short	\$0.00	\$121.36	\$659.08	(\$537.72)
60-0000-4863	Non-Oper Rev: KIA Lagoon	\$0.00	\$225,282.00	\$573,983.40	(\$348,701.40)
60-0000-4865	Non-Oper Rev: KIA - Sewer	\$0.00	\$0.00	\$190,007.70	(\$190,007.70)
60-0000-4876	Phylben Village - RD Grant	\$0.00	\$92,403.86	\$118,726.43	(\$26,322.57)
60-0000-4877	Loan - Clarks Run	\$0.00	\$92,403.86	\$92,403.86	\$0.00
60-0000-4904	Change in Fair Value	\$0.00	\$6,776.32	\$0.00	\$6,776.32
60-0000-4944	Intergov: Other	\$0.00	\$0.00	\$39,174.16	(\$39,174.16)
60-0091-1990	Due to/Due from	\$464,528.42	\$8,917,549.47	\$9,056,762.59	\$325,315.30
60-1810-5150	Regular Salaries	\$0.00	\$242,083.11	\$0.00	\$242,083.11
60-1810-5151	Overtime Salaries	\$0.00	\$36,442.89	\$652.67	\$35,790.22
60-1810-5152	Part-Time Salaries	\$0.00	\$3,444.00	\$0.00	\$3,444.00
60-1810-5953	FICA	\$0.00	\$20,773.78	\$12.00	\$20,761.78
60-1810-5954	Medical & Hospital	\$0.00	\$94,592.41	\$30,369.49	\$64,222.92
60-1810-5955	Dental	\$0.00	\$4,190.54	\$0.00	\$4,190.54
60-1810-5956	Life	\$0.00	\$529.09	\$188.00	\$341.09
60-1810-5959	Workers Compensation	\$0.00	\$11,333.76	\$0.00	\$11,333.76
60-1810-5968	Retirement CERS Non-HAZ	\$0.00	\$53,541.05	\$2,031.71	\$51,509.34
60-1810-6110	CS: Contract Labor	\$0.00	\$8,795.27	\$0.00	\$8,795.27
60-1810-6120	CSC: Advertising & Publicity	\$0.00	\$1,586.09	\$0.00	\$1,586.09
60-1810-6122	CSC: Printing & Duplicating	\$0.00	\$1,033.26	\$0.00	\$1,033.26
60-1810-6124	CSC: Postage & Freight	\$0.00	\$4,377.47	\$11.02	\$4,366.45
60-1810-6131	CSO: Rentals & Leases	\$0.00	\$23,335.07	\$0.00	\$23,335.07
60-1810-6141	CSP: Legal Services	\$0.00	\$1,001.80	\$101.80	\$900.00
60-1810-6142	CSP: Consultants	\$0.00	\$449.00	\$0.00	\$449.00
60-1810-6143	CSP: Laboratory Analysis	\$0.00	\$34,476.45	\$0.00	\$34,476.45
60-1810-6145	CSP: Insurance/Judgement/Claim	\$0.00	\$59,629.69	\$0.00	\$59,629.69
60-1810-6150	CSU: Telephone & Fax	\$0.00	\$4,034.90	\$188.69	\$3,846.21
60-1810-6151	CSU: Electric Service	\$0.00	\$439,448.07	\$0.00	\$439,448.07
60-1810-6153	CSU: Natural & Propane Gas	\$0.00	\$8,886.07	\$43.04	\$8,843.03
60-1810-6162	CSW: Landfill Charges	\$0.00	\$11,751.92	\$0.00	\$11,751.92
60-1810-6163	CSW: Solid Waste Collection	\$0.00	\$2,708.61	\$23.11	\$2,685.50
60-1810-6170	CSI: Building/Structures	\$0.00	\$698.61	\$0.00	\$698.61

City of Danville  
Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2013 to 6/30/2014		Ending Balance
			Total Debits	Total Credits	
60-1810-6173	CSI: Water Plant	\$0.00	\$122,897.02	\$1,355.09	\$121,541.93
60-1810-6178	CSI: Water Lines/Fire Hydrants	\$0.00	\$864.70	\$0.00	\$864.70
60-1810-6180	CSV: Vehicles & Light Trucks	\$0.00	\$250.00	\$0.00	\$250.00
60-1810-6190	CSM: Electron Inform Systems	\$0.00	\$3,584.17	\$0.00	\$3,584.17
60-1810-7110	MS: Marketing & Promotions	\$0.00	\$633.15	\$0.00	\$633.15
60-1810-7111	MS: Office Supplies	\$0.00	\$401.03	\$0.00	\$401.03
60-1810-7113	MS: Cleaning Supplies	\$0.00	\$51.39	\$0.00	\$51.39
60-1810-7114	MS: Clothing	\$0.00	\$5,322.58	\$0.00	\$5,322.58
60-1810-7115	MS: Food Service/Supplies	\$0.00	\$915.00	\$0.00	\$915.00
60-1810-7116	MS: Safety & First Aid Supply	\$0.00	\$1,030.26	\$378.67	\$651.59
60-1810-7117	OS: Electronic Inform System	\$0.00	\$12,434.99	\$874.42	\$11,560.57
60-1810-7118	OS: Water Plant	\$0.00	\$89,287.53	\$7,201.24	\$82,086.29
60-1810-7119	OS: Lake Pump Station	\$0.00	\$3,518.46	\$0.00	\$3,518.46
60-1810-7120	OS: Landscape/Flowers/Trees	\$0.00	\$27.00	\$0.00	\$27.00
60-1810-7122	OS: Chemicals	\$0.00	\$571,923.46	\$200.00	\$571,723.46
60-1810-7123	OS: Building Supplies	\$0.00	\$1,372.50	\$0.00	\$1,372.50
60-1810-7124	OS: Construction Materials	\$0.00	\$1,800.00	\$0.00	\$1,800.00
60-1810-7129	MS: Hydrants	\$0.00	\$2,863.50	\$0.00	\$2,863.50
60-1810-7131	VES: Vehicles & Light Trucks	\$0.00	\$487.88	\$0.00	\$487.88
60-1810-7133	VES: Machinery & Equipment	\$0.00	\$5,329.14	\$0.00	\$5,329.14
60-1810-7134	VES: Gasoline & Oil	\$0.00	\$10,073.15	\$586.15	\$9,487.00
60-1810-7135	VES: Miscellaneous	\$0.00	\$168.90	\$0.00	\$168.90
60-1810-7140	Other: Membership/Subscription	\$0.00	\$2,160.00	\$0.00	\$2,160.00
60-1810-7141	Other: Staff Devp/Educat	\$0.00	\$4,098.24	\$108.72	\$3,989.52
60-1815-5150	Regular Salaries	\$0.00	\$413,391.16	\$0.00	\$413,391.16
60-1815-5151	Overtime Salaries	\$0.00	\$42,297.10	\$0.00	\$42,297.10
60-1815-5152	Part-Time Salaries	\$0.00	\$2,048.00	\$0.00	\$2,048.00
60-1815-5953	FICA	\$0.00	\$33,376.63	\$0.00	\$33,376.63
60-1815-5954	Medical & Hospital	\$0.00	\$218,386.03	\$66,204.18	\$152,181.85
60-1815-5955	Dental	\$0.00	\$9,287.80	\$0.00	\$9,287.80
60-1815-5956	Life	\$0.00	\$724.73	\$242.12	\$482.61
60-1815-5959	Workers Compensation	\$0.00	\$10,397.40	\$0.00	\$10,397.40
60-1815-5968	Retirement CERS Non-HAZ	\$0.00	\$85,971.87	\$3,123.64	\$82,848.23
60-1815-6110	CS: Contract Labor	\$0.00	\$11,757.26	\$0.00	\$11,757.26

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2013 to 6/30/2014		Ending Balance
			Total Debits	Total Credits	
60-1815-6111	Uniform Services	\$0.00	\$3,701.34	\$0.00	\$3,701.34
60-1815-6120	CSC: Advertising & Publicity	\$0.00	\$528.97	\$148.42	\$380.55
60-1815-6122	CSC: Printing & Duplicating	\$0.00	\$553.00	\$0.00	\$553.00
60-1815-6124	CSC: Postage & Freight	\$0.00	\$7.89	\$0.00	\$7.89
60-1815-6131	CSO: Rentals & Leases	\$0.00	\$6,750.00	\$0.00	\$6,750.00
60-1815-6132	CSO: Cleaning & Janitorial	\$0.00	\$482.16	\$0.00	\$482.16
60-1815-6142	CSP: Consultants	\$0.00	\$537.50	\$0.00	\$537.50
60-1815-6145	CSP: Insurance/Judgement/Claim	\$0.00	\$31,774.44	\$0.00	\$31,774.44
60-1815-6150	CSU: Telephone & Fax	\$0.00	\$3,279.61	\$503.82	\$2,775.79
60-1815-6151	CSU: Electric Service	\$0.00	\$6,518.83	\$0.00	\$6,518.83
60-1815-6153	CSU: Natural & Propane Gas	\$0.00	\$1,594.72	\$20.13	\$1,574.59
60-1815-6163	CSW: Solid Waste Collection	\$0.00	\$842.80	\$0.00	\$842.80
60-1815-6170	CSI: Building/Structures	\$0.00	\$4,708.00	\$0.00	\$4,708.00
60-1815-6178	CSI: Water Lines/Fire Hydrants	\$0.00	\$13,234.00	\$0.00	\$13,234.00
60-1815-6180	CSV: Vehicles & Light Trucks	\$0.00	\$2,021.25	\$544.85	\$1,476.40
60-1815-6182	CSV: Machinery & Equipment	\$0.00	\$269.50	\$0.00	\$269.50
60-1815-6190	CSM: Electron Inform Systems	\$0.00	\$16,415.52	\$75.00	\$16,340.52
60-1815-7111	MS: Office Supplies	\$0.00	\$2,134.48	\$0.00	\$2,134.48
60-1815-7113	MS: Cleaning Supplies	\$0.00	\$1,017.55	\$0.00	\$1,017.55
60-1815-7114	MS: Clothing	\$0.00	\$3,611.73	\$14.29	\$3,597.44
60-1815-7115	MS: Food Service/Supplies	\$0.00	\$361.96	\$0.00	\$361.96
60-1815-7116	MS: Safety & First Aid Supply	\$0.00	\$1,904.42	\$0.00	\$1,904.42
60-1815-7117	OS: Electronic Inform System	\$0.00	\$1,320.82	\$0.00	\$1,320.82
60-1815-7123	OS: Building Supplies	\$0.00	\$225.54	\$0.00	\$225.54
60-1815-7124	OS: Construction Materials	\$0.00	\$8,909.19	\$502.50	\$8,406.69
60-1815-7125	OS: General Supplies	\$0.00	\$341.63	\$0.00	\$341.63
60-1815-7129	MS: Hydrants	\$0.00	\$109,859.42	\$5,579.77	\$104,279.65
60-1815-7130	VES: Tools & Equipment	\$0.00	\$6,925.86	\$11.99	\$6,913.87
60-1815-7131	VES: Vehicles & Light Trucks	\$0.00	\$8,242.19	\$0.00	\$8,242.19
60-1815-7132	VES: Heavy Trucks & Equipment	\$0.00	\$420.00	\$0.00	\$420.00
60-1815-7134	VES: Gasoline & Oil	\$0.00	\$32,572.71	\$2,018.91	\$30,553.80
60-1815-7135	VES: Miscellaneous	\$0.00	\$1,448.35	\$0.00	\$1,448.35
60-1815-7136	OS: Water Meters	\$0.00	\$38,282.77	\$0.00	\$38,282.77
60-1815-7140	Other: Membership/Subscription	\$0.00	\$4,181.28	\$0.00	\$4,181.28

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2013 to 6/30/2014		Ending Balance
			Total Debits	Total Credits	
60-1815-7141	Other: Staff Devp/Educat	\$0.00	\$2,572.38	\$105.10	\$2,467.28
60-1820-5150	Regular Salaries	\$0.00	\$275,334.26	\$0.00	\$275,334.26
60-1820-5151	Overtime Salaries	\$0.00	\$22,067.04	\$50.99	\$22,016.05
60-1820-5953	FICA	\$0.00	\$21,770.43	\$0.00	\$21,770.43
60-1820-5954	Medical & Hospital	\$0.00	\$122,871.07	\$36,807.56	\$86,063.51
60-1820-5955	Dental	\$0.00	\$4,801.68	\$0.00	\$4,801.68
60-1820-5956	Life	\$0.00	\$431.64	\$161.44	\$270.20
60-1820-5959	Workers Compensation	\$0.00	\$7,655.40	\$0.00	\$7,655.40
60-1820-5968	Retirement CERS Non-HAZ	\$0.00	\$58,107.27	\$2,083.18	\$56,024.09
60-1820-6111	Uniform Services	\$0.00	\$3,039.14	\$0.00	\$3,039.14
60-1820-6124	CSC: Postage & Freight	\$0.00	\$9.68	\$0.00	\$9.68
60-1820-6132	CSO: Cleaning & Janitorial	\$0.00	\$566.56	\$0.00	\$566.56
60-1820-6142	CSP: Consultants	\$0.00	\$1,865.00	\$0.00	\$1,865.00
60-1820-6143	CSP: Laboratory Analysis	\$0.00	\$21,156.05	\$0.00	\$21,156.05
60-1820-6145	CSP: Insurance/Judgement/Claim	\$0.00	\$35,825.05	\$0.00	\$35,825.05
60-1820-6150	CSU: Telephone & Fax	\$0.00	\$1,563.10	\$169.52	\$1,393.58
60-1820-6151	CSU: Electric Service	\$0.00	\$311,383.96	\$0.00	\$311,383.96
60-1820-6163	CSW: Solid Waste Collection	\$0.00	\$19,595.67	\$0.00	\$19,595.67
60-1820-6175	CSI: Sewer Plant	\$0.00	\$27,215.37	\$0.00	\$27,215.37
60-1820-6176	CSI: Sewer Lift Stations	\$0.00	\$2,108.22	\$2,108.22	\$0.00
60-1820-6177	CSI: Sewer Lines	\$0.00	\$2,096.00	\$0.00	\$2,096.00
60-1820-6180	CSV: Vehicles & Light Trucks	\$0.00	\$129.51	\$0.00	\$129.51
60-1820-6190	CSM: Electron Inform Systems	\$0.00	\$1,449.17	\$0.00	\$1,449.17
60-1820-7111	MS: Office Supplies	\$0.00	\$367.61	\$0.00	\$367.61
60-1820-7114	MS: Clothing	\$0.00	\$363.98	\$2.15	\$361.83
60-1820-7117	OS: Electronic Inform System	\$0.00	\$886.64	\$0.00	\$886.64
60-1820-7122	OS: Chemicals	\$0.00	\$57,902.00	\$141.70	\$57,760.30
60-1820-7126	OS: Sewer Plant	\$0.00	\$34,803.32	\$0.00	\$34,803.32
60-1820-7131	VES: Vehicles & Light Trucks	\$0.00	\$4,717.65	\$0.00	\$4,717.65
60-1820-7134	VES: Gasoline & Oil	\$0.00	\$11,336.12	\$834.66	\$10,501.46
60-1820-7135	VES: Miscellaneous	\$0.00	\$32,108.90	\$0.00	\$32,108.90
60-1820-7140	Other: Membership/Subscription	\$0.00	\$1,080.00	\$0.00	\$1,080.00
60-1820-7141	Other: Staff Devp/Educat	\$0.00	\$5,175.26	\$58.53	\$5,116.73
60-1825-5150	Regular Salaries	\$0.00	\$218,119.88	\$0.00	\$218,119.88

# City of Danville

## Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2013 to 6/30/2014		Ending Balance
			Total Debits	Total Credits	
60-1825-5151	Overtime Salaries	\$0.00	\$18,344.32	\$751.87	\$17,592.45
60-1825-5953	FICA	\$0.00	\$17,108.08	\$0.00	\$17,108.08
60-1825-5954	Medical & Hospital	\$0.00	\$83,410.42	\$25,586.71	\$57,823.71
60-1825-5955	Dental	\$0.00	\$4,072.32	\$0.00	\$4,072.32
60-1825-5956	Life	\$0.00	\$432.05	\$153.64	\$278.41
60-1825-5959	Workers Compensation	\$0.00	\$7,382.28	\$0.00	\$7,382.28
60-1825-5968	Retirement CERS Non-HAZ	\$0.00	\$46,166.29	\$1,677.17	\$44,489.12
60-1825-6111	Uniform Services	\$0.00	\$2,672.56	\$0.00	\$2,672.56
60-1825-6120	CSC: Advertising & Publicity	\$0.00	\$84.24	\$0.00	\$84.24
60-1825-6122	CSC: Printing & Duplicating	\$0.00	\$198.00	\$0.00	\$198.00
60-1825-6124	CSC: Postage & Freight	\$0.00	\$44.17	\$0.00	\$44.17
60-1825-6131	CSO: Rentals & Leases	\$0.00	\$287.50	\$0.00	\$287.50
60-1825-6132	CSO: Cleaning & Janitorial	\$0.00	\$482.06	\$0.00	\$482.06
60-1825-6142	CSP: Consultants	\$0.00	\$2,919.00	\$0.00	\$2,919.00
60-1825-6145	CSP: Insurance/Judgement/Claim	\$0.00	\$28,684.37	\$0.00	\$28,684.37
60-1825-6150	CSU: Telephone & Fax	\$0.00	\$1,189.81	\$169.52	\$1,020.29
60-1825-6151	CSU: Electric Service	\$0.00	\$39,234.41	\$0.00	\$39,234.41
60-1825-6153	CSU: Natural & Propane Gas	\$0.00	\$1,594.69	\$20.12	\$1,574.57
60-1825-6163	CSW: Solid Waste Collection	\$0.00	\$722.01	\$0.00	\$722.01
60-1825-6170	CSI: Building/Structures	\$0.00	\$100.00	\$0.00	\$100.00
60-1825-6176	CSI: Sewer Lift Stations	\$0.00	\$45,144.27	\$0.00	\$45,144.27
60-1825-6177	CSI: Sewer Lines	\$0.00	\$33,763.12	\$11,594.23	\$22,168.89
60-1825-6182	CSV: Machinery & Equipment	\$0.00	\$488.76	\$0.00	\$488.76
60-1825-6190	CSM: Electron Inform Systems	\$0.00	\$1,797.30	\$75.00	\$1,722.30
60-1825-7111	MS: Office Supplies	\$0.00	\$610.12	\$0.00	\$610.12
60-1825-7112	MS: Furniture & Fixtures	\$0.00	\$289.99	\$0.00	\$289.99
60-1825-7113	MS: Cleaning Supplies	\$0.00	\$487.09	\$0.00	\$487.09
60-1825-7114	MS: Clothing	\$0.00	\$1,530.67	\$0.00	\$1,530.67
60-1825-7115	MS: Food Service/Supplies	\$0.00	\$412.69	\$0.00	\$412.69
60-1825-7117	OS: Electronic Inform System	\$0.00	\$664.88	\$0.00	\$664.88
60-1825-7122	OS: Chemicals	\$0.00	\$2,795.00	\$0.00	\$2,795.00
60-1825-7124	OS: Construction Materials	\$0.00	\$9,946.55	\$0.00	\$9,946.55
60-1825-7125	OS: General Supplies	\$0.00	\$232.12	\$0.00	\$232.12
60-1825-7127	OS: Sewer Lift Stations	\$0.00	\$38,621.79	\$0.00	\$38,621.79

City of Danville  
Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2013 to 6/30/2014		Ending Balance
			Total Debits	Total Credits	
60-1825-7128	OS: Sewer Line	\$0.00	\$16,107.54	\$4,516.91	\$11,590.63
60-1825-7129	MS: Hydrants	\$0.00	\$297.06	\$0.00	\$297.06
60-1825-7130	VES: Tools & Equipment	\$0.00	\$4,351.04	\$173.01	\$4,178.03
60-1825-7131	VES: Vehicles & Light Trucks	\$0.00	\$6,019.65	\$0.00	\$6,019.65
60-1825-7132	VES: Heavy Trucks & Equipment	\$0.00	\$2,062.95	\$0.00	\$2,062.95
60-1825-7133	VES: Machinery & Equipment	\$0.00	\$1,556.48	\$0.00	\$1,556.48
60-1825-7134	VES: Gasoline & Oil	\$0.00	\$20,815.89	\$1,973.14	\$18,842.75
60-1825-7135	VES: Miscellaneous	\$0.00	\$764.61	\$0.00	\$764.61
60-1825-7140	Other: Membership/Subscription	\$0.00	\$4,471.29	\$0.00	\$4,471.29
60-1825-7141	Other: Staff Devp/Educat	\$0.00	\$4,598.80	\$127.48	\$4,471.32
60-1830-5150	Regular Salaries	\$0.00	\$44,800.51	\$0.00	\$44,800.51
60-1830-5151	Overtime Salaries	\$0.00	\$11,351.27	\$0.00	\$11,351.27
60-1830-5953	FICA	\$0.00	\$4,089.37	\$0.00	\$4,089.37
60-1830-5954	Medical & Hospital	\$0.00	\$6,622.08	\$1,968.24	\$4,653.84
60-1830-5955	Dental	\$0.00	\$499.44	\$0.00	\$499.44
60-1830-5956	Life	\$0.00	\$64.10	\$28.32	\$35.78
60-1830-5959	Workers Compensation	\$0.00	\$663.24	\$0.00	\$663.24
60-1830-5968	Retirement CERS Non-HAZ	\$0.00	\$10,980.86	\$410.83	\$10,570.03
60-1830-6142	CSP: Consultants	\$0.00	\$43.00	\$0.00	\$43.00
60-1830-6143	CSP: Laboratory Analysis	\$0.00	\$4,565.00	\$0.00	\$4,565.00
60-1830-6145	CSP: Insurance/Judgement/Claim	\$0.00	\$778.67	\$0.00	\$778.67
60-1830-6150	CSU: Telephone & Fax	\$0.00	\$1,131.18	\$0.00	\$1,131.18
60-1830-6151	CSU: Electric Service	\$0.00	\$39,891.55	\$0.00	\$39,891.55
60-1830-6175	CSI: Sewer Plant	\$0.00	\$60.00	\$0.00	\$60.00
60-1830-6176	CSI: Sewer Lift Stations	\$0.00	\$2,450.00	\$0.00	\$2,450.00
60-1830-7122	OS: Chemicals	\$0.00	\$5,782.50	\$0.00	\$5,782.50
60-1830-7126	OS: Sewer Plant	\$0.00	\$6,080.40	\$0.00	\$6,080.40
60-1830-7127	OS: Sewer Lift Stations	\$0.00	\$3,811.77	\$0.00	\$3,811.77
60-1830-7134	VES: Gasoline & Oil	\$0.00	\$4,493.14	\$504.41	\$3,988.73
60-1840-5810	Water Treatment Plant	\$0.00	\$8,918.00	\$0.00	\$8,918.00
60-1840-5826	Sewer Collections	\$0.00	\$8,738.00	\$0.00	\$8,738.00
60-1910-7935	Comp. Absences - General	\$0.00	\$4,272.68	\$0.00	\$4,272.68
60-1910-7938	Interest Expense	\$0.00	\$37,263.00	\$0.16	\$37,262.84
60-1910-7989	Depreciation	\$0.00	\$1,145,251.88	\$0.00	\$1,145,251.88

City of Danville  
Trial Balance Report

Account Number	Description	Beginning Balance	7/1/2013 to 6/30/2014		Ending Balance
			Total Debits	Total Credits	
60-1910-7992	Interfund Charge	\$0.00	\$848,335.08	\$61,857.40	\$786,477.68
60-1910-7994	Loan Costs	\$0.00	\$182,870.64	\$0.00	\$182,870.64
60-1910-7995	Miscellaneous	\$0.00	\$414,319.00	\$414,733.86	(\$414.86)
60-1910-7996	Bond Premium	\$0.00	\$414,256.00	\$414,256.00	\$0.00
60-1910-7998	Kentucky River Authority	\$0.00	\$54,832.16	\$0.00	\$54,832.16
60-1910-8900	Bad Debt Expense	\$0.00	\$86,085.32	\$0.00	\$86,085.32
60-1920-8116	Interim Financing	\$0.00	\$145,066.67	\$145,066.67	\$0.00
60-1920-8127	Debt Serv: KIA Loan	\$0.00	\$563,772.62	\$425,224.23	\$138,548.39
60-1920-8130	Debt Serv: 2003 Revenue Bond	\$0.00	\$449,681.26	\$441,118.00	\$8,563.26
60-1920-8131	Debt Serv: PV USDA RD Loan	\$0.00	\$35,280.11	\$16,781.37	\$18,498.74
60-1920-8133	Debt Service: KIA (WTP)	\$0.00	\$508.24	\$508.24	\$0.00
60-1920-8139	Debt Serv: JC USDA Bond	\$0.00	\$49,292.50	\$31,180.00	\$18,112.50
60-1920-8140	Debt Serv: JC KIA C88-06	\$0.00	\$195,082.56	\$185,840.00	\$9,242.56
60-1920-8141	Debt Serv: RD Loan	\$0.00	\$79,789.36	\$17,414.00	\$62,375.36
60-1920-8143	Debt Serv: RD Loan Phylben	\$0.00	\$26,260.00	\$8,606.00	\$17,654.00
60-1920-8144	Debt Serv: Clarks Run	\$0.00	\$10,207.88	\$10,207.88	\$0.00
60-6500-9003	Water Distribution Improvement	\$0.00	\$34,986.56	\$35,126.96	(\$140.40)
60-6500-9013	Water Services - Trucks	\$0.00	\$20,120.00	\$20,120.00	\$0.00
60-6500-9017	Water Services Meter Reading	\$0.00	\$83,124.25	\$12,557.58	\$70,566.67
60-6500-9027	Sewer Rehab	\$0.00	\$46,682.64	\$46,682.64	\$0.00
60-6500-9063	Water Storage Tanks	\$0.00	\$140.40	\$0.00	\$140.40
60-6500-9070	Water: WTP System Upgrade	\$0.00	\$1,747,597.58	\$1,747,597.58	\$0.00
60-6500-9072	Phylben Village/Sewer projects	\$0.00	\$2,770.39	\$575.17	\$2,195.22
60-6500-9073	Spears Creek Lagoon	\$0.00	\$522,612.51	\$522,612.51	\$0.00
60-6500-9089	Clarks Run Pump Station	\$0.00	\$214,686.41	\$214,686.41	\$0.00
60-6500-9115	K33/34 Utility Relocation	\$0.00	\$52,811.53	\$52,811.53	\$0.00
GRAND TOTALS:		\$0.00	\$74,040,582.21	\$74,040,582.21	\$0.00

# City of Danville Trial Balance Report

Report name: New Trial Balance Report

Report format: Balance

Include these post dates: 7/1/2013 to 6/30/2014

Do not filter accounts by chart template

Exclude accounts with zero balances

Do not exclude accounts with no activity

Include these transaction types: Regular

Include all Accounts

Include these Funds: 60

Include all Account Codes

Include all Account Attributes

Include all Projects

Include all Project Attributes

Include all Transaction Attributes

Include all Classes

Include all Posted Transactions

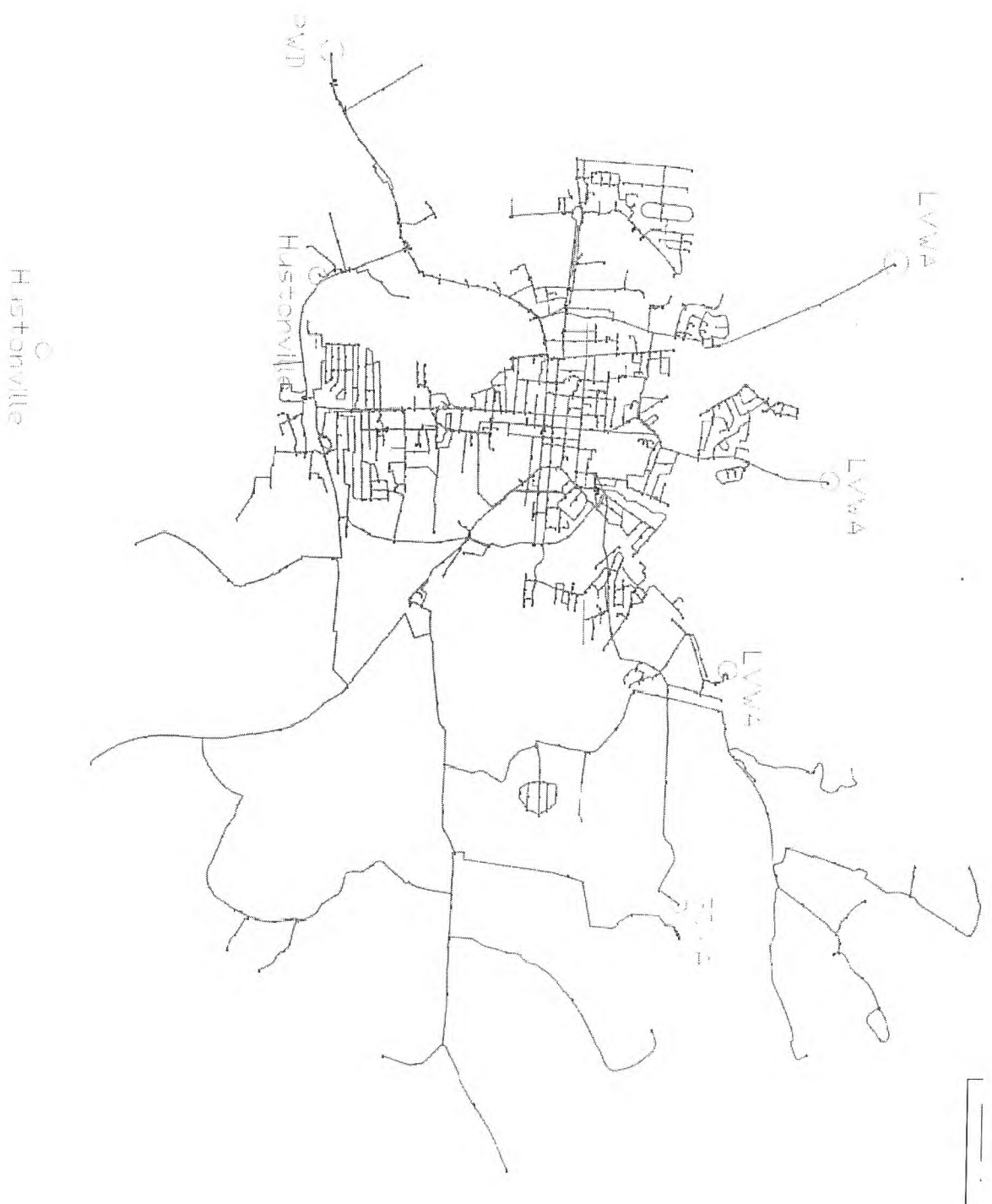
Include these Not Yet Posted Transactions: <None>

User has access to all accounts

User has access to all Projects

Include all Grant(s)

Include all Department(s)





## Guide to Cost of Service

### Danville Water Utility

October 2014

The final report detailing the water cost of service has not been completed. It will include the sewer cost of service and will provide much more explanation as to the ideology, financial goals and methodology and of the cost of service rate studies. In the interim, and for purposes of the intervener's inquiry, the process used to determine the water cost of service is summarized below. This guide follows the order of the spreadsheets—the spreadsheets being the substance of the cost of service study.

#### Functionalization

Functionalization of costs is the critical foundation for an equitable cost of service rate study. Only with detailed assignments of costs to system accounts can one be assured of the absence of undesired subsidies between the customer classes. AWWA and others have established methods and factors to distribute the system costs among the classes, but without a basic differentiation between functions such as transmission, distribution, treatment, and administrative, application of those factors will not result in the allocation to cost centers nor the distribution envisioned by the various teachers of cost of service rate study preparation. Danville acknowledges work must continue to constantly improve functionalization of costs. SRE, with the guidance of the Danville city engineer and the chief financial officer, functionalized the rate base and operational expenses using budget information, payable records and professional judgment.

- Expenses for the rate base came from the Auditor's depreciation schedule.
- Original cost was allocated in accordance with AWWA guidance or known direct assignments.
- Accumulated depreciation was subtracted using the same allocation as the rate base. Depreciation is per the straight-line method and service life is within engineering and accounting industry guidelines.
- Some functions (account descriptions) are included even though they are "o" because Danville will use the included accounts as guides for functionalization of expenses in the future.
- Contributions-In-Aid-Of-Construction is included to ensure that Danville does not overlook this deduction if there are balances in the future. Currently, the developers are credited as additional residential and commercial accounts are opened on the contributed infrastructure.
- Hydrant costs (rate base) are uncharacteristically low due to the fact that hydrants were purchased from the City's general fund in the past.
- The basis of classification, by default, is per AWWA example.
- The expenses include pro forma adjustments for "known and measurable" differences from the test year data. It should be noted that adjustments for future purchases from wholesale customers are conservative due to the possible impact of the Lancaster WTP project and un-finalized water purchase agreements. The repayment of debt from construction of the upgraded WTP is included in the cost functionalization. The debt service was allocated using the factor "as total plant in service" because Danville is still paying on an issue for Perryville and

Junction City and the test year included two other issues with project scopes that encompassed system-wide improvements.

- Rate-funded capital is programmed at \$500,000. Annual depreciation (pro forma) is \$1,041,376 (estimated). The pro forma annual depreciation increased approximately 400 percent from the test year. The budget for rate-funded capital improvements is recommended to approximate the annual depreciation. So, though we should be at 100 percent of annual depreciation, Danville programmed only 50 percent. Danville chose to not fully fund their depreciation for two primary reasons: due to the new equipment and facilities, treatment projects may not be required for several years; and a gradual implementation of the full capital budget will provide more affordable rates to owner and non-owner customers.

Danville acknowledges that cost functionalization will be refined every year. We also acknowledge that the distinction of transmission and distribution costs will continue to improve. Additionally, industrial (especially, non-owner) fire costs have never been adequately quantified. With the commitment to allocate costs to the customer classes that cause them, Danville will more clearly define the costs associated with providing public fire protection to the owner and non-owner industrial customer classes.

#### Distribution

The distribution factors spread the functionalized costs among the customers. The factors follow the examples set forth in AWWA's rate making and cost of service seminar.

The commodity factor (COMM-1) distributes costs associated with providing average service to all customers. It signifies total consumption over a specific period of time, in this case, Fiscal Year 2013 which is Danville's test year.

The COMM-1 uses total water purchased/sold metered water. Every water utility must recover the costs associated with non-revenue water. The COMM-1 factor multiplies the water sold by the water loss percentage to recover the cost of the non-revenue water. Non-revenue water includes the following:

Direct Customers

distribution line losses  
service leaks  
under-registering meters  
fire-fighting  
hydrant tests  
storage tank leaks and overflows  
irrigation for parks & other government property  
water features  
street cleaning

All Customer Classes

transmission losses  
system use (WTP use & flushing)

Whereas, the percentage of water loss for the total system is known (15.6%), the percentage allocated to the wholesale customers is an estimate (10%). The estimate for the wholesale customers is intended to include transmission and a portion of distribution losses, WTP process water, flushing for water quality and a portion of the unknown or undiscovered losses.

The capacity factor (CAP-1) distributes the costs associated with meeting the customer classes' maximum demand. The CAP-1 factor uses

the total water produced (obtained from adding the losses to the water sold, as in COMM-1) and a peaking factor to estimate the customer classes' potential peak day based on peak hour demand. The proportions are shown as percentages and are used to distribute the costs associated with capacity functions. Said another way, the CAP-1 factor provides an assignment of the costs caused by the potential peak demands of the individual customer classes upon the Danville water distribution system. Without a formal system-wide demand study, SRE relied on generally accepted peaking factors, adjusted for customer-specific demand characteristics. The peaking factors are estimated as follows:

- 2.50—a generally-accepted peaking factor for residential customers in a community with a population similar to Danville
- 2.25—used for Perryville and Junction City since they are largely residential but have storage facilities isolated to their service areas, buffering the larger, primary distribution system from their peak demands
- 2.00—used for Danville's industrial customers as their peaks do not follow residential diurnal patterns; industrial peaks are tied to production or wash-down activities
- 2.00—used for Parksville (wholesale customer) and is calculated based on the pumping capacity of the station that is used to obtain water from the Danville system. The typical diurnal curve is not applicable in Perryville's case; the pumps are either on or off and, when pumping at capacity (450 gpm), constitute the potential peak daily demand. The average daily demand for Parksville (333,000 gallons) was calculated

based on test year sales. The peaking factor used to calculate the maximum day demand is obtained by dividing the maximum day demand by the average day demand:

$$\text{MDD} \div \text{ADD} = 648000 \div 330000 = 1.96 \approx 2.0$$

1.50—three of the four wholesale customers draw water from the Danville system without the requirement for pumping. Their demand, as seen from the Danville system, resembles the typical residential diurnal curve. It is assumed that the storage capacity of their systems is adequate in volume and effectively managed to meet the average daily demand of their direct customers. The peaking factor used to calculate the maximum day demand is obtained by subtracting the credit for their storage from the typical maximum day peaking factor:

$$2.5 - 1 = 1.5$$

Customer costs are those various costs associated with having a customer on the distribution system. Three factors are used to distribute customer costs:

- CUST-1 is calculated based on actual number of meters per customer class;
- CUST-2 adds weighting for level of effort to serve the customer class with regard to operation and maintenance, billing and customer service; and,
- CUST-3 attempts to create a distribution factor that reflects the actual material costs of providing the meters and services.

Public Fire Protection mostly pertains to direct customer classes, usually owner customers, but in Danville's case, some non-owner customers as well. The factor is calculated as follows:

- For owner and non-owner Residential/Commercial customers, the fire protection requirement was set at 1000 gallons per minute for a duration of 60 minutes;
- For owner and non-owner Industrial, a requirement of 5000 gallons per minute for a duration of 240 minutes;
- For Perryville and Junction City, since they have dedicated hydrants and storage tanks, their percentage was calculated just as the Residential/Commercial Class;
- Wholesale customers typically do not use the Seller's distribution system for fire protection and therefore are not assigned any costs associated with fire protection. However, two of Danville's wholesale customers do cause a small public fire protection cost. Volunteer firefighting teams, on their way to a fire in the Parksville community, stop and draft off Danville hydrants to fill their pumper trucks. The requirement was equated to the flow (250 gallons per minute) from the hydrant and the duration was estimated to be 12 minutes. Similarly, Hustonville's volunteer fire department drafts off Danville hydrants and the same rate for approximately 15 minutes.

The Revenue Factor (REV-1) is based on total revenues from metered water sales from each customer class. The factor is used to allocate costs such as taxes, which vary just as the volume of water sold or purchased.

Included with the distribution factors is an allocation factor calculated in accordance with the AWWA guidance. The allocation factor established the percentage of distribution mains that should be allocated to the customer component, the capacity component and the fire protection component. In this context the "customer component" translates to the commodity component.

The calculation assigns the cost of 2-inch pipe (\$8.00) throughout the entire system to signify that portion of the distribution lines to provide average demand service. The cost, ( $\$8 \times 860,442$ ), is allocated to the customer (commodity) component. Then, the equation assumes that all pipe larger than 2-inch, but less than 8-inch, is used to meet peak demands and assigns the difference in cost between 8-inch pipe throughout and 2-inch pipe throughout to the capacity component. The remainder is assumed to be constructed and available for fire protection.

The factors described above are used to distribute the cost component totals (commodity, capacity, actual customers, etc.) to the customer class responsible for them. The individual component costs were multiplied by the percentages of the distribution factors. The resultant costs were assigned to the customer classes. Direct assignments are listed in the table on the following page.

## Direct Assignments Rate Base and Operational Expenses

cost	owner industrial	non-owner industrial	Perryville	Junction City	Parksville	Hustonville	remarks
<b>rate base</b>							
transmission lines	\$ 77,050	\$ 77,050	\$ 264,367	\$ 220,010			dedicated line for industrials; water lines for P & JC
storage tanks	\$ 152,972	\$ 152,972	\$ 352,489	\$ 293,347	\$ 396,592	\$ 430,586	Tower Hill tank
distribution lines			\$ 264,367	\$ 220,010			water lines for P & JC
accumulated depreciation	\$ (79,294)	\$ (79,294)	\$ (176,244)	\$ (146,674)	\$ (205,576)	\$ (223,197)	depreciation associated with the direct assigns
<b>operational expenses</b>							
debt service principal			\$ 7,140	\$ 22,847			payments on bond issue that was P & JC's
debt service interest			\$ 5,023	\$ 6,164			payments on bond issue that was P & JC's
employee salary & benefits			\$ 99,500	\$ 60,000			city employees dedicated to P & JC plus benefits

### Summary

Several summary sheets are provided:

1. Summary Based on TY 2013 with Pro Forma Adjustments
  - 2a. Average Unit Costs Based on TY 2013 with Pro Forma Adjustments (gallons)
  - 2b. Average Unit Costs Based on TY 2013 with Pro Forma Adjustments (cubic feet)
3. Summary Based on FY 2013 with Pro Forma—Surplus Redistributed
  - 4a. Average Unit Costs Based on TY 2013 with Pro Forma Adjustments (1000 gallons) with Adjustment
  - 4b. Average Unit Costs Based on TY 2013 with Pro Forma Adjustments (100 cubic feet) with Adjustment

*(The difference between 2a and 2b and between 4a and 4b is simply the unit costs expressed per 1000 gallons or per 100 cubic feet.)*

The first summary sheet, "Summary Based on TY 2013 with Pro Forma Adjustments", Line No. 1 includes the test year revenues collected from each customer class. Line No. 2 is the revenue requirement, or, said another way, the cost caused by each customer class as calculated by the cost of service. Line No. 3 is simply the difference between revenue and

cost, Line No. 1 and Line No. 2, respectively. Negative values are noted by parentheses and represent a cost incurred by the Seller (Danville) yet not recovered.

Line No. 4 is the Danville water system rate base as assigned by the cost of service. It signifies the cost of the infrastructure to service that particular customer class. Again, this cost of service study includes the new infrastructure gained by the water treatment plant project, just as it includes the new debt service associated with that project.

Line No. 5 indicates the return on rate base that Danville currently receives from each customer class. The number shown in Line No. 5 is the percentage of revenue divided by rate base. Line No. 6 is Danville's proposed rate of return. It is not Danville's desired rate of return. This portion of the cost of service study merits much more discussion than is included in this guide. The full report will go into great detail of the basis behind the hybrid method and why a municipality is seeking a rate of return. Additionally, the report will devote considerable discussion as to the desired rate of return and how it was calculated. The rate of return, as calculated in Danville's cost of service study, includes the cost of money and a risk premium. The cost of money for Danville can be estimated by referencing the interest rate for U.S. Treasuries (at constant maturity for 20 years) recently sold for the water treatment plant project. Non-Owner customers, including wholesale customers, pose some risk in that they are free to purchase wholesale water from other suppliers. The interest rate for U.S. Treasuries was 3.70 percent and the risk premium ranges from 0.0 to 2.0 percent. Instead of the sum of the cost of money and risk premium, Danville is requesting a 2.0 rate of return from its wholesale customers as shown in Line No. 6.

The reason the rate of return requested by Danville is so much lower than the calculated desired rate of return is three-fold:

- the cost of service process is still young for Danville—as stated earlier, functionalization will continue to be refined and costs and rate base will be captured and assigned to customer classes with greater detail;
- with refinement, costs will most certainly shift between customer classes and, to minimize the volatility in rates, Danville chooses to wait until the cost of service is more mature before assessing the full rate of return;
- Danville's rate base quadrupled with the water treatment plant project—assessing even a small percentage of return on rate base results in a significant cost and one Danville wants to fully and thoroughly review with the Owner and Non-Owner customers before assessing the full desired rate of return.

Line No. 7 represents the return on rate base in dollars, or Line No. 6 multiplied by Line No. 4. Line No. 8 is the total revenue needed from each customer class, or Line 2 plus Line No 7.

Line No. 9 shows the difference in test year revenues and the total revenue required, which is Line No. 1 and Line No. 8, respectively. A negative number indicates a deficiency. Line No. 10 shows the difference in a percentage, or in the case of the wholesale customers, the deficiency of their current rates; the absolute value of which is the percentage their current rates must be raised.

Sheets 2a and 2b are not directly related to Sheet 1. Sheets 2a and 2b recall the cost components from the distribution spreadsheet and are displayed in columns for each customer class (across the top). Also included at the bottom of the spreadsheet are the test-year water sales to each customer class. A unit cost for each cost component is calculated by dividing the cost component by the number of gallons (or cubic feet). Customer costs are divided by number of customers, in this case, "1", since our focus is wholesale customers. "Total Cost" near the bottom of the sheet is the sum of all individual unit costs and constitutes the flat rate that would normally be charged to each customer class.

Danville's 2014 Cost of Service includes an adjustment. As discussed earlier, costs associated with providing the Owner and Non-Owner industrial customers have been acknowledged but have yet to be quantified. Without an "invoice" quantifying those costs, the difference in revenues and costs for those industrial classes is positive, seemingly representing a surplus of revenue. Danville knows that, after devising a way to quantify those costs, no surplus will exist, so the city will continue to collect those revenues from the industrial customers.

Any cost that is not directly assigned to a customer class stays in the general "pot" to be distributed in accordance with the distribution factors previously discussed. In this case, because industrial fire protection costs are not quantified and assigned to the two industrial customer classes, all customer classes are paying those costs. Until those costs are pulled out of the general pot, all other customer classes are subsidizing the industrial customer classes. For this reason, and in the interim, Danville has determined that the surplus will be redistributed among the customers who are paying it—everyone—until

subsequent costs of service studies correctly assign such costs and the perceived surplus disappears. The third sheet, Summary Based on FY 2013 with Pro Forma—Surplus Redistributed, does just that; it takes the surplus paid by industrial customer classes and distributes it among the other classes using the CAP-1 distribution factor.

Sheets 4a and 4b use the new cost components, now adjusted by the distributed surplus, to arrive at new unit costs just as with Sheets 2a and 2b. The rates identified in the "Total Cost" line near the bottom of each spreadsheet are the rates Danville proposes to charge their wholesale customers.

It bears repeating that the rate charged to a customer class, Owner or Non-Owner, direct or wholesale, is simply the cost they cause, divided by the gallons (or cubic feet) they purchase. Rates are not arbitrarily raised by a percentage some decision-maker thinks is right. Customer classes pay for the costs they cause and their rate is determined by the volume of water they purchase.

In summary, the final report to Danville of their cost of service will contain significantly more detail on topics such as functionalization, distribution factors, rate base and rate of return. The report will contain the water cost of service as well as the sewer cost of service and a discussion on private fire protection cost recovery. This guide is meant to accompany the spreadsheets and provide an explanation in the interim.

City of Danville  
Cost of Service/Rate Study  
Distribution Factors  
Water - COMM-1

Commodity Distribution Factor				
Customer Class	Metered Water Sales (CCF)	Plus % Losses	Total CCF at the Source	% of Total
Owner Residential/Commercial	894,344	15.6%	1,033,861	44.500%
Non-Owner Residential/Commercial	291,694	15.6%	337,198	14.514%
Owner Industrial	65,049	15.6%	75,197	3.237%
Non-Owner Industrial	44,731	15.6%	51,709	2.226%
Perryville	70,066	15.6%	80,996	3.486%
Junction City	76,543	15.6%	88,484	3.809%
Wholesale-Parksville	148,103	10.0%	162,913	7.012%
Wholesale-Hustonville	159,370	10.0%	175,307	7.546%
Wholesale-GCWA	111,801	10.0%	122,981	5.293%
Wholesale-LVWA	176,952	10.0%	194,647	8.378%
Total	2,038,652		2,323,293	100%
DISTRIBUTION FACTOR			(COMM-1)	

City of Danville  
Cost of Service/Rate Study  
Distribution Factors  
Water - CAP-1

Capacity Distribution Factor					
Customer Class	Total CCF at the Source	Ave Day Use in MGD	Peaking Factor	Peak Day Use (MGD)	% of Total
Owner Residential/Commercial	1,033,861	2.12	2.50	5.297	50.403%
Non-Owner Residential/Commercial	337,198	0.69	2.50	1.728	16.439%
Owner Industrial	75,197	0.15	2.00	0.308	2.933%
Non-Owner Industrial	51,709	0.11	2.00	0.212	2.017%
Perryville	80,996	0.17	2.25	0.373	3.554%
Junction City	88,484	0.18	2.25	0.408	3.882%
Wholesale-Parksville	162,913	0.33	2.00	0.668	6.354%
Wholesale-Hustonville	175,307	0.36	1.50	0.539	5.128%
Wholesale-GCWA	122,981	0.25	1.50	0.378	3.597%
Wholesale-LVWA	194,647	0.40	1.50	0.598	5.694%
Total	2,323,293			10.509	100%
DISTRIBUTION FACTOR				(CAP-1)	

City of Danville  
Cost of Service/Rate Study  
Distribution Factors  
Water - CUST-X

Customer Distribution Factors								
Customer Class	Ave Number of Customers	% of Total	Customer Accounting Weighting Factor	Customers Weighted for Customer Accounting	% of Total	Meters and Services Weighting Factor	Weighted Customer	% of Total
Owner Residential/Commercial	5,835	55.324%	1.0	5,835	33.967%	\$200	\$1,167,000	48.603%
Non-Owner Residential/Commercial	1,845	17.493%	1.5	2,768	16.110%	\$250	\$461,250	19.210%
Owner Industrial	16	0.152%	2.0	32	0.186%	\$1,200	\$19,200	0.800%
Non-Owner Industrial	2	0.019%	2.5	5	0.029%	\$1,200	\$2,400	0.100%
Perryville	1,390	13.179%	3.0	4,170	24.275%	\$250	\$347,500	14.473%
Junction City	1,455	13.795%	3.0	4,365	25.410%	\$250	\$363,750	15.149%
Wholesale-Parksville	1	0.009%	1.0	1	0.006%	\$8,000	\$8,000	0.333%
Wholesale-Hustonville	1	0.009%	1.0	1	0.006%	\$16,000	\$16,000	0.666%
Wholesale-GCWA	1	0.009%	1.0	1	0.006%	\$8,000	\$8,000	0.333%
Wholesale-LVWA	1	0.009%	1.0	1	0.006%	\$8,000	\$8,000	0.333%
Total	10,547	100%		17,179	100%		2,401,100	100%
DISTRIBUTION FACTOR		(CUST-1)	(CUST-2)			(CUST-3)		

City of Danville  
Cost of Service/Rate Study  
Distribution Factors  
Water - PFP-1

Public Fire Distribution Factor					
Customer Class	Number of Units	Public Fire Protection Requirements (GPM)	Duration (mins)	Total Fire Protection Requirement (MG)	% of Total
Owner Residential/Commercial	5,835	1000	60	350.100	52.663%
Non-Owner Residential/Commercial	1,845	1000	60	110.700	16.652%
Owner Industrial	16	5000	240	19.200	2.888%
Non-Owner Industrial	2	5000	240	2.400	0.361%
Perryville	1,390	1000	60	83.400	12.545%
Junction City	1,455	1000	60	87.300	13.132%
Wholesale-Parksville	1,584	250	12	4.752	0.715%
Wholesale-Hustonville	1,850	250	15	6.938	1.044%
Wholesale-GCWA	5,397	1000	0	0.000	0.000%
Wholesale-LVWA	2,302	1000	0	0.000	0.000%
Total	21,676			664.790	100%
DISTRIBUTION FACTOR				(PFP-1)	

City of Danville  
Cost of Service/Rate Study  
Distribution Factors  
Water - REV-1

Revenue Related Distribution Factor		
Customer Class	Revenues at Present Rates	% of Total
Owner Residential/Commercial	\$1,650,649	36.668%
Non-Owner Residential/Commercial	\$742,834	16.502%
Owner Industrial	\$236,983	5.264%
Non-Owner Industrial	\$259,043	5.755%
Perryville	\$397,350	8.827%
Junction City	\$486,250	10.802%
Wholesale-Parksville	\$175,634	3.902%
Wholesale-Hustonville	\$198,372	4.407%
Wholesale-GCWA	\$137,958	3.065%
Wholesale-LVWA	\$216,480	4.809%
Total	\$4,501,553	100%
REVENUE RELATED DISTRIBUTION FACTOR		(REV-1)

City of Danville  
Cost of Service/Rate Study  
Allocation Factors  
Water - distr main analysis

Distribution Main Analysis				
Pipe Size (in)	Linear Feet	Installed Cost (\$/LF)	Replacement Cost (\$)	
2	46,144	8.00	\$	369,152
3	34,678	12.00	\$	416,136
4	100,053	16.00	\$	1,600,848
6	484,551	25.00	\$	12,113,775
8	54,271	35.00	\$	1,899,485
10	8,991	45.00	\$	404,595
12	131,754	60.00	\$	7,905,240
Totals	860,442		\$	24,709,231

Customer % = 860,442 X \$8.00 = \$ 6,883,536  
divided by \$ 24,709,231 gives 28%  
Customer Component

Add cost of 2 inch through 6 inch pipe \$ 14,499,911  
Equivalent for 8 inch through 12 inch  
Add 54,271 8,991 131,754  
multiplied by \$ 25  
Add \$ (6,883,536) \$ 14,499,911 \$ 4,875,400  
gives \$ 12,491,775  
divided by \$ 24,709,231  
50%  
Capacity Component

100% minus 28% 50%  
22%  
Fire Protection Component

City of Danville  
Distribution of Rate Base (based on Test Year 2013 with Pro Forma Adjustments)

Distribution of Costs												
Cost Component	Total	Residential/Commercial		Industrial		Perryville	Junction City	Non-Owner Wholesale				Basis of Distribution
		Owner	Non-Owner	Owner	Non-Owner			Parksville	Hustonville	GCWA	LVWA	
commodity (COMM)	18,773,135	8,354,012	2,724,696	607,619	417,832	654,483	714,983	1,316,403	1,416,549	993,735	1,572,823	COMM-1
capacity (CAP)	11,274,603	5,682,690	1,853,433	330,659	227,379	400,682	437,721	716,370	578,152	405,584	641,933	CAP-1
actual customer (AC)	263,498	145,777	46,094	400	50	34,727	36,351	25	25	25	25	CUST-1
customer accounting (WCA)	38,342	13,024	6,177	71	11	9,307	9,743	3	3	2	2	CUST-2
meters and services (WCMS)	31,708	15,411	6,091	254	32	4,589	4,804	106	211	106	106	CUST-3
public fire (PFP)	272,079	143,286	45,306	7,858	982	34,133	35,729	1,945	2,839	0	0	PFP-1
revenue related (RR)	0	0	0	0	0	0	0	0	0	0	0	RR-1
direct assign (DA)	1,991,533	0	0	150,728	150,728	704,979	586,693	191,016	207,389	0	0	direct assignment
Total (Plant In Service) Rate Base	32,644,897	14,354,199	4,681,797	1,097,589	797,014	1,842,899	1,826,023	2,225,867	2,205,169	1,399,452	2,214,888	error

City of Danville  
Distribution of Expenses (based on Test Year 2013 with Pro Forma Adjustments)

Distribution of Costs												
Cost Component	Total	Residential/Commercial		Industrial		Perryville	Junction City	Non-Owner Wholesale				Basis of Distribution
		Owner	Non-Owner	Owner	Non-Owner			Parkville	Hustonville	GCWA	LVWA	
commodity (COMM)	2,402,810	1,069,246	348,739	77,770	53,479	83,768	91,512	168,489	181,307	127,190	201,309	COMM-1
capacity (CAP)	1,612,687	812,836	265,110	47,297	32,524	57,312	62,610	102,468	82,697	58,014	91,820	CAP-1
actual customer (AC)	235,013	130,018	41,111	357	45	30,973	32,421	22	22	22	22	CUST-1
customer accounting (WCA)	305,999	103,938	49,297	570	89	74,280	77,753	18	18	18	18	CUST-2
meters and services (WCMS)	69,478	33,768	13,347	556	69	10,055	10,525	231	463	231	231	CUST-3
public fire (PFP)	225,917	118,975	37,619	6,525	816	28,342	29,667	1,615	2,358	0	0	PFP-1
revenue related (RR)	8,262	3,030	1,363	435	475	729	892	322	364	253	397	RR-1
direct assign (DA)	200,674	0	0	0	0	111,663	89,011	0	0	0	0	direct assignment
Total Expenses	5,060,840	2,271,811	756,587	133,509	87,497	397,123	394,393	273,165	267,229	185,728	293,798	balance

City of Danville  
Annotation of Direct Assignments for Rate Base (based on Test Year 2013 with Pro Forma Adjustments)

Annotation of Direct Assignments for Rate Base												
Direct Assignment	Total	Residential/Commercial		Industrial		Perryville	Junction City	Non-Owner Wholesale				Basis of Distribution
		Owner	Non-Owner	Owner	Non-Owner			Parksville	Hustonville	GCWA	LVWA	
transmission lines	638,477			77,050	77,050	264,367	220,010					
water tower	1,778,957			152,972	152,972	352,489	293,347	396,592	430,586			
distribution lines	484,377					264,367	220,010					
accumulated depreciation	(910,279)			(79,294)	(79,294)	(176,244)	(146,674)	(205,576)	(223,197)			
Total of Direct Assign for Rate Base	1,991,532	0	0	150,728	150,728	704,979	586,693	191,016	207,389	0	0	balance

City of Danville  
Annotation of Direct Assignment Expenses (based on Test Year 2013 with Pro Forma Adjustments)

Annotation of Direct Assignments for Expenses												
Direct Assignment	Total	Residential/Commercial		Industrial		Perryville	Junction City	Non-Owner Wholesale				Basis of Distribution
		Owner	Non-Owner	Owner	Non-Owner			Parksville	Hustonville	GCWA	LVWA	
existing debt service - principal	29,987					7,140	22,847					
existing debt service - interest	11,187					5,023	6,164					
maintenance of reservoirs	0					0	0					
employee salary & benefits DA to P	99,500					99,500						
employee salary & benefits DA to JC	60,000						60,000					
Total of Direct Assign Expenses	200,674	0	0	0	0	111,663	89,011	0	0	0	0	balance

City of Danville  
Functionalization and Allocation of Rate Base (based on Test Year 2013 with Pro Forma Adjustments)

account description	total expenses	commodity (COMM)	capacity (CAP)	actual customer (AC)	weighted customer		public fire (PFP)	revenue related (RR)	direct assign (DA)	basis of classification
					customer accounting (WCA)	meters and services (WCMS)				
intangible										
organization & franchises	0	0	0	0	0	0	0	0	0	as factor ST&D
total intangible plant	0	0	0	0	0	0	0	0	0	balance
source of supply										
land & land rights	13,580	8,827	4,753	0	0	0	0	0	0	65 COMM/35 CAP
structures & improvements	1,663,736	1,081,428	582,308	0	0	0	0	0	0	65 COMM/35 CAP
collect/impound reservoirs	0	0	0	0	0	0	0	0	0	65 COMM/35 CAP
other source plant	0	0	0	0	0	0	0	0	0	65 COMM/35 CAP
total source of supply	1,677,316	1,090,255	587,061	0	0	0	0	0	0	balance
water treatment										
land & land rights	40,000	26,000	14,000	0	0	0	0	0	0	65 COMM/35 CAP
structures & improvements	28,874,002	18,768,101	10,105,901	0	0	0	0	0	0	65 COMM/35 CAP
treatment equipment	8,377,113	5,445,123	2,931,990	0	0	0	0	0	0	65 COMM/35 CAP
other treatment	0	0	0	0	0	0	0	0	0	65 COMM/35 CAP
total water treatment	37,291,115	24,239,225	13,051,890	0	0	0	0	0	0	balance
transmission & distribution										
land & land rights	40,708	0	31,784	4,092	0	469	4,363	0	0	as other trans & distr
structures - transmission	2,346,000	0	1,707,523	0	0	0	0	0	638,477	100 CAP less DA
distribution reservoirs	2,446,564	0	567,466	0	0	0	100,141	0	1,778,957	85 CAP/15 PFP less DA
distribution mains	1,851,534	0	683,578	380,865	0	0	302,714	0	484,377	dist main analysis
services	5,820	0	0	0	0	5,820	0	0	0	100 WCMS
meters	37,850	0	0	0	0	37,850	0	0	0	100 WCMS
hydrants	3,270	0	0	0	0	0	3,270	0	0	100 PFP
other distribution plant	603,778	0	471,420	60,687	0	6,958	64,712	0	0	as other trans & distr
total transmission & distribution	7,335,524	0	3,461,771	445,644	0	51,098	475,200	0	2,901,812	balance
total supply, treat & T&D plant	46,303,955	25,329,480	17,100,722	445,644	0	51,098	475,200	0	2,901,812	balance
% total supply, treat & T&D	100%	58%	39%	1%	0%	0%	1%	0%	0%	factor "ST&D"
general plant										

City of Danville  
Functionalization and Allocation of Rate Base (based on Test Year 2013 with Pro Forma Adjustments)

account description	total expenses	commodity (COMM)	capacity (CAP)	actual customer (AC)	weighted customer		public fire (PFP)	revenue related (RR)	direct assign (DA)	basis of classification
					customer accounting (WCA)	meters and services (WCMS)				
structures	4,194	2,448	1,652	43	0	5	46	0	0	as factor ST&D
office equipment	34,063	19,879	13,421	350	0	40	373	0	0	as factor ST&D
vehicles	285,046	166,353	112,310	2,927	0	336	3,121	0	0	as factor ST&D
tools & shop equipment	0	0	0	0	0	0	0	0	0	as factor ST&D
lab equipment	10,045	5,862	3,958	103	0	12	110	0	0	as factor ST&D
communication equipment	548,418	320,057	216,080	5,631	0	646	6,005	0	0	as factor ST&D
misc equipment	180,839	105,538	71,252	1,857	0	213	1,980	0	0	as factor ST&D
total general plant	1,062,605	620,136	418,673	10,911	0	1,251	11,634	0	0	balance
total plant in service	47,366,560	25,949,616	17,519,395	456,554	0	52,349	486,834	0	2,901,812	balance
% of total plant in service	100%	58%	39%	1%	0%	0%	1%	0%	0%	factor "plant in service"
less accumulated depreciation										
intangible plant	0	0	0	0	0	0	0	0	0	as intangible plant
source of supply plant	(378,289)	(245,888)	(132,401)	0	0	0	0	0	0	as source of supply plant
water treatment plant	(8,244,773)	(5,359,102)	(2,885,671)	0	0	0	0	0	0	as water treatmt plant
trans & distribution plant	(3,003,870)	0	(1,634,642)	(210,432)	0	(24,128)	(224,389)	0	(910,279)	as trans & distr plant
general plant	(677,475)	(395,374)	(266,929)	(6,956)	0	(798)	(7,418)	0	0	as general plant
total accumulated depreciation	(12,304,407)	(6,000,365)	(4,919,643)	(217,388)	0	(24,926)	(231,806)	0	(910,279)	balance
less contributions in aid										
distribution mains	0	0	0	0	0	0	0	0	0	as distr mains
meters & services	0	0	0	0	0	0	0	0	0	as meters & services
total contributions in aid	0	0	0	0	0	0	0	0	0	balance
less grants in aid										
treatment plant	(2,175,000)	(1,413,750)	(761,250)	0	0	0	0	0	0	as water treatmt plant
transmission	(700,000)	0	(700,000)	0	0	0	0	0	0	as trans mains
distribution & storage	0	0	0	0	0	0	0	0	0	as distr mains
total grants in aid	(2,875,000)	(1,413,750)	(1,461,250)	0	0	0	0	0	0	balance
plus working capital										
materials & supplies	43,550	25,416	17,159	447	0	51	477	0	0	as plant in service

City of Danville  
Functionalization and Allocation of Rate Base (based on Test Year 2013 with Pro Forma Adjustments)

account description	total expenses	commodity (COMM)	capacity (CAP)	actual customer (AC)	weighted customer		public fire (PFP)	revenue related (RR)	direct assign (DA)	basis of classification
					customer accounting (WCA)	meters and services (WCMS)				
prepayments	0	0	0	0	0	0	0	0	0	as plant in service
1/8 O&M	414,194	212,217	118,942	23,885	38,342	4,234	16,574	0	0	as O&M expense
total working capital	457,744	237,633	136,101	24,332	38,342	4,285	17,050	0	0	balance
total rate base	32,644,897	18,773,135	11,274,603	263,498	38,342	31,708	272,079	0	1,991,533	balance
% total rate base	100.0%	61.2%	36.8%	0.9%	0.1%	0.1%	0.9%	0.0%	0.0%	factor RATE BASE

City of Danville  
Functionalization and Allocation of Expenses (based on Test Year 2013 with Pro Forma Adjustments)

		weighted customer									
acct no	account description	total expenses	commodity (COMM)	capacity (CAP)	actual customer (AC)	customer accounting (WCA)	meters and services (WCMS)	public fire (PFP)	revenue related (RR)	direct assign (DA)	basis of classification
source of supply											
	operating labor & expense	0	0	0	0	0	0	0	0	0	as "source of supply"
	operating supply & expense	0	0	0	0	0	0	0	0	0	as "source of supply"
	pump power cost	189,376	189,376	0	0	0	0	0	0	0	100% COMM
	maintenance source plant	203,831	132,490	71,341	0	0	0	0	0	0	as "source of supply"
	total source of supply exp	393,206	321,866	71,341	0	0	0	0	0	0	balance
treatment expense											
	operation labor	442,938	287,909	155,028	0	0	0	0	0	0	as "treatment plant"
	chemicals	649,694	649,694	0	0	0	0	0	0	0	100% COMM
	operating supply & expense	43,725	28,421	15,304	0	0	0	0	0	0	as "treatment plant"
	power cost	205,135	205,135	0	0	0	0	0	0	0	100% COMM
	maintenance trmt plant	6,716	4,365	2,351	0	0	0	0	0	0	as "treatment plant"
	total treatment expense	1,348,207	1,175,524	172,682	0	0	0	0	0	0	balance
transmission expense											
	operation labor	734,544	0	447,197	71,231	0	0	56,615	0	159,500	as "transmission lines"
	pump power cost	6,627	0	5,154	821	0	0	652	0	0	as "transmission lines"
	operating supply & expense	13,194	0	10,261	1,634	0	0	1,299	0	0	as "transmission lines"
	maint of trans mains	10,891	0	8,470	1,349	0	0	1,072	0	0	as "transmission lines"
	total transmission expense	765,256	0	471,081	75,036	0	0	59,639	0	159,500	balance
distribution expense											
	operation labor	0	0	0	0	0	0	0	0	0	as "total T&D"
	operating supply & expense	82,160	0	64,149	8,258	0	947	8,806	0	0	as "total T&D"
	maint of reservoirs	20,702	0	17,597	0	0	0	3,105	0	0	as "reservoirs"
	maint of distribution mains	82,003	0	41,001	22,845	0	0	18,157	0	0	as "distribution mains"
	maint of services	0	0	0	0	0	0	0	0	0	100% WCMS
	maint of meters	29,146	0	0	0	0	29,146	0	0	0	100% WCMS
	maint of hydrants	27,957	0	0	0	0	0	27,957	0	0	100% PFP
	other maintenance	20,832	12,158	8,208	214	0	25	228	0	0	as factor ST&D
	total distribution expense	262,800	12,158	130,955	31,316	0	30,117	58,253	0	0	balance

City of Danville  
Functionalization and Allocation of Expenses (based on Test Year 2013 with Pro Forma Adjustments)

acct no	account description	total expenses	commodity (COMM)	capacity (CAP)	actual customer (AC)	weighted customer		public fire (PFP)	revenue related (RR)	direct assign (DA)	basis of classification
						customer accounting (WCA)	meters and services (WCMS)				
customer accounting											
	meter reading	33,786	0	0	0	33,786	0	0	0	0	100% WCA
	accounting & collection	265,500	0	0	26,550	238,950	0	0	0	0	90% WCA; 10% AC
	uncollectable accounts	36,998	0	0	36,998	0	0	0	0	0	100% AC
	total customer accounts	336,283	0	0	63,548	272,735	0	0	0	0	balance
	total operation & maintenance and customer accounts expense	3,105,753	1,509,548	846,060	169,900	272,735	30,117	117,892	0	159,500	balance
	maintenance and customer	100.0%	51.2%	28.7%	5.8%	9.3%	1.0%	4.0%	0.0%	0.0%	factor "O&M"
admin & general expenses											
	admin and general salaries	59,520	30,496	17,092	3,432	5,510	608	2,382	0	0	as factor O&M
	office supplies expense	62,600	32,074	17,977	3,610	5,795	640	2,505	0	0	as factor O&M
	outside services	76,604	39,249	21,998	4,417	7,091	783	3,065	0	0	as factor O&M
	property insurance	86,099	52,730	31,668	740	108	89	764	0	0	as factor rate base
	employee benefits	0	0	0	0	0	0	0	0	0	as factor O&M
	misc general expense	25,663	13,149	7,370	1,480	2,376	262	1,027	0	0	as factor O&M
	total admin & general expense	310,487	159,082	89,161	17,905	28,742	3,174	12,424	0	0	balance
	total all operating expense	3,416,240	1,668,630	935,221	187,805	301,477	33,291	130,316	0	159,500	balance
taxes											
	state and local taxes	62,382	0	0	0	0	0	0	62,382	0	100% RR
	Social Security	53,288	27,303	15,302	3,073	4,933	545	2,132	0	0	as factor O&M
	Kentucky River Authority	41,417	41,417	0	0	0	0	0	0	0	100% COMM (cla)
	total taxes and fees	157,087	68,720	15,302	3,073	4,933	545	2,132	62,382	0	balance
debt service											
	principal expense	678,154	378,270	255,382	6,655	0	763	7,097	0	29,987	as total plant in service
	interest expense	722,666	415,219	280,327	7,305	0	838	7,790	0	11,187	as total plant in service

City of Danville  
Functionalization and Allocation of Expenses (based on Test Year 2013 with Pro Forma Adjustments)

acct no	account description	total expenses	commodity (COMM)	capacity (CAP)	actual customer (AC)	weighted customer		public fire (PFP)	revenue related (RR)	direct assign (DA)	basis of classification
						customer accounting (WCA)	meters and services (WCMS)				
	total debt service	1,400,820	793,489	535,709	13,961	0	1,601	14,886	0	41,174	balance
	rate-financed capital										
	treatment plant	100,000	87,192	12,808	0	0	0	0	0	0	as treatment
	reservoirs	100,000	0	85,000	0	0	0	15,000	0	0	as reservoir maint
	distribution	300,000	13,879	149,492	35,749	0	34,381	66,499	0	0	as distribution
	total revenue requirement	5,474,147	2,631,909	1,733,533	240,588	306,410	69,817	228,833	62,382	200,674	balance
	less miscellaneous revenues										
	other operating	(82,000)	(27,880)						(54,120)		66% RR/34% COMM
	non-operating	(328,557)	(201,219)	(120,846)	(2,824)	(411)	(340)	(2,916)	0	0	as rate base
	miscellaneous	(2,750)			(2,750)						
	jobbing - net										
	total miscellaneous revenues	(413,307)	(229,099)	(120,846)	(5,574)	(411)	(340)	(2,916)	(54,120)	0	balance
	total net revenue requirements	5,060,840	2,402,810	1,612,687	235,013	305,999	69,478	225,917	8,262	200,674	balance

City of Danville  
Average Unit Costs based on TY 2013 with Pro Forma Adjustments (Kgallons) with Adjustment

Cost Component	Total	Residential/Commercial		Industrial		Perryville	Junction City	Non-Owner Wholesale				Source
		Owner	Non-Owner	Owner	Non-Owner			Parksville	Hustonville	GCWA	LVWA	
Allocated Commodity Costs	2,402,810	1,069,246	348,739	77,770	53,479	83,768	91,512	168,489	181,307	127,190	201,309	
Commodity Costs - \$/1000 gal	\$1.58	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60	\$1.52	\$1.52	\$1.52	\$1.52	
Allocated Capacity Costs	1,612,687	647,395	211,151	47,297	32,524	45,647	62,610	81,612	65,865	46,206	73,132	
Capacity Costs - \$/1000 gal	\$1.06	\$0.97	\$0.97	\$0.97	\$0.97	\$0.87	\$1.09	\$0.74	\$0.55	\$0.55	\$0.55	
Allocated Pub Fire Pro Costs	225,917	118,975	37,619	6,525	816	28,342	29,667	1,615	2,358	-	-	
Pub Fire Pro Costs - \$/1000 gal	\$0.15	\$0.18	\$0.17	\$0.13	\$0.02	\$0.54	\$0.52	\$0.01	\$0.02	\$0.00	\$0.00	
Allocated Rev & DA Costs	208,936	3,030	1,363	435	475	112,392	89,903	322	364	253	397	
Rev & DA Costs - \$/1000 gal	\$0.14	\$0.00	\$0.01	\$0.01	\$0.01	\$2.14	\$1.57	\$0.00	\$0.00	\$0.00	\$0.00	
Allocated Return Component	502,365	143,542	93,636	10,976	19,925	36,858	36,520	44,517	44,103	27,989	44,298	
Return Comp Costs - \$/1000 gal	\$0.33	\$0.21	\$0.43	\$0.23	\$0.60	\$0.70	\$0.64	\$0.40	\$0.37	\$0.33	\$0.33	
Allocated Customer Costs	610,490	267,724	103,755	1,482	203	115,308	120,700	272	503	272	272	
Customer Costs - \$/Cust/Mn	\$4.82	\$3.82	\$4.69	\$7.72	\$8.46	\$6.91	\$6.91	\$22.63	\$41.92	\$22.63	\$22.63	
Total Cost - \$/1000 gal	\$3.25	\$2.96	\$3.17	\$2.94	\$3.20	\$5.86	\$5.42	\$2.68	\$2.47	\$2.41	\$2.41	
Basic Data:												
Annual Water Flow 1000 gal	1,524,912	668,969	218,187	48,657	33,459	52,409	57,254	110,781	119,209	83,627	132,360	
Number of Customers	10547	5835	1845	16	2	1390	1455	1	1	1	1	

# Connie Lea Allen, PE, CCM

## Résumé

### Education

Bachelor of Arts (Political Science)—University of Kentucky—1985

Bachelor of Science in Civil Engineering—University of Kentucky—1990

Master of Business Administration (Project Management)—Grantham University—2013

### Registrations

Registered Professional Engineer—Kentucky (19331)—Ohio (71536)

Certified Construction Manager (A2049)

### Military

Colonel—United States Air Force Reserve

Deputy A4/7—22<sup>nd</sup> Air Force—Dobbins Air Reserve Base—Georgia

### Experience and Qualifications

#### Salt River Engineering, PLLC—Owner and Principal Engineer—2010 to present

designs water distribution and storage facilities and wastewater collection and pumping stations; distribution designs include systems serving large private water companies, municipalities and rural water utilities; design solutions include identification and mediation of inadequate facilities and lines, reduction of disinfection by-products through effective sizing and finished water storage, establishment of pressure zones, and hydraulic modeling for initial distribution system evaluations

provides agency construction management and contract administration for municipal and private utility capital construction including time, cost and general project management; provides regional facilities plans, preliminary engineering reports and other capital planning consultation and deliverables; performs rate designs and cost of service studies for municipal utilities in accordance with AWWA and generally accepted rate-setting methodology

### Work Experience

#### Hazen and Sawyer, PSC—Senior Principal Engineer—2008 to 2010

conducted construction management, project oversight and contract administration for Kentucky construction projects, managed modeling for design aids and co-authored comprehensive water system inventory and planning for Winchester and Clark County, Kentucky

#### CDP Engineers, Inc.—Project Manager—1999 to 2008

directed all project development, developed and arranged funding for water and sewer infrastructure projects, provided design guidance and QA/QC on water distribution and sewer collection designs, performed rate studies and cost of service studies, managed hydraulic design efforts

#### Nesbitt Engineering, Inc.—Project Manager—1995 to 1999

#### Commonwealth Technology, Inc.—Project Engineer—1990 to 1995



# Rate Studies and Cost of Service Studies

## Rate Studies

Jackson Water Works – each of five federally-funded infrastructure projects managed by Ms. Allen required a utility rate study to ensure the existing revenue was adequate for the new debt service. At Ms. Allen's suggestion, Jackson was perhaps the first Kentucky municipality to tie rates to the Consumer Price Index.

Irvine Municipal Utilities – The Mt. Scratchum Tank & Water Line Extension and the IMU-ECWD Regional Wastewater Project both required utility rate evaluations to ensure IMU could service new debt. The Regional Wastewater project rate study required multiple iterations to predict revenue from the various potential new customer groups.

New Castle Public Works – Two projects managed by Ms. Allen for New Castle, Kentucky, required rate evaluations and new rate schedules. The inclusion of funded reserve accounts and rate indexing resulted in continued financial stability for the utility.

City of Lawrenceburg – The construction of a new water treatment plant required a rate study to determine the amount of additional revenue needed to service the new bonds issued to fund the project. The study included wastewater rates as well and introduced rate indexing and funded reserves.

## Cost of Service Studies

City of Lawrenceburg – Ms. Allen performed a cost of service study to determine the cost of production for the water plant. The study was critical in the development of an economic development rate for the City. The EDR proved instrumental in convincing The Campari Group to move all bottling operations to the Wild Turkey Distillery campus.

Irvine Municipal Utilities – As a part of the regional wastewater project with the Estill County Water District, IMU hired Salt River Engineering to determine the cost of treating wastewater at the new regional WWTP.

## Other Utility Studies

Morehead Utility Plant Board – Salt River Engineering was hired by the MUPB to assess the financial health of the municipal water, sewer and gas utilities. Subsidies between the utilities were eliminated and rates were established to meet expenses and responsibly invest in capital infrastructure.

Irvine Municipal Utilities – Salt River Engineering was selected by IMU to re-evaluate the local limits and to re-establish wastewater surcharge rates.

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All rate studies for the City of Jackson and New Castle were individual experience performed while employed by another engineering firm.



## Financial Studies for Kentucky Municipalities

No.	Utility	Description	Contact	Year
1.	City of New Castle	System Development Charge - developed, with the city attorney, ordinance for the assignment of SDCs for existing (buy-in) and new (incremental) water accounts	Jim Brammell (502-569-3600) or Judy Diederich (502-321-2366)	2008
2.	Richmond Utilities	Pretreatment Program Surcharges - in conjunction with WWTP design, evaluated "strength" charges and calculated revised charges to recover treatment costs with new WWTP	Chris Whitaker (859-623-2323)	2006
3.	Irvine Municipal Utilities	Revenue Generation for New Debt Service - developed the structure and the rates for direct and wholesale customers of IMU's Regional Wastewater Treatment Plant	Bee Williams (606-723-2197)	2006
4.	City of Jackson	Wholesale Rate Study - established water rates for the newly chartered Breathitt County Water District and authored water purchase agreement to encompass rate indexing	Mike Miller (606-436-3158)	2005
5.	Irvine Municipal Utilities	Sewer Rate Structure Adjustment - updated rate structure and fees for direct sewer customers and introduced rate indexing for water and sewer rates	Bee Williams (606-723-2197)	2004
6.	City of Lawrenceburg	Rate Study - conducted water rate study to analyze revenue requirements for providing service to direct and wholesale customers; introduced indexing and flat rate structure	Mayor Edwinna Baker (502-839-5372) or Larry Hazlett (same number)	2002
7.	City of Lawrenceburg	Sewer Rate Study - conducted based on 5-year forecast to include funded reserve (including capital replacement) and depreciation reserve accounts	Mayor Edwinna Baker (502-839-5372) or Larry Hazlett (same number)	2002
8.	City of Jackson	Water Rate Structure Restructure plus Rate Indexing - eliminated declining block rate structure and introduced CPI for annual rate increases, capped at 3% without council vote	Mike Miller (606-666-7069)	2001
9.	City of New Castle	Water Rates - Regional Water Program Sales Agreement - with HCWD's engineer, developed rate plan and MOA for shared funding	Joe Yates (502-845-4441) or Jimmy Simpson (502-532-6279)	2000
10.	Winchester Municipal Utilities	Industrial Pretreatment (IPT) Program - developed annual allocations for program cost recovery from industrial users as well as annual review of wastewater surcharge rates	Mike Flynn (859-744-5434)	1995-1999

*--all projects are individual experience while at other engineering firms--*

ORDINANCE NO. 1842

AN ORDINANCE AMENDING CDO SECTION 18-79(2) PERTAINING TO WATERWORKS AND MONTHLY WATER RATES FOR WHOLESALE CONSUMERS.

WHEREAS, the Board of Commissioners authorized a water rate study conducted by Salt River Engineering; and

WHEREAS, said study was based on American Water Works Association (AWWA) guidelines and principles; and

WHEREAS, the Board of Commissioners deems it necessary and appropriate to make certain adjustments to the water rates for its wholesale consumers based on the reasonable mathematical conclusions drawn from said study and the cost of service method of calculation;

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF COMMISSIONERS OF THE CITY OF DANVILLE, KENTUCKY, as follows:

SECTION ONE:

Section (2) of §18-79 of the City of Danville Code of Ordinances is hereby amended to read as follows:

(2) *Monthly water rates for wholesale consumers:*

(a) Garrard County Water Association shall pay a flat rate of \$2.41 per 1,000 gallons consumed, which is the equivalent of \$1.80 per cubic foot consumed;

(b) Hustonville shall pay a flat rate of \$2.47 per 1,000 gallons consumed, which is the equivalent of \$1.85 per cubic foot consumed;

(c) Lake Village Water Association shall pay a flat rate of \$2.41 per 1,000 gallons consumed, which is the equivalent of \$1.80 per cubic foot consumed;

(d) Parksville shall pay a flat rate of \$2.68 per 1,000 gallons consumed, which is the equivalent of \$2.00 per cubic foot consumed; and

(e) For all other wholesale consumers. Effective July 1, 2014, all  
wholesale the usage rates shall be \$2.176 2.41 per 1,000 gallons  
consumed, which is the equivalent of \$1.80 per cubic foot consumed.  
~~Prior to the effective date the City of Danville will complete a cost of  
service study based on AWWA guidelines to ensure the adequacy of the  
rate and to verify that all rates produce operational revenues sufficient to  
sustain the waterworks system.~~

The minimum monthly rate is \$448.00.

SECTION TWO: Section 18-82 of the City of Danville Code of Ordinances is hereby amended to read as follows:

(a) There is hereby imposed a nonresident surcharge of one hundred twenty (120) percent to be added to the total water bill, but less taxes, off all residential and commercial consumers outside the city limits purchasing water from the city filtered at the city waterworks. ~~There is hereby imposed a nonresidential surcharge of twenty (20) percent to be added to the total water bill, but less taxes, of all wholesale consumers outside the city limits purchasing water from the city filtered at the city waterworks.~~

(b) There is hereby imposed a nonresident surcharge upon all industrial

customers outside the city limits purchasing water from the city filtered at the city water works, which surcharge shall be equivalent to one hundred twenty (120) percent to be added to the total water bill, but less taxes.

SECTION THREE: This ordinance is effective as of September 1, 2014, or as soon thereafter as each wholesale water purchase contract will allow and is practicable.

SECTION FOUR: If any section, subsection, paragraph, sentence, clause, phrase, or portion of this Ordinance is declared illegal or unconstitutional or otherwise invalid, such declaration shall not affect the remaining portions hereof.

GIVEN FIRST READING AND PASSED 3/25/2014  
GIVEN SECOND READING AND PASSED 3/27/2014  
PUBLISHED IN THE ADVOCATE-MESSENGER 4/2/2014

APPROVED:

Bernie Hunstad  
BERNIE HUNSTAD, MAYOR

ATTEST:

Donna Peek  
DONNA PEEK, CITY CLERK

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MINUTES OF THE  
DANVILLE CITY COMMISSION

The Board of Commissioners of the City of Danville, Kentucky convened in a Regular Commission Meeting in the Public Meeting room at City Hall/Police Station on Monday, July 14, 2014 at 5:30 p.m.

COMMISSIONERS PRESENT:

Mayor Hunstad  
Commissioner Stevens  
Commissioner Smiley  
Commissioner Atkins  
Commissioner Caudill

OTHERS PRESENT:

Ron Scott, City Manager  
Donna Peek, City Clerk  
Robert Estill, Asst. Police Chief  
Woody Ball, Fire Chief  
Earl Coffey, City Engineer  
Stephen Dexter, City Attorney  
Michele Gosser, CFO  
Tom Byerly, Public Works  
Pam Wright, Advocate Messenger  
Connie Allen  
James Hunn  
Rick Serres  
Cindy Simmons  
Brad Simmons  
Brenda Willoughby  
Liz Omdorff  
Gordy Howe  
Milton Reigleman  
Tom Ellis  
Bethany Rogers  
Mr. Finke  
Mrs. Finke  
Kelvin Kinley  
Mike Perros  
Rachel White  
Karen Logue  
Ernie Moore  
Randy Graham  
J.P. Brantley  
Jane Brantley  
Jeff Peek  
Others

Mayor Hunstad announced that a quorum was present and called the meeting to order the time being 5:30 p.m.

Commissioner Smiley led a prayer on behalf of the City and Mayor Hunstad led the Commission in the Pledge of Allegiance.

COMMISSIONER COMMENTS:

MAYOR HUNSTAD:

Mayor Hunstad thanked the public for coming out and keeping your City Officials informed of how you feel about your local issues.

**COMMISSIONER CAUDILL:**

Commissioner Caudill announced that Danville has been chosen to receive an award from the Governor's office for the arts. Danville won the award in part for the sponsorship of the Brass Band Festival and those items that Danville stands for. I would also like to congratulate Larnelle Harris for winning one of the nine awards given out by the Governor on July 9<sup>th</sup>. So many people are a part of making the Brass Band a success – thank you.

**COMMISSIONER SMILEY:**

Commissioner Smiley welcomed the students from Carrickergus Ireland to the Commission meeting. He said his grandmother was of Irish decent and if they go back home they may be able to trace their roots back and may actually be related to him distantly.

**COMMISSIONER STEVENS:**

Commissioner Caudill stole my thunder, but I agree with what he said.

**MAYOR HUNSTAD:**

I would echo the thoughts on the Brass Band Festival and thank everyone involved in making it such a success and the festival was a large part of why Danville won this award. I would also like to announce the Inter County RECC Line Rodeo. The State rodeo will be held in Danville this year.

**COMMISSIONER ATKINS:**

I will yield my time to the public tonight.

**PROCLAMATION -- WELCOME UPLIFT STUDENTS:**

Mayor Hunstad read a proclamation welcoming the students from Ireland to Danville from our sister city Carrickfergus, Ireland. After reading the proclamation the Mayor and Commission took time to welcome the students.

**HEAR THE PUBLIC:**

Jane Brantley addressed the Commission and discussed the entrance signs in Danville and asked when or if the entrance to Danville on Lexington Road would be replaced.

Earl Coffey, City Engineer said that the State has reimbursed the cost to the City for the entrance sign and Mr. Byerly is working on that project.

Tom Ellis addressed the Commission in regards to the Road diet and said he contacted the State about the paving of Main Street.

**1. APPROVAL OF PREVIOUS MINUTES:**

Commissioner Smiley made a motion to approve the minutes of 6/23/14 as presented. The motion was seconded by Commissioner Stevens and unanimously approved upon roll call.

**2. BANNER REQUEST:**

Brenda Willoughby representing the CVB and Cindy Simmons addressed the Commission and requested that a banner be placed over Main Street from August 19 - Sept. 9<sup>th</sup>, announcing the BBQ festival. After discussion, Commissioner Caudill made a motion to approve the request as presented. The motion was seconded by Commissioner Stevens and unanimously approved upon roll call.

**3. WATER UTILITY RATE STUDY:**

Connie Allen addressed the Commission and made a presentation on the Water rate study that has been completed and will be recommended at a future meeting. No action needed tonight.

**4. CITY MANAGER REPORT:**

Ron Scott, City Manager addressed the Commission and discussed several items. (See attached report)

**5. PAYMENT OF THE BILLS:**

Commissioner Smiley made a motion to approve the bills in the amount of \$541,238.33 as presented. The motion was seconded by Commissioner Atkins and unanimously approved upon roll call. A breakdown of departments is as follows: General Fund - \$96,647.67; Utility Fund \$80,973.15; Parking fund - \$248.88; Cemetery fund - \$4,328.67; Stormwater fund - \$13,602.13; Capital improvements fund - \$51,641.30; Garbage fund - \$75,586.56; and the Debt & Depreciation transfers in the amount of - \$218,907.97.

**6. 2<sup>ND</sup> READING – ORDINANCE #1840 – AMENDMENT TO CORNING INCENTIVES:**

Commissioner Atkins made a motion to approve the 2<sup>nd</sup> Reading of Ordinance #1840 as presented. The motion was seconded by Commissioner Caudill and unanimously approved upon roll call. "An Ordinance amending Ordinance #1816 (granting Corning Inc. a remediation and redevelopment incentive and specifying the company's performance and repayment obligations) to modify the performance period commencement date."

**7. RESOLUTION #2014-07-14-01 TRUST AGREEMENT(S) LIABILITY INSURANCE KLC:**

Commissioner Stevens made a motion to approve Resolution #2014-07-14-01 as presented. The motion was seconded by Commissioner Caudill and unanimously approved upon roll call. This resolution authorizes the Mayor or Mayor Pro Tem to sign the trust agreement with KLC for the Liability insurance for the City of Danville and Parks and Recreation.

**8. RESOLUTION #2014-07-14-02 – TRUST AGREEMENT WORKERS COMP-KLC:**

Commissioner Atkins made a motion to approve Resolution #2014-07-14-02 as presented. The motion was seconded by Commissioner Stevens and unanimously approved upon roll call. This resolution authorizes the Mayor or Mayor Pro Tem to sign the trust agreement with KLC for the Workers Compensation insurance for the City of Danville.

**9. RESOLUTION #2014-07-14-03 – BLUEGRASS ADD CONTRACT EXTENSION:**

Commissioner Caudill made a motion to approve Resolution #2014-07-14-03 as presented. The motion was seconded by Commissioner Smiley and unanimously approved upon roll call. This resolution authorizes the Mayor or Mayor Pro Tem to sign the Bluegrass Add contract extension in reference to the Senior Citizens budget.

**10. RESOLUTION #2014-07-14-04 – CAMERA TRUCK BID AWARD:**

Commissioner Smiley made a motion to approve Resolution #2014-07-14-04 as presented. The motion was seconded by Commissioner Caudill and unanimously approved upon roll call. This resolution authorizes the City to purchase a Camera truck for the City of Danville in the amount of \$27,242.90.

**10. RESOLUTION #2014-07-14-05 – SPECIAL INSPECTION CONSULTANT SELECTION:**

Commissioner Smiley made a motion to approve Resolution #2014-07-14-05 as presented. The motion was seconded by Commissioner Atkins and unanimously approved upon roll call. This resolution awards the inspection consultant to CSI in the amount of \$23,691.00

**11. RESOLUTION #2014-07-14-06 – SALT BID AWARD:**

Commissioner Caudill made a motion to approve Resolution #2014-07-14-06 as presented. The motion was seconded by Commissioner Atkins and unanimously approved upon roll call. This resolution awards the salt bid to Cargill as submitted.

**HEAR THE PUBLIC:**

Kerry Kinley addressed the Commission in regards to the Lagoon near Batewood Homes and the smell during the July 4<sup>th</sup> holiday around the area. He also discussed his concern for what is being discharged in the creek.

Earl Coffey, City Engineer stated that staff was aware of the issue and things were in place to correct the problem.

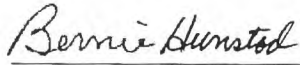
**EXECUTIVE SESSION:**

No executive session

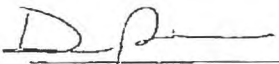
**ADJOURN:**

Commissioner Caudill made a motion to adjourn the time being 7:45 p.m. The motion was seconded by Commissioner Smiley and unanimously approved upon roll call.

APPROVED:

  
MAYOR BERNIE HUNSTAD

ATTEST:

  
DONNA PEEK, CITY CLERK

**MINUTES OF THE  
DANVILLE CITY COMMISSION**

The Board of Commissioners of the City of Danville, Kentucky convened in a Regular Commission Meeting in the Public Meeting room at City Hall/Police Station on Monday, August 11, 2014 at 5:30 p.m.

**COMMISSIONERS PRESENT:**

Mayor Hunstad  
Commissioner Stevens  
Commissioner Smiley  
Commissioner Atkins  
Commissioner Caudill

**OTHERS PRESENT:**

Ron Scott, City Manager  
Donna Peek, City Clerk  
Robert Estill, Asst. Police Chief  
Woody Ball, Fire Chief  
Earl Coffey, City Engineer  
Stephen Dexter, City Attorney  
Michele Gosser, CFO  
Tom Byerly, Public Works  
Pam Wright, Advocate Messenger  
Battalion Chief Jimmy Coffman  
Lt. Shane Yocum  
Battalion Chief Doug Simpson  
Firefighter Gina Hunter  
Firefighter Chris Siler  
Firefighter Sammy Young  
Firefighter Matt Groves  
Firefighter Will Ellis  
Firefighter Scott Lawson  
Firefighter David Spanyer  
Firefighter Donald Carpenter  
Battalion Chief Mike Mulholland  
Firefighter Gabe Heatherly  
Firefighter Patrick Denham  
Denise Terry  
Karen Coffman  
Rachel White  
Ann Young  
Carolyn Gulley  
Ricky Smith  
Arlen Finke  
Mrs. Finke  
J.P. Brantley  
Jane Brantley  
Jeff Peek  
Others

Mayor Hunstad announced that a quorum was present and called the meeting to order the time being 5:35 p.m.

Commissioner Smiley led a prayer on behalf of the City and Mayor Hunstad led the Commission in the Pledge of Allegiance.

**COMMISSIONER COMMENTS:**

**COMMISSIONER STEVENS:**

Commissioner Stevens commented on how wonderful the flowers look in Danville. Thanks go out to the Beautification Committee and Divine Creations. The town looks beautiful and I want them to know that we appreciate their hard work. Commissioner Stevens said she is glad to see the committee reappointments on the agenda tonight. I believe we have more to fill and I would like to see up double our efforts and get these committees filled.

**COMMISSIONER SMILEY:**

Representing St. Mildred's Court residents we want to publicly thank Tom Byerly, Tony Gray and Ron Scott for the four signs that have been placed on our street. (25 mile per hour - children at play) We are already seeing a change on our street. Thank you so much.

The second thing I would like to say is that I got to enjoy a recital of a young man from Danville at Centre College on the weekend playing the cello. It was a wonderful event for Danville.

I also attended the block party downtown this weekend. This was a very nice event and was well attended.

My last comment is a request from Ron Scott and S. Dexter. We have campaigns coming up from various elections and my question is - are there any rules for seated commissioners regarding participation.

Stephen Dexter addressed the Commissioners' question and stated there are no rules for Commissioners regarding the supporting of or participation in a campaign.

**COMMISSIONER CAUDILL:**

I want to thank Public Works on behalf of the other residents on Hudson Avenue. Our road was paved this year. I also want to let Officer Ryan Hundley know that our thoughts and prayers are with you and your family during this very difficult time.

**COMMISSIONER ATKINS:**

No comment.

**MAYOR HUNSTAD:**

I don't have anything else to add, my comment about Beautification has already been mentioned - I would thank the City and Divine Creations for making Danville beautiful.

**HEAR THE PUBLIC:**

Arlen Finke addressed the Commission as a representative on the Human Rights Commission and along with James Hunn whose is also a member of the Human Rights Commission announced that the Commission is trying to get out information to all individuals in the community of where and who to contact if they are having problems and need to report an issue to the Human Rights Commission.

Mr. Hunn also announced that a poster was available to anyone who would like one. Mr. Finke stated that he Commission asked that members come to the City Commission meeting and let people know what is going on with the Human Rights Commission.

**1. RECOGNITION OF RETIREMENT - BATTALION CHIEF JIMMY COFFMAN:**

Mayor Hunstad, the City Commission and Fire Chief Woody Ball recognized Battalion Chief Jimmy Coffman, thanked him for his service to the City of Danville and wished him the best on his retirement.

Commissioner Atkins made a motion to approve the bills in the amount of \$481,596.46 as presented. The motion was seconded by Commissioner Smiley and unanimously approved upon roll call. A breakdown of departments is as follows: General Fund - \$54,454.76; Utility Non-Departmental - \$10,934.70; Utility Fund - \$52,623.83; Parking fund - \$52.88; Cemetery fund - \$3,351.09; Storm water fund - \$12,333.80; Debts & Depreciation transfers - \$264,709.97, the Museum fund - \$5,500.00 and the Garbage fund in the amount of \$75,860.63.

**11. 2<sup>ND</sup> READING – ORDINANCE #1841 – PROPERTY TAX RATE 2014-2015:**

Commissioner Caudill made a motion to approve the 2<sup>nd</sup> Reading of Ordinance #1841 as presented. The motion was seconded by Commissioner Stevens and unanimously approved upon roll call. This ordinance sets the tax rate for the budget year 2014-2015. The Commission did not raise property taxes.

**12. POLICE AND FIRE PENSION FUND INVESTMENT RFP:**

Commissioner Atkins made a motion to authorize staff to move forward with the RFP for the Police and Fire pension fund as recommended. The motion was seconded by Commissioner Smiley and unanimously approved upon roll call.

**13. RESOLUTION #2014-08-11-01 –PAVING LIST:**

Commissioner Smiley made a motion to approve Resolution #2014-08-11-01 as presented. The motion was seconded by Commissioner Atkins and unanimously approved upon roll call.

**14. 1<sup>ST</sup> READING – ORDINANCE #1844 – WATER UTILITY RATES:**

Commissioner Caudill made a motion to approve the 1<sup>st</sup> Reading of Ordinance #1844 – Water Utility Rates as presented. The motion was seconded by Commissioner Stevens and unanimously approved upon roll call.

**15. BOYLE COUNTY ACCESS ROAD – PROCESS FOR NAMING ROAD:**

The Commission discussed the Boyle County Access road and how to go about deciding what to name this street and City Streets in the future. Many names were mentioned as prospects. After more discussion, the Commission requested that the City Manager bring back a potential process for naming streets to the Commission at the next meeting.

**16. WOODEN BUCKET AWARD NOMINATION:**

Earl Coffey, City Engineer announced that the City of Danville has been nominated for the Wooden Bucket Award again this year. The winner will be announced at the Kentucky Rural Water Association meeting on Wednesday, August 20<sup>th</sup>.

**17. 2014 AREA DEVELOPMENT FUND PROGRAM GRANT APPLICATION:**

Commissioner Smiley made a motion to approve a letter of support be sent regarding the grant application for the Millennium park soccer project as presented. The motion was seconded by Commissioner Atkins and unanimously approved upon roll call.

**HEAR THE PUBLIC:**

James Hunn addressed the City in regards to the property tax rate and asked if we could put it on the website. He also asked the Mayor if the State was discussing taking over second and Third Street and if so he would hope that the State could study the Clarks run bridge access if possible.

Denise Terry addressed the Commission in regards to the naming of the Boyle Co. Access road.

Battalion Chief Coffman began his career as a fulltime firefighter in 1995. Thank you Jimmy for your service to the Citizens of Danville.

Battalion Chief Coffman thanked Danville for allowing him to work with the Citizens of Danville and be a firefighter for the City of Danville.

**2. APPROVAL OF PREVIOUS MINUTES:**

Commissioner Stevens made a motion to approve the minutes of 7/28/2014 as presented. The motion was seconded by Commissioner Smiley and unanimously approved upon roll call.

**3. AIRPORT BOARD REAPPOINTMENT:**

Commissioner Caudill made a motion to approve the reappointment of Stuart Powell to the airport board as presented. The motion was seconded by Commissioner Smiley and unanimously approved upon roll call. Mr. Powell's term will expire August 31<sup>st</sup>, 2018.

**4. HOUSING AUTHORITY REAPPOINTMENT:**

Commissioner Stevens made a motion to approve the reappointment of Ann Young to the Housing Authority Board as presented. The motion was seconded by Commissioner Atkins and unanimously approved upon roll call. Ms. Young's term will expire August 31<sup>st</sup>, 2018.

**5. HUMAN RIGHTS COMMITTEE REAPPOINTMENT:**

Commissioner Smiley made a motion to approve the reappointment of Rev. Jenkins to the Human Rights Commission as presented. The motion was seconded by Commissioner Stevens and unanimously approved upon roll call. Rev. Jenkins term will expire August 30<sup>th</sup>, 2018.

**6. TRANSPORTATION COMMITTEE APPOINTMENT:**

Commissioner Caudill made a motion to approve the appointment of Winfield Frankel to the Transportation Committee as presented. The motion was seconded by Commissioner Stevens and unanimously approved upon roll call. Mr. Frankel term will expire August 30<sup>th</sup>, 2017. (He is fulfilling an unexpired term)

**7. TRANSPORTATION COMMITTEE APPOINTMENT:**

Commissioner Atkins made a motion to approve the appointment of David Senn to the Transportation Committee as presented. The motion was seconded by Commissioner Caudill and unanimously approved upon roll call. Mr. Senn's term will expire July 30, 2017. (He is fulfilling an unexpired term)

**8. TRANSPORTATION COMMITTEE APPOINTMENT:**

Commissioner Atkins made a motion to approve the appointment of Martha Bryant to the Transportation Committee as presented. The motion was seconded by Commissioner Stevens and unanimously approved upon roll call. Ms. Bryant's term will expire August 30<sup>th</sup>, 2018.

**9. TRANSPORTATION COMMITTEE APPOINTMENT:**

Commissioner Smiley made a motion to approve the appointment of Carolyn Gulley to the Beautification Committee as presented. The motion was seconded by Commissioner Stevens and unanimously approved upon roll call. Ms. Gulley's term will expire August 30<sup>th</sup>, 2018.

**10. PAYMENT OF THE BILLS:**

Jim Chandler addressed the Commission requesting a list of the transportation committee members.

J.P. Brantley addressed the Commission in regards to the current guidelines set by the Commission regarding answering questions from Citizens. He stated that the Commission either needs to adjust the guidelines or adhere to them as they are written. Mr. Brantley also mentioned that he would like for 25 miles per hour speed limit signs be placed on Main Street for the old people that walk downtown.

Ricky Smith addressed the Commission and also discussed the guidelines of the meeting. He feels that the Commission should not pick and choose who they answer during a meeting.

**EXECUTIVE SESSION:**

Commissioner Caudill made a motion to move into executive session pursuant to KRS 61.810 1(f) for the purpose of personnel, the time being 6:40 p.m. The motion was seconded by Commissioner Caudill and unanimously approved upon roll call.

**BACK IN SESSION:**

Commissioner Caudill made a motion to move back into regular session at 6:50 p.m. The motion was seconded by Commissioner Stevens and unanimously approved upon roll call.

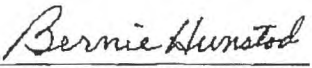
**ACTION:**

Commissioner Stevens made a motion to accept the resignation of Misty Stratton, Finance Clerk, as presented. The motion was seconded by Commissioner Caudill and unanimously approved upon roll call.

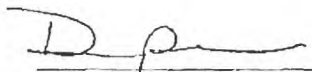
**ADJOURN:**

Commissioner Stevens made a motion to adjourn the time being 6:55 p.m. The motion was seconded by Commissioner Smiley and unanimously approved upon roll call.

APPROVED:

  
MAYOR BERNIE HUNSTAD

ATTEST:

  
DONNA PEEK, CITY CLERK

MINUTES OF THE  
SPECIAL CALLED MEETING  
CITY COMMISSION

The Board of Commissioners of the City of Danville, Kentucky convened in a Special Called Commission Meeting in the Public Meeting room of City Hall/Police station Building on Wednesday, August 27th, 2014 at 10:00 a.m.

COMMISSIONERS PRESENT:

Mayor Hunstad  
Commissioner Atkins  
Commissioner Stevens

COMMISSIONERS ABSENT:

Commissioner Smiley  
Commissioner Caudill

OTHERS PRESENT:

Ron Scott, City Manager  
Donna Peek, City Clerk  
Robert Estill, Asst. Police Chief  
Pam Wright, Advocate Messenger  
Michele Gosser, Finance Director  
Earl Coffey, City Engineer  
Others

Mayor Hunstad opened the meeting at 10:02 a.m.

1. 2<sup>nd</sup> READING – ORDINANCE #1842 – WATER UTILITY RATES:

Commissioner Stevens made a motion to approve the 2<sup>nd</sup> reading of Ordinance #1842 – Water Utility Rates as presented. The motion was seconded by Commissioner Atkins and unanimously approved upon roll call.

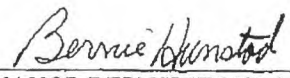
2. MUNICIPAL ORDER #08-27-01-2014 – APPROVAL OF ADVERTISEMENT FOR BID OF GENERAL OBLIGATION REFUNDING BONDS:

Commissioner Atkins made a motion to approve Municipal Order #08-27-01-2014 as presented. The motion was seconded by Commissioner Stevens and unanimously approved upon roll call.

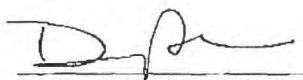
ADJOURN:

Commissioner Stevens made a motion to adjourn – the time being 10:07 a.m. The motion was seconded by Commissioner Atkins and unanimously approved upon roll call.

APPROVED:

  
MAYOR BERNIE HUNSTAD

ATTEST:

  
DONNA PEEK, CITY CLERK

**MINUTES OF THE  
SPECIAL CALLED MEETING  
CITY COMMISSION**

The Board of Commissioners of the City of Danville, Kentucky convened in a Special Called Commission Meeting in the Public Meeting room of City Hall/Police station Building on Monday, July 15, 2013 at 5:30 p.m.

**COMMISSIONERS PRESENT:**

Mayor Hunstad  
Commissioner Stevens  
Commissioner Atkins  
Commissioner Caudill  
Commissioner Smiley

**OTHERS PRESENT:**

Ron Scott, City Manager  
Donna Peek, City Clerk  
Tony Gray, Police Chief  
Woody Ball, Fire Chief  
Stephen Dexter, City Attorney  
Stephanie Mojica, Advocate  
Vicki DelysHyde, WHIR  
Chris Holderman, Boyle County Schools  
Amy Longwill  
Tonya Darnell  
Sidney Darnell  
Katrina Leathers  
Ryan Owens  
Roger Compton  
Ricky Smith  
J.P. Brantley  
Jane Brantley  
Denise Lister  
Michele Gosser  
Jeff Peek  
Mr. & Mrs. Moore  
Others

Mayor Hunstad opened the meeting the time being 5:30 P.M. Mayor Hunstad offered a prayer and Commissioner Smiley led the Pledge of Allegiance.

**1. PROCLAMATION FOR BISHOP LARRY WEATHERS:**

Mayor Hunstad read a proclamation naming the 16<sup>th</sup> of July as Bishop Larry Weathers Day. After discussion, Commissioner Atkins made a motion to approve the proclamation as presented. The motion was seconded by Commissioner Caudill and unanimously approved upon roll call.

**2. BOYLE COUNTY SCHOOLS ROAD ACCESS DISCUSSION:**

Earl Coffey made a presentation to the Commission in regards to the Boyle County Schools road access. After Earl completed his presentation, the public addressed the road issues.

Roger Compton addressed the Commission and said they would work with the school – but said that the school didn't want to purchase the land necessary.

Chris Holderman addressed the Commission and discussed the dangers of the access road into and out of the school.

Amy Longwill – parent, addressed the safety concerns at the school she said she had to say something before the tragedy happens out in the area of the school campus.

Tonya Darnell – parent, addressed the safety concerns at the school and mentioned she has a student at the high school and middle school and is extremely concerned with the safety of the students and parents.

After much discussion, the Commission would like for the City engineers office and move forward on what needs to happen to move this forward. No other action taken.

### **3. 1<sup>st</sup> READING – ORDINANCE #1823 – WATER RATES:**

Commissioner Caudill made a motion to approve the 1<sup>st</sup> Reading of Ordinance #1823 as presented. The motion was seconded by Commissioner Smiley and unanimously approved upon roll call. This was the first reading of Ordinance #1823 which will adjust the wholesale water rates.

### **4. EMERGENCY MANAGEMENT DIRECTOR APPOINTMENT:**

Mayor Hunstad addressed the discussion of appointing an emergency management director for the City instead of having a combined emergency management director.

The Commission discussed the positives and negatives of the appointment. Commissioner Smiley asked if the fire chief could do this and his job without letting either fall.

Commissioner Stevens asked questions about the Emergency management director and asked why the City and County needed two people in the position.

Commissioner Atkins made comment that the City and county have had a joint emergency director for many years, correct.

Commissioner Caudill asked how many other Cities in the state have two individuals in this position.

After more discussion, Stephen Dexter noted that an ordinance would need to be brought back to the commission for passage before the City could take action on the Emergency director position.

After more discussion, the Commission asked the attorney to bring back an ordinance at the next meeting for discussion.

Stephen Dexter stated that during an emergency situation Woody Ball will relinquish his position as fire chief during the emergency and a fire chief would need to be named.

With that, Mayor Hunstad made a motion to approve Woody Ball as the Emergency management director for the City of Danville under the provisions of KRS 39B.020 effective July 15<sup>th</sup>, 2013. This appointment is for four year term and will expire on July 14<sup>th</sup>, 2017. Chief Ball is highly qualified for this appointment and meets or exceeds all requirements as contained in KRS 39B.020 (3) Chief balls' summary of qualifications is attached as enclosure 1. Your thoughtful and timely consideration of this approval will be appreciated. In addition to the appointment in order for the City to receive future state funding for emergency management operations, the City Commission will be required to approve a local emergency response plan (current plan in place is sufficient with minor revisions) and implementing ordinance. The motion was seconded by Commissioner Atkins and unanimously approved upon roll call.

### **EXECUTIVE SESSION:**

Commissioner Caudill made a motion to go into executive session pursuant to KRS 61.810 1(f) for the purpose of personnel. The motion was seconded by Commissioner Smiley and unanimously approved. The time being 7:15 p.m.

**REGULAR SESSION:**

Commissioner Caudill made a motion to return to regular session at 8:50 p.m. The motion was seconded by Commissioner Smiley and unanimously approved.

**ADJOURN:**

Commissioner Caudill made a motion to adjourn, the time being 8:52 p.m. The motion was seconded by Commissioner Smiley and unanimously approved upon roll call.

APPROVED:

MAYOR BERNIE HUNSTAD

ATTEST:

DONNA PEEK, CITY CLERK

## MEMO

**Date:** August 11<sup>th</sup>, 2014

**To:** Bernie Hunstad, Mayor  
City of Danville Commissioners

**From:** Earl W. Coffey  
City Engineer

**Subject:** 2014 Wholesale Rate Ordinance

Please find attached for approval is the Wholesale Rate Ordinance suggested by the Salt River Eng., Utility Rate Study. First reading of this Ordinance is the initial step in the implementation of these rates. Twelve months ago in late July 2013, the Commission passed Ordinance No. 1823 putting our wholesale water customers on notice that their rates would increase this summer pending the conclusion of a rate study. Now that the rate study has been completed by Salt River Engineering, staff believes that the cost of service method is the most rational, feasible and fair method of calculation. The proposed ordinance adopts the cost of service wholesale rates proposed by the rate study that will allow the City to collect each customers' respective share of their cost of service. Passage of the ordinance will allow staff to work with our wholesale customers to begin implementing the new rates as per the separate contracts with each wholesale customer.

RESOLUTION NO. 2014-06-23-\_\_\_

WHEREAS, the City of Danville, Kentucky, (hereinafter "the City") owns and operates a water supply distribution system and desires to sell water to the City of Springfield, as an emergency wholesale customer, as needed; and

WHEREAS, the City of Springfield owns and operates a water supply distribution system and desires to sell water to the City, as an emergency wholesale customer, as needed; and

WHEREAS, in the event of an emergency that impairs either City's respective water supply, both desire to reciprocally sell and purchase water from the each other as needed;

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the City of Danville, Kentucky, that the Reciprocal Wholesale Water Purchase Contract (Non-PSC Regulated Contract) with the City of Springfield is hereby approved and the Mayor or Mayor Pro Tem is hereby authorized and directed to sign same on behalf of the City.

Approved this 23<sup>rd</sup> day of June, 2014.

\_\_\_\_\_  
MAYOR BERNIE HUNSTAD  
CITY OF DANVILLE, KENTUCKY

ATTEST:

\_\_\_\_\_  
DONNA PEEK, CITY CLERK  
CITY OF DANVILLE, KENTUCKY

ORDINANCE NO. 1823

AN ORDINANCE AMENDING CDO SECTION 18-79(2) PERTAINING TO WATERWORKS AND MONTHLY WATER RATES FOR WHOLESALE CONSUMERS.

WHEREAS, the Board of Commissioners deems it necessary and appropriate to make certain adjustments to the water rates for its wholesale consumers;

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF COMMISSIONERS OF THE CITY OF DANVILLE, KENTUCKY, as follows:

SECTION ONE:

Section (2) of §18-79 of the City of Danville Code of Ordinances is hereby amended to read as follows:

(2) *Monthly water rates for wholesale consumers:*

Consumption	Rate
(cu. ft.)	(per 100 cu. ft.)
First 20,000	\$ 1.68
Next 80,000	1.44
Next 100,000	1.20
Next 300,000	1.06
All over 500,000	0.86

Effective July 1, 2014, all wholesale usage rates shall be \$2.176 per 1,000 gallons. Prior to the effective date the City of Danville will complete a cost of service study based on AWWA guidelines to ensure the adequacy of the rate and to verify that all rates produce operational revenues sufficient to sustain the waterworks system.

The minimum monthly rate is \$448.00.

SECTION THREE: This ordinance is effective upon its publication.

SECTION FOUR: If any section, subsection, paragraph, sentence, clause, phrase, or portion of this Ordinance is declared illegal or unconstitutional or otherwise invalid, such declaration shall not affect the remaining portions hereof.

GIVEN FIRST READING AND PASSED \_\_\_\_\_.

GIVEN SECOND READING AND PASSED \_\_\_\_\_.

PUBLISHED IN THE ADVOCATE-MESSENGER \_\_\_\_\_.

APPROVED:

\_\_\_\_\_  
BERNIE HUNSTAD, MAYOR

ATTEST:

\_\_\_\_\_  
DONNA PEEK, CITY CLERK

ORDINANCE NO. 1842

AN ORDINANCE AMENDING CDO SECTION 18-79(2) PERTAINING TO WATERWORKS AND MONTHLY WATER RATES FOR WHOLESALE CONSUMERS.

WHEREAS, the Board of Commissioners authorized a water rate study conducted by Salt River Engineering; and

WHEREAS, said study was based on American Water Works Association (AWWA) guidelines and principles; and

WHEREAS, the Board of Commissioners deems it necessary and appropriate to make certain adjustments to the water rates for its wholesale consumers based on the reasonable mathematical conclusions drawn from said study and the cost of service method of calculation;

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF COMMISSIONERS OF THE CITY OF DANVILLE, KENTUCKY, as follows:

SECTION ONE:

Section (2) of §18-79 of the City of Danville Code of Ordinances is hereby amended to read as follows:

(2) *Monthly water rates for wholesale consumers:*

(a) Garrard County Water Association shall pay a flat rate of \$2.41 per 1,000 gallons consumed, which is the equivalent of \$1.80 per cubic foot consumed;

(b) Hustonville shall pay a flat rate of \$2.47 per 1,000 gallons consumed, which is the equivalent of \$1.85 per cubic foot consumed;

(c) Lake Village Water Association shall pay a flat rate of \$2.41 per 1,000 gallons consumed, which is the equivalent of \$1.80 per cubic foot consumed;

(d) Parksville shall pay a flat rate of \$2.68 per 1,000 gallons consumed, which is the equivalent of \$2.00 per cubic foot consumed; and

(e) For all other wholesale consumers, Effective July 1, 2014, all  
wholesale the usage rates shall be \$2.176 2.41 per 1,000 gallons  
consumed, which is the equivalent of \$1.80 per cubic foot consumed.  
Prior to the effective date the City of Danville will complete a cost of  
service study based on AWWA guidelines to ensure the adequacy of the  
rate and to verify that all rates produce operational revenues sufficient to  
sustain the waterworks system.

The minimum monthly rate is \$448.00.

SECTION TWO: Section 18-82 of the City of Danville Code of Ordinances is hereby amended to read as follows:

(a) There is hereby imposed a nonresident surcharge of one hundred twenty (120) percent to be added to the total water bill, but less taxes, off all residential and commercial consumers outside the city limits purchasing water from the city filtered at the city waterworks. ~~There is hereby imposed a nonresidential surcharge of twenty (20) percent to be added to the total water bill, but less taxes, of all wholesale consumers outside the city limits purchasing water from the city filtered at the city waterworks.~~

(b) There is hereby imposed a nonresident surcharge upon all industrial

customers outside the city limits purchasing water from the city filtered at the city water works, which surcharge shall be equivalent to one hundred twenty (120) percent to be added to the total water bill, but less taxes.

SECTION THREE: This ordinance is effective as of September 1, 2014, or as soon thereafter as each wholesale water purchase contract will allow and is practicable.

SECTION FOUR: If any section, subsection, paragraph, sentence, clause, phrase, or portion of this Ordinance is declared illegal or unconstitutional or otherwise invalid, such declaration shall not affect the remaining portions hereof.

GIVEN FIRST READING AND PASSED \_\_\_\_\_.

GIVEN SECOND READING AND PASSED \_\_\_\_\_.

PUBLISHED IN THE ADVOCATE-MESSENGER \_\_\_\_\_.

APPROVED:

BERNIE HUNSTAD, MAYOR

ATTEST:

DONNA PEEK, CITY CLERK

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**From:** Paul Reynolds <gcwa12@windstream.net>  
**Sent:** Wednesday, March 20, 2013 10:22 AM  
**To:** 'Earl Coffey'  
**Subject:** RE: Garrard County Water Contract

Earl,

Thanks for getting this over to me. Our Board will meet on April 2<sup>nd</sup> and pending approval I will have the amendment signed on this date and can provide you a copy then for your records. Thanks again and let me know if you need anything from our end.

Paul

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**From:** Earl Coffey [mailto:ecoffey@danvilleky.org]  
**Sent:** Wednesday, March 20, 2013 10:10 AM  
**To:** 'Paul Reynolds'  
**Subject:** RE: Garrard County Water Contract

Paul,

Please find attached a resolution authorizing the execution of the contract amendment. Then you will see the amendment also attached. This was the version that we had developed back in 2011. It is approved on our end and appears to have been executed on our end as well. We can get you originals if need be.

Please let me know if I can help you otherwise.

Earl

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**From:** Paul Reynolds [mailto:gcwa12@windstream.net]  
**Sent:** Friday, March 15, 2013 9:16 AM  
**To:** 'Earl Coffey'  
**Subject:** RE: Garrard County Water Contract

Earl,

I do not recall ever receiving notice from the City of approval of this request. If you could forward the document that grants the Association this requested increase that would be great. It would be my thought that we do not need to file anything with the PSC since this would have no bearing on the rates. As soon as you can get me something that shows the Commission granting this request I will take it before our Board and if there is any documentation that needs to be signed we will take care of that.

At this time I believe that the 750,000 per day quantity will satisfy the Association's requirements for the foreseeable future. Having said that, I am by no means able to project things very well, especially in the current climate. As our discussions with Lancaster have proceeded my thoughts of the Association's direction change almost hourly! It is good to know that you will have capacity and if the time comes we will definitely keep that in mind and pursue further discussions with you.

Also I do not view any of these emails as creating any type of interference in our current situation with Lancaster. As I have stated numerous times to Lancaster, we are simply attempting to make the best business decision we can for our customer base.

Paul

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**From:** Earl Coffey [<mailto:ecoffey@danvilleky.org>]  
**Sent:** Thursday, March 14, 2013 6:43 PM  
**To:** 'Paul Reynolds'  
**Subject:** RE: Garrard County WAtEr Contract

Evening Paul,

From my notes the City Commission agreed to amending the contract in March of 2011, max 750,000 gallons per day at existing rate structure. I thought we sent that to you for your board but I do not recall exactly what was done?? I do recall that our Commission agreed to the increase with no additional limitations and so far as I know that version is ready for execution. So no further action on our side would be necessary for you to increase your allowance as long as your fine with that document. I can locate the correct version if you want to see it? I am sure we would need to submit the document to PSC; but with no rate adjustments occurring not sure of this detail. Submittal is probably not required. (I also had a fleeting thought in writing this email...if you need more water feel free to ask. I do not see that asking could hurt. It could give you more options if you had more opportunity? You be the judge of that thought...ignore it if so desire.)

As far as future rates goes; as I mentioned below the financials are consistent with our PER right now so if the bidding comes in good then the Rate Change should not be very big. Keep in mind we issued roughly a 45% rate increase to all retail customers in 2011. We have paid cash so far for engineering and have assembled some cash to offset future cost. So our project financials are solid if not better when compared to the PER. Our plan that is set right now calls for us to conduct a Cost of Service study in January, February, and March of 2014. The goal will be to implement any changes to be effective July 1<sup>st</sup> 2014.

I am sure you have plenty of questions, or rather concerns about your situation. I did not intend to cause more. It is not our intent at all to bring up problems, I just wanted to mention the amendment because I saw the note in my budget spreadsheet. If we can help you in any way let us know and we will give you information to help.

Sincerely,  
Earl

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**From:** Paul Reynolds [<mailto:gcwa12@windstream.net>]  
**Sent:** Thursday, March 14, 2013 8:08 AM  
**To:** 'Earl Coffey'  
**Subject:** RE: Garrard County WAtEr Contract

Earl,

Actually you have good timing. We are considering quite a bit right now in regards to the Lancaster situation, but our other wholesalers play a big part in those negotiations obviously. That sounds great as far as the City amending the contract to increase the purchase limit to 750,000 per day. How would you like to proceed with that amendment? I am not sure if we would simply want to have a separate amendment to the existing contract allowing for this or from your standpoint will we need to execute an entirely new contract? I know that obviously the rates will be changing in the future as the City progresses with the new treatment plant, but I am not sure as to the time frame for those changes? From my perspective I believe the simplest thing would be to have an amendment to the existing contract allowing for this increase in purchase limit and then when the time comes for the implementation of new rates we simply amend that on the contract. Whenever there are changes to the wholesale rate we have to submit a Purchased Water Adjustment to the PSC so the submittal of amendments to existing contracts as always worked well for us in the past.

I am also curious if you have any ideas as to what the projected wholesale rates will be at the completion of the treatment plant? I know that is a difficult number to arrive at given all of the variables that come into play, but any projections would be greatly appreciated and would help us in making some long term projections.

Thanks.

Paul

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**From:** Earl Coffey [<mailto:ecoffey@danvilleky.org>]

**Sent:** Wednesday, March 13, 2013 10:45 PM

**To:** [gcwa12@windstream.net](mailto:gcwa12@windstream.net)

**Subject:** Garrard County Water Contract

Paul,

I know the timing of this may be odd, but I am working on our budget information among other things and noticed I had an unfinished task in my spreadsheet. It is identified as the Garrard County Wholesale contract. I know you are considering a lot right now and I am not trying to enter that foray. I just wanted to note the status of the amendment. As I have it, the City had approved the contract being amended to allow the purchase limit to increase to 750,000 gal per day at the existing rates. Let me know if there is any information I can provide you on the subject.

Also I wanted to give you a quick update on our plant project. As I mentioned a few weeks ago, the project is on schedule to bid in a few weeks. We have received our approval from the DOW and are finalizing information with RD. So far all financing terms have been consistent with projections so we feel good about the financials so long as the building climate does not change.

Let me know if I can help you with anything.

Earl

**From:** Paul Reynolds [<mailto:preynolds@garrardwater.com>]

**Sent:** Wednesday, July 23, 2014 2:58 PM

**To:** 'Connie Allen'

**Cc:** 'Earl Coffey'

**Subject:** Meeting to Discuss COSS

Connie,

Thanks again for meeting with us today to further explain the proposed wholesale rate increase. I wanted to go ahead and try to get on your schedule for a time that Sean and I could meet with you to further discuss the Study. If you could begin looking at your schedule to see if there is a day sometime in the next week or two that you could sit down with us I would appreciate it. Thanks.

Paul

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**From:** Earl Coffey <ecoffey@danvilleky.org>  
**Sent:** Thursday, August 21, 2014 8:34 AM  
**To:** 'Mike Sanford'  
**Subject:** Rate Adjustment Letter  
**Attachments:** LVWA Notice.pdf

Mike,

Good morning Mike. Good news is, the plant construction is moving fast. We could not be busier. Less good news, Erica will be dropping off the attached letter today. Connie Allen and I would be happy to sit down with you to discuss if you want. Talk soon,

Earl

City of  
**DANVILLE**  
**KENTUCKY**

P.O. Box 670  
Danville, KY 40425  
(859) 258-1200

August 20, 2014

Lake Village Water Association, Inc.  
Mike D. Sanford, Executive Director  
801 Pleasant Hill Drive  
Burgin, Kentucky 40310  
(859)748-5642

RE: 2014 Wholesale Water Rate Adjustment

Dear Mr. Sanford,

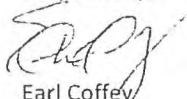
We are providing this letter as the official notice of the 2014 Wholesale Water Rate Adjustment as discussed previously. This letter is to confirm for you the basis for the rate adjustment and also the details of the change.

Recall the City previously indicated its intention to complete a utility rate study this year. The City contracted with a third party, Salt River Engineering, to complete the rate study with a cost of service component and to evaluate and recommend adjustments for all rates charged by the City's municipal utility. The study began this past winter and the wholesale portion of the evaluation has been completed. The rate study was completed consistent with the principles established in the American Water Works Association Manual M-1. The chosen study approach was the *Hybrid Method* (Cash Needs/Utility Basis) which was used to determine the revenue requirements for both owner and non-owner utility customers.

The City Commission accepted the recommendations from the consultant by implementing revised wholesale rates. The implementation of the revised rates will begin with the effective date of September 1<sup>st</sup> 2014. Consistent with the recommendations, the Lake Village Water Association shall pay a Flat Rate of \$2.41 per 1000 gallons consumed or \$1.80 per 100 cubic feet consumed. The minimum bill will not adjust as a result of this change.

As stated previously it is our goal to help you understand the details related to the rate identified. As such we will be more than willing to provide information to provide a better understanding. Please let us know how we may address your questions. We look forward to working with you as we transition into this revised rate.

Respectfully,

  
Earl Coffey  
City Engineer

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First Constitutional Convention in the West - 1792

First College in the West - 1785  
First Law School in the West - 1799  
First State Supported School for Deaf - 1825

**From:** Paul Reynolds <preynolds@garrardwater.com>  
**Sent:** Tuesday, August 26, 2014 2:32 PM  
**To:** 'Earl Coffey'  
**Subject:** RE: Contract and Schedule

Earl,

Thanks for sending this over.

Paul

---

**From:** Earl Coffey [<mailto:ecoffey@danvilleky.org>]  
**Sent:** Tuesday, August 26, 2014 2:07 PM  
**To:** [preynolds@garrardwater.com](mailto:preynolds@garrardwater.com)  
**Subject:** Contract and Schedule

Paul,

Please find attached the Ordinance passed by the Commission. I don't have a signed copy right now but will get you one when I get it.

As far as the schedule goes, the long-term RD financing will close in Jan -> April of 2016.

Thanks,  
Earl

4

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**From:** Earl Coffey <ecoffey@danvilleky.org>  
**Sent:** Friday, September 05, 2014 4:08 PM  
**To:** 'Mike Sanford'  
**Subject:** Ordinance  
**Attachments:** Water - Wholesale Consumer Rates Ordinance Amendment-2014.doc

Here is what our commission passed. Notice Section three on page 3. I'll get you a copy of the fully executed document.

Have a good weekend.

Earl

ORDINANCE NO. 1823

AN ORDINANCE AMENDING CDO SECTION 18-79(2) PERTAINING TO WATERWORKS AND MONTHLY WATER RATES FOR WHOLESALE CONSUMERS.

WHEREAS, the Board of Commissioners authorized a water rate study conducted by Salt River Engineering; and

WHEREAS, said study was based on American Water Works Association (AWWA) guidelines and principles; and

WHEREAS, the Board of Commissioners deems it necessary and appropriate to make certain adjustments to the water rates for its wholesale consumers based on the reasonable mathematical conclusions drawn from said study and the cost of service method of calculation;

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF COMMISSIONERS OF THE CITY OF DANVILLE, KENTUCKY, as follows:

SECTION ONE:

Section (2) of §18-79 of the City of Danville Code of Ordinances is hereby amended to read as follows:

(2) *Monthly water rates for wholesale consumers:*

(a) Garrard County Water Association shall pay a flat rate of \$2.41 per 1,000 gallons consumed, which is the equivalent of \$1.80 per cubic foot consumed;

(b) Hustonville shall pay a flat rate of \$2.47 per 1,000 gallons consumed, which is the equivalent of \$1.85 per cubic foot consumed;

(c) Lake Village Water Association shall pay a flat rate of \$2.41 per 1,000 gallons consumed, which is the equivalent of \$1.80 per cubic foot consumed;

(d) Parksville shall pay a flat rate of \$2.68 per 1,000 gallons consumed, which is the equivalent of \$2.00 per cubic foot consumed; and

(e) For all other wholesale consumers, the usage rates shall be 2.41 per 1,000 gallons consumed, which is the equivalent of \$1.80 per cubic foot consumed. The minimum monthly rate is \$448.00.

SECTION TWO: Section 18-82 of the City of Danville Code of Ordinances is hereby amended to read as follows:

(a) There is hereby imposed a nonresident surcharge of one hundred twenty (120) percent to be added to the total water bill, but less taxes, off all residential and commercial consumers outside the city limits purchasing water from the city filtered at the city waterworks. ~~There is hereby imposed a nonresidential surcharge of twenty (20) percent to be added to the total water bill, but less taxes, of all wholesale consumers outside the city limits purchasing water from the city filtered at the city waterworks.~~

(b) There is hereby imposed a nonresident surcharge upon all industrial customers outside the city limits purchasing water from the city filtered at the city water works, which surcharge shall be equivalent to one hundred twenty (120) percent to be added to the total water bill, but less taxes.

SECTION THREE: This ordinance is effective as of September 1, 2014, or as soon thereafter as each wholesale water purchase contract will allow and is practicable.

SECTION FOUR: If any section, subsection, paragraph, sentence, clause, phrase, or portion of this Ordinance is declared illegal or unconstitutional or otherwise invalid, such declaration shall not affect the remaining portions hereof.

GIVEN FIRST READING AND PASSED \_\_\_\_\_.

GIVEN SECOND READING AND PASSED \_\_\_\_\_.

PUBLISHED IN THE ADVOCATE-MESSENGER \_\_\_\_\_.

APPROVED:

\_\_\_\_\_  
BERNIE HUNSTAD, MAYOR

ATTEST:

\_\_\_\_\_  
DONNA PEEK, CITY CLERK

W:\Common File\City of Danville\Ordinances (2014)\Water - Wholesale Consumer Rates Ordinance Amendment-2014.doc

4

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**From:** Earl Coffey <ecoffey@danvilleky.org>  
**Sent:** Monday, September 15, 2014 4:42 PM  
**To:** 'Mike Sanford'  
**Subject:** RE: Rate Ordinance  
**Attachments:** ORDINANCE 1842 SIGNED.PDF

Here you go. Good timing, I just got it this afternoon.

Earl

-----Original Message-----

From: Mike Sanford [mailto:mike@lakevillagewater.org]  
Sent: Monday, September 15, 2014 11:59 AM  
To: Earl Coffey  
Subject: Rate Ordinance

Hey Earl,

I hope all is well. Could you send me the signed copy of the rate ordinance when you have a sec?

Thanks!

Mike

--  
Mike D. Sanford, MPA  
Executive Director  
Lake Village Water Association, Inc.  
Mercer County Sanitation District  
801 Pleasant Hill Drive  
P.O. Box 303  
Burgin, Kentucky 40310  
(859)748-5642

ORDINANCE NO. 1842

AN ORDINANCE AMENDING CDO SECTION 18-79(2) PERTAINING TO WATERWORKS AND MONTHLY WATER RATES FOR WHOLESALE CONSUMERS.

WHEREAS, the Board of Commissioners authorized a water rate study conducted by Salt River Engineering; and

WHEREAS, said study was based on American Water Works Association (AWWA) guidelines and principles; and

WHEREAS, the Board of Commissioners deems it necessary and appropriate to make certain adjustments to the water rates for its wholesale consumers based on the reasonable mathematical conclusions drawn from said study and the cost of service method of calculation;

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF COMMISSIONERS OF THE CITY OF DANVILLE, KENTUCKY, as follows:

SECTION ONE:

Section (2) of §18-79 of the City of Danville Code of Ordinances is hereby amended to read as follows:

(2) *Monthly water rates for wholesale consumers:*

(a) Garrard County Water Association shall pay a flat rate of \$2.41 per 1,000 gallons consumed, which is the equivalent of \$1.80 per cubic foot consumed;

(b) Hustonville shall pay a flat rate of \$2.47 per 1,000 gallons consumed, which is the equivalent of \$1.85 per cubic foot consumed;

(c) Lake Village Water Association shall pay a flat rate of \$2.41 per 1,000 gallons consumed, which is the equivalent of \$1.80 per cubic foot consumed;

(d) Parksville shall pay a flat rate of \$2.68 per 1,000 gallons consumed, which is the equivalent of \$2.00 per cubic foot consumed; and

(e) For all other wholesale consumers, Effective July 1, 2014, all wholesale the usage rates shall be \$2.176 2.41 per 1,000 gallons consumed, which is the equivalent of \$1.80 per cubic foot consumed. Prior to the effective date the City of Danville will complete a cost of service study based on AWWA guidelines to ensure the adequacy of the rate and to verify that all rates produce operational revenues sufficient to sustain the waterworks system.

The minimum monthly rate is \$448.00.

SECTION TWO: Section 18-82 of the City of Danville Code of Ordinances is hereby amended to read as follows:

(a) There is hereby imposed a nonresident surcharge of one hundred twenty (120) percent to be added to the total water bill, but less taxes, off all residential and commercial consumers outside the city limits purchasing water from the city filtered at the city waterworks. ~~There is hereby imposed a nonresidential surcharge of twenty (20) percent to be added to the total water bill, but less taxes, of all wholesale consumers outside the city limits purchasing water from the city filtered at the city waterworks.~~

(b) There is hereby imposed a nonresident surcharge upon all industrial

customers outside the city limits purchasing water from the city filtered at the city water works, which surcharge shall be equivalent to one hundred twenty (120) percent to be added to the total water bill, but less taxes.

SECTION THREE: This ordinance is effective as of September 1, 2014, or as soon thereafter as each wholesale water purchase contract will allow and is practicable.

SECTION FOUR: If any section, subsection, paragraph, sentence, clause, phrase, or portion of this Ordinance is declared illegal or unconstitutional or otherwise invalid, such declaration shall not affect the remaining portions hereof.

GIVEN FIRST READING AND PASSED 3/25/2014.

GIVEN SECOND READING AND PASSED 3/27/2014.

PUBLISHED IN THE ADVOCATE-MESSENGER 4/2/2014.

APPROVED:

Bernie Hunstad  
BERNIE HUNSTAD, MAYOR

ATTEST:

Donna Peek  
DONNA PEEK, CITY CLERK

W:\Common File City of Danville\Ordinance\2014\Water - Wholesale Contract Rates Ordinance Amendment-2014.doc

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**From:** Earl Coffey <ecoffey@danvilleky.org>  
**Sent:** Tuesday, August 26, 2014 2:07 PM  
**To:** preynolds@garrardwater.com  
**Subject:** Contract and Schedule  
**Attachments:** Water - Wholesale Consumer Rates Ordinance Amendment-2014.doc

Paul,

Please find attached the Ordinance passed by the Commission. I don't have a signed copy right now but will get you one when I get it.

As far as the schedule goes, the long-term RD financing will close in Jan -> April of 2016.

Thanks,  
Earl

City of

# DANVILLE KENTUCKY

P.O. Box 670  
Danville, KY 40425  
(859) 258-1200

August 20, 2014

Lake Village Water Association, Inc.  
Mike D. Sanford, Executive Director  
801 Pleasant Hill Drive  
Burgin, Kentucky 40310  
(859) 748-5642

RE: 2014 Wholesale Water Rate Adjustment

Dear Mr. Sanford,

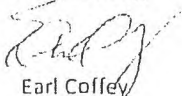
We are providing this letter as the official notice of the 2014 Wholesale Water Rate Adjustment as discussed previously. This letter is to confirm for you the basis for the rate adjustment and also the details of the change.

Recall the City previously indicated its intention to complete a utility rate study this year. The City contracted with a third party, Salt River Engineering, to complete the rate study with a cost of service component and to evaluate and recommend adjustments for all rates charged by the City's municipal utility. The study began this past winter and the wholesale portion of the evaluation has been completed. The rate study was completed consistent with the principles established in the American Water Works Association Manual M-1. The chosen study approach was the *Hybrid Method* (Cash Needs/Utility Basis) which was used to determine the revenue requirements for both owner and non-owner utility customers.

The City Commission accepted the recommendations from the consultant by implementing revised wholesale rates. The implementation of the revised rates will begin with the effective date of September 1<sup>st</sup> 2014. Consistent with the recommendations, the Lake Village Water Association shall pay a Flat Rate of \$2.41 per 1000 gallons consumed or \$1.80 per 100 cubic feet consumed. The minimum bill will not adjust as a result of this change.

As stated previously it is our goal to help you understand the details related to the rate identified. As such we will be more than willing to provide information to provide a better understanding. Please let us know how we may address your questions. We look forward to working with you as we transition into this revised rate.

Respectfully,

  
Earl Coffey  
City Engineer

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## "The City of Firsts"

First City in Kentucky - 1785  
First U.S. Post Office in the West - 1792  
First Successful Urban Planning in the World - 1800

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First Political Club in the West - 1786  
First Constitutional Convention in the West - 1792

First College in the West - 1785  
First Law School in the West - 1790  
First State-Supported School for Deaf - 1825

City of  
**DANVILLE**  
**KENTUCKY**

P.O. Box 670  
Danville, KY 40423  
(859) 258-1200

August 20, 2014

Garrard County Water Association  
Paul Reynolds  
315 Lexington Street  
Lancaster, Kentucky 40444  
(859)792-4501

RE: 2014 Wholesale Water Rate Adjustment

Dear Mr. Reynolds,

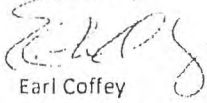
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As stated previously it is our goal to help you understand the details related to the rate identified. As such we will be more than willing to provide information to provide a better understanding. Please let us know how we may address your questions. We look forward to working with you as we transition into this revised rate.

Respectfully,

  
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City Engineer

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City of

**DANVILLE**

**KENTUCKY**

P.O. Box 670  
Danville, KY 40423  
(859) 258-1200

August 20, 2014

Parksville Water District  
c/o Jerry Feathers  
10711 Lebanon Road  
Parksville KY 40464  
859-332-2255

RE: 2014 Wholesale Water Rate Adjustment

Dear Mr. Feathers,

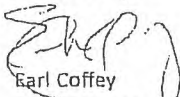
We are providing this letter as the official notice of the 2014 Wholesale Water Rate Adjustment as discussed previously. This letter is to confirm for you the basis for the rate adjustment and also the details of the change.

Recall the City previously indicated its intention to complete a utility rate study this year. The City contracted with a third party, Salt River Engineering, to complete the rate study with a cost of service component and to evaluate and recommend adjustments for all rates charged by the City's municipal utility. The study began this past winter and the wholesale portion of the evaluation has been completed. The rate study was completed consistent with the principles established in the American Water Works Association Manual M-1. The chosen study approach was the *Hybrid Method* (Cash Needs/Utility Basis) which was used to determine the revenue requirements for both owner and non-owner utility customers.

The City Commission accepted the recommendations from the consultant by implementing revised wholesale rates. The implementation of the revised rates will begin with the effective date of September 1<sup>st</sup> 2014. Consistent with the recommendations, the Parksville Water District shall pay a Flat Rate of \$2.68 per 1000 gallons consumed or \$2.00 per 100 cubic feet consumed. The minimum bill will not adjust as a result of this change.

As stated previously it is our goal to help you understand the details related to the rate identified. As such we will be more than willing to provide information to provide a better understanding. Please let us know how we may address your questions. We look forward to working with you as we transition into this revised rate.

Respectfully,

  
Earl Coffey  
City Engineer

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## NOTICE

Notice is hereby given that the City of Danville proposes to increase its rate for wholesale water service to Lake Village Water Association effective November 19, 2014. On October 17, 2014, documentation will be filed with the Kentucky Public Service Commission to increase rates as follows:

### Water Rate

<u>Current Rate</u>	<u>New Rate</u>	<u>\$ Change</u>	<u>% Change</u>
First 20,000 CF \$1.68 per 100 CF		Ave. Month	Ave. Rate
Next 80,000 CF \$1.35 per 100 CF			
Next 100,000 CF \$1.05 per 100 CF			
Next 300,000 CF \$0.96 per 100 CF			
Over 500,000 CF \$0.91 per 100 CF			
Plus 20% surcharge			
All usage	\$2.41/1,000 gal.	\$9,525.33	47.5%

The proposed effective date is November 19, 2014. Water flowing through the meter(s) before the effective date will be charged at the current rate while water flowing through the meter(s) on and after the effective date will be charged at the proposed new rate.

The rates contained in this notice are the rates proposed by the City of Danville but the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

Any person may examine this filing at the offices the Danville City Hall, City Engineer's Office, located at 445 W. Main Street in Danville, Kentucky; telephone (859) 238-1200.

This filing may also be examined at the offices of the Public Service Commission located at 211 Sower Boulevard in Frankfort, Kentucky, Monday through Friday from 8:00am to 4:30pm or through the PSC website at <http://psc.ky.gov>.

Comments regarding the filing may be submitted to the PSC through its website or by mail to Public Service Commission, Post Office Box 615, Frankfort, KY 40602.

A timely written request for intervention that establishes grounds for the request may also be submitted to the PSC. If the PSC does not receive a written request for intervention within thirty (30) days of the date notice was initially provided, the PSC may take final action on the filing.

## NOTICE

Notice is hereby given that the City of Danville proposes to increase its rate for wholesale water service to Parksville Water District effective November 19, 2014. On October 17, 2014, documentation will be filed with the Kentucky Public Service Commission to increase rates as follows:

### Water Rate

<u>Current Rate</u>	<u>New Rate</u>	<u>\$ Change</u>	<u>% Change</u>
First 20,000 CF \$1.68 per 100 CF		Ave. Month	Ave. Rate
Next 80,000 CF \$1.35 per 100 CF			
Next 100,000 CF \$1.05 per 100 CF			
Next 300,000 CF \$0.96 per 100 CF			
Over 500,000 CF \$0.91 per 100 CF			
Plus 20% surcharge			
All usage	\$2.68/1,000 gal.	\$10,308.53	68%

The proposed effective date is November 19, 2014. Water flowing through the meter(s) before the effective date will be charged at the current rate while water flowing through the meter(s) on and after the effective date will be charged at the proposed new rate.

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## NOTICE

Notice is hereby given that the City of Danville proposes to increase its rate for wholesale water service to Garrard County Water Association effective November 19, 2014. On October 17, 2014, documentation will be filed with the Kentucky Public Service Commission to increase rates as follows:

### Water Rate

<u>Current Rate</u>	<u>New Rate</u>	<u>\$ Change</u>	<u>% Change</u>
First 20,000 CF \$1.68 per 100 CF		Ave. Month	Ave. Rate
Next 80,000 CF \$1.35 per 100 CF			
Next 100,000 CF \$1.05 per 100 CF			
Next 300,000 CF \$0.96 per 100 CF			
Over 500,000 CF \$0.91 per 100 CF			
Plus 20% surcharge			
	All usage	\$2.41/1,000 gal.	\$5,666.03 46.3%

The proposed effective date is November 19, 2014. Water flowing through the meter(s) before the effective date will be charged at the current rate while water flowing through the meter(s) on and after the effective date will be charged at the proposed new rate.

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A timely written request for intervention that establishes grounds for the request may also be submitted to the PSC. If the PSC does not receive a written request for intervention within thirty (30) days of the date notice was initially provided, the PSC may take final action on the filing.

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is made and entered into this 7<sup>th</sup> day of October, 1994, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as the "SELLER"; and the PARKSVILLE WATER DISTRICT, hereinafter referred to as "PURCHASER";

W I T N E S S E T H:

WHEREAS, the Seller owns and operates a water supply distribution system and is currently providing water unto Purchaser, Parksville Water District, pursuant to a contract dated December 1, 1964 and

WHEREAS, the Purchaser intends to make improvements to its water service to its customers and in order to do so must borrow money from the United States of America, Farmers Home Administration, and in order to satisfy the requirements of the United States of America, Farmers Home Administration, the Purchaser must have an extension of its right to purchase water from the City of Danville; and

WHEREAS, the Purchaser, Parksville Water District, does now desire to continue to purchase its entire water supply directly from Seller, City of Danville, for the next forty (40) years; and

WHEREAS, the Seller, City of Danville, desires to sell water directly to the Purchaser for the next forty (40) years; and

WHEREAS, resolutions have been duly passed by each of the legislative bodies of the respective parties hereto, which resolutions approved the terms and provisions of this agreement and do further authorize the respective officers of each party to execute this agreement;

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions:



1. The term of this contract shall be for a period of forty (40) years, commencing effective \_\_\_\_\_, 1994.

2. The Seller agrees to furnish the Purchaser at the point of delivery hereinafter specified during the term of this contract potable treated water, meeting applicable purity standards of the state health department, in such quantity as may be required by the Purchaser. The Purchaser specifically agrees and covenants to purchase from the Seller during the term set forth above the Purchaser's entire water needs.

3. The water to be sold hereunder will be furnished at a reasonably constant pressure from the twelve (12") water main location on the Industrial Foundation property parallel to KY 34 approximately 1100 feet from its intersection with Alum Springs Cross Pike. If a greater pressure than normally available at the point of delivery is required by the Purchaser, the costs and means of providing such greater pressure shall be the responsibility of the Purchaser. It shall be the expense and the responsibility of the Purchaser to (a) construct and maintain any line or lines between the Parksville Water District and the point of delivery, (b) purchase and install a water meter consistent with the specifications directed by the Seller's City Engineer, and (c) provide the hookup or connection at the point of delivery, but subject to the supervision and approval of the Seller's City Engineer.

4. The water purchased and sold under this agreement shall be delivered by Saller at the above stated point of delivery and shall pass through and be measured by a meter or meters capable and sufficient to measure the quantity of water so delivered. It shall be the expense and responsibility of the Purchaser to furnish, install, operate and maintain at the point of delivery the necessary equipment, including a meter house or pit, and required devices of standard types for properly measuring the quantity of water delivered to the Purchaser and to calibrate and test for accuracy such metering equipment annually, or at such



other times as are reasonably requested by the Seller. A meter registering not more than 2% above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the three months previous to such tests in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water delivered in the corresponding period immediately prior to the failure shall be considered the amount consumed, unless the Seller and the Purchaser shall agree upon a different amount. The metering equipment shall be read on a regular basis, but not less than once every two months. An appropriate official or representative of the Purchaser shall at all reasonable times have access to the meter for the purpose of verifying its readings.

5. The Purchaser agrees to pay unto Seller for the water delivered in accordance with the following rate schedule:

	QUANTITY (Cu. Ft.)	RATE (\$/100 Cu. Ft.)
First	20,000 cu. ft.	1.68 (Min. 448.00 per mo.)
Next	80,000 cu. ft.	1.35
Next	100,000 cu. ft.	1.05
Next	300,000 cu. ft.	.96
All over	500,000 cu. ft.	.91

In addition to the foregoing schedule of rates, the Purchaser shall further pay unto the Seller a surcharge of twenty percent (20%) added to the total water bill only less taxes.

HOWEVER, the parties understand and agree that if at any time during the term of this agreement the rate charged to the other wholesale or industrial consumers, including other municipalities, independent water districts, or privately owned water companies, are modified, either increased or decreased, the rate of charge to the Purchaser shall automatically be modified to conform to such rates; similarly, it is agreed and understood



that in the event the amount of the surcharge which is charged to all customers outside the city limits of Seller is modified, then the rate of surcharge unto Purchaser shall automatically be modified to conform with such surcharge rate. It is understood and agreed by the parties that modification of the water purchase rate and surcharge thereon shall be at the discretion of the Seller, City of Danville.

6. Payment for such water delivered shall be made promptly and in accordance with the regular billing policy of the Seller, which shall from time to time be in effect. The Seller shall furnish Purchaser with an itemized statement for the amount of water furnished the Purchaser during the preceding period for which the meter was read.

7. The Seller will at all times operate and maintain its system to the point of delivery to Purchaser in a state of reasonable repair and will take such reasonable action as may be necessary to furnish the Purchaser with the quantities of water heretofore set forth. Temporary or partial failure to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or if the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's other customers located outside its corporate limits is reduced or diminished. The obligation of the Seller to supply water is limited, however, by the understanding that while the Seller shall use reasonable care and diligence in the operation and maintenance of its existing system to prevent and avoid interruptions and fluctuations in supply, that nevertheless the Seller does not guarantee that such interruption and fluctuations will not occur. The parties agree that the Seller shall not be liable for the curtailment of supply due to emergencies, breaks, leaks, defects, necessary repairs, fires, strikes, acts of God, or other causes of unusual demand upon its



system. Further, in the event of fire, storm, war, acts of God, or other emergencies, the Seller's City Manager may, without liability attaching to the Seller, and without notice, reduce or temporarily discontinue such water supply. In the event the Seller's City Manager shall be absent from the City of Danville, or be for any reason incapacitated, his power to order reduction or cessation of supply shall vest in the City of Danville's Engineer or the Mayor. In either event, the official determination of emergency shall permit such reduction or cessation during the pendency of the emergency without liability unto the Seller, but with the understanding that the same shall be rectified as quickly as is reasonably possible.

8. It is contemplated and understood that the water sold hereunder is for the purpose of providing for the needs of those residents and businesses located within the boundaries of the Parksville Water District, or within close proximity thereto. It is agreed and understood that the Purchaser shall not circumvent the intention of this contract by the selling of such water, or any portion thereof, unto other municipalities, water districts, or such other entities providing water to persons or businesses not located within the boundaries of the Parksville Water District or within close proximity thereto without the express written consent of the City of Danville.

9. Should a major industrial consumer of water desire to be located in the area served by the Parksville Water District, the Parksville Water District shall not supply water unto said major industrial consumer of water without the express written consent and approval of the City of Danville, which consent and approval shall not be unreasonably withheld. A major industrial consumer of water is defined as one using more than 500,000 gallons of water per month.

10. From and after the date of this Contract, all waterlines and other appurtenant and related water facilities developed within the annexable area as shown and designated in the City of



Danville's Growth Management Area shall be built and constructed according to all applicable construction regulations and specifications for the same or similar facilities developed within the limits of the City of Danville.

11. The parties do hereby agree that this contract agreement shall become effective upon execution by both parties and that the agreement dated December 1, 1964 shall no longer be of any force or effect.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have executed this agreement as of the date first above written.

CITY OF DANVILLE, KENTUCKY  
SELLER

By: William Bunny Davis  
Mayor Pro Tem

PARKSVILLE WATER DISTRICT  
PURCHASER

By: Ronald Russell  
Chairman

ATTEST:

Carol Holcom  
CITY CLERK

ATTEST:

Carl Lifford  
SECRETARY

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by William Bunny Davis, Mayor Pro Tem, a duly authorized officer of the City of Danville, Kentucky, to be his voluntary act and deed and the voluntary act and deed of the City of Danville, Kentucky.

Signed - 10-14-94

Sharon W. Bracker  
NOTARY PUBLIC, STATE AT LARGE, KY  
My Commission Expires: 2-14-95

SEAL)\*\*

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by Ronald Russell, Chairman, a duly authorized officer of the Parksville Water District to be his voluntary act and deed and the voluntary act and deed of the Parksville Water District.

Signed 10-7-94

Chris B. Feather  
NOTARY PUBLIC, STATE AT LARGE, KY  
My Commission Expires: 4-20-99

SEAL)\*\*



ADDENDUM TO WATER PURCHASE CONTRACT

This addendum to the water purchase contract dated the 7<sup>th</sup> day of October, 1994, between the City of Danville, Kentucky, hereinafter referred to as the "Seller", and the Parksville Water District, hereinafter referred to as the "Purchaser", is made and entered into this 28<sup>th</sup> day of October, 1994.

W I T N E S S E T H

WHEREAS, the parties hereto have entered into a contract under which the Seller supplies treated water unto the Purchaser; and

WHEREAS, the Seller owns and operates a water supply distribution system and is currently providing water unto Purchaser, Parksville Water District, pursuant to a contract dated December 1, 1964 and

WHEREAS, the Purchaser intends to make improvements to its water service to its customers and in order to do so must borrow money from the United States of America, Farmers Home Administration, and in order to satisfy the requirements of the United States of America, Farmers Home Administration, and

WHEREAS, the water supply distribution system of the Seller is being extended, and

WHEREAS, the extension of the water supply distribution system is of mutual financial benefit to both the Seller and Purchaser.

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions:

1. The Purchaser is to pay as an agreed cost, a connection fee to connect the Seller's system with the system of the Purchaser, the sum of \$36,000 which shall cover the Purchaser's proportionate share of the water supply distribution system extension. The cost is based on the difference between the cost to the Purchaser of extending an 8" PVC line along the same



route which would have been required if the 12" ductile iron line were not being extended by the Seller.

2. The Seller will engineer and construct the twelve (12) water mains to a point as planned by Quest Engineers dated June 1994.

3. The Purchaser will provide for relocation of the meter pit and assembly at its expense. This pit is to be relocated and used.

4. The Seller will construct a wet tap connecting the new line to the old line for the purpose of a temporary service. This will provide for service to Purchaser during the time of the changing of the water meter pit.

5. Payment will be made within 15 days after completion of the line. Completion shall be defined as first use of the main.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have executed this agreement as of the date first above written.

CITY OF DANVILLE, KENTUCKY  
SELLER

BY:

MAYOR

ATTEST:

CITY CLERK

PARKSVILLE WATER DISTRICT  
PURCHASER

BY:

CHAIRMAN

ATTEST:

SECRETARY



STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by JOHN BOWLING, a  
duly authorized officer of the City of Danville, Kentucky, to be his voluntary  
act and deed and the voluntary act and deed of the City of Danville, Kentucky.

Nicholas Wesley  
NOTARY PUBLIC, STATE AT LARGE, KY

MY COMMISSION EXPIRES: 7-5-1998

SEAL)\*\*

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by RONALD RUSSELL, a  
duly authorized officer of the Parksville Water District, to be his voluntary  
act and deed and the voluntary act and deed of the Parksville Water District.

October 28, 1994

William C. Baker  
NOTARY PUBLIC, STATE AT LARGE, KY

MY COMMISSION EXPIRES: 7/5/97

SEAL)\*\*



### Agreement

This Settlement Agreement is between Parksville Water District ("Parksville"), with its principal office at 10711 Lebanon Road, P.O. Box 9, Parksville, Kentucky 40464, and the City of Danville ("Danville"), a municipal corporation of the third class.

- (1) During the course of proceedings before the Public Service Commission of Kentucky ("Commission") styled Case No. 2007-00406 and Case No. 2008-00176, Danville and Parksville have identified a number of issues and questions relating to usage, calculation of charges, billings, and payments, including purchasing power adjustments made to rates in 2005, 2006, and 2007 and involving periods of time before, during, and after those affected by the purchasing power adjustments.
- (2) This settlement is intended as a resolution of all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009, an agreement about the proper calculation of charges thereafter and currently, and an accord about procedures for considering proposed changes to billing methods and elements in the future.
- (3) The parties acknowledge and agree: that approval by the Commission is necessary for this Settlement Agreement to be effective and binding on either party; and that, if Commission approval of the entire agreement without modification, together with a final and appealable dismissal of the case is not obtained within 90 days of submission to the Commission with a request for approval, then this Settlement Agreement shall be null and void and shall be without any effect whatsoever on the parties' respective rights, arguments, or positions in Case No. 2007-00406, Case No. 2008-00176, or otherwise. If and when approved by the Commission, this Settlement Agreement will operate as an addendum or revision to the existing Water Purchase Contract between Danville and Parksville. Each party agrees that it will neither request rehearing nor seek judicial review of any Commission order approving the entire agreement without modification.
- (4) Danville and Parksville agree to compromise all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009 for the payment by Danville to Parksville of the amount of \$ 38,171.18. Danville will pay that amount to Parksville in one lump-sum within 5 days following the close of any

period in which a timely rehearing request or review action may be filed from a final and appealable Commission order approving this Settlement Agreement in its entirety and without modification.

- (5) Danville and Parksville agree that charges for water supplied to Parksville are to be calculated at this time as follows:
- (a) for water supplied, with rates stated on a per 100 cubic foot (ccf) basis:

first 20,000 cu. ft.	\$1.68 per ccf
next 80,000 cu. ft.	\$1.35 per ccf
next 100,000 cu. ft.	\$1.05 per ccf
next 300,000 cu. ft.	\$0.96 per ccf
all over 500,000 cu. ft.	\$0.91 per ccf
  - (b) plus a 20% surcharge, applied to the total water charge (but not to any applicable fees or taxes);
  - (c) plus any applicable fee or tax by a third-party authority, which currently consists of a \$0.0165 per ccf (\$0.022 per 1000 gallons) Kentucky River Authority charge, to be stated as a separate line item on the bill.
  - (d) Although there are multiple meters, dials, or accounts for service to Parksville, measured usage will be totaled for all meters, dials, or accounts and the rates in subpart (a) applied to the total monthly usage amount.

Parksville acknowledges that other wholesale customers of Danville have rates different from those listed in subpart (a).

- (6) Danville and Parksville retain the right and ability to make changes to their existing Water Purchase Contract (as it may be supplemented or amended by this Settlement Agreement) through a writing signed on behalf of both parties. Changes are to be filed with the Commission no fewer than 30 days prior to the date on which the changes are to become effective (unless a shorter period is requested and granted). As an alternative, Danville and Parksville agree that changes in billing methods, rates, and other elements, may be made in the future as follows:
- (a) Either party may propose a change affecting the amount billed — whether to the rates, surcharge percentage, or otherwise — by notifying the other party in writing

of the proposed change and proposed effective date and providing an explanation or justification of the proposed change. Such notice shall be provided at least 90 days in advance of the proposed change being made.

- (b) The other party shall have 45 days from receipt of the notice in which to object in writing to the proposed change; if the other party does not so object within 45 days, then the rate change is to be made according to the notice given.
  - (c) If the other party does so object, then the proposing party may apply to the Commission for the proposed change, to become effective no fewer than 30 days from the date the application is filed (unless a shorter period is requested and granted).
- (7) To the extent that the parties provide herein for approval by or application/notice to the Commission, they do so based on the existing situation in which the Commission asserts jurisdiction and authority over such matters. If by legislative action, court ruling, or Commission order or regulation it is determined that the Commission has not had or thenceforth shall not have jurisdiction and authority over one or more such matters (generally or as between Danville and Parksville), then the parties agree that:
- (a) their rights, obligations, and undertakings under paragraphs (1) - (5) above shall remain unaffected thereby; however,
  - (b) paragraph (6) above shall thereafter be null and void, and the parties' rights, obligations, and undertakings regarding such changes or matters shall be determined without reference to this Settlement Agreement.

AGREED on this 1st day of June, 2009.

Parksville Water District

By: Ronald Russell

Parksville Water District

City of Danville

By: \_\_\_\_\_

Hugh C. Coomer, Mayor

### Agreement

This Settlement Agreement is between Parksville Water District ("Parksville"), with its principal office at 10711 Lebanon Road, P.O. Box 9, Parksville, Kentucky 40464, and the City of Danville ("Danville"), a municipal corporation of the third class.

- (1) During the course of proceedings before the Public Service Commission of Kentucky ("Commission") styled Case No. 2007-00406 and Case No. 2008-00176, Danville and Parksville have identified a number of issues and questions relating to usage, calculation of charges, billings, and payments, including purchasing power adjustments made to rates in 2005, 2006, and 2007 and involving periods of time before, during, and after those affected by the purchasing power adjustments.
- (2) This settlement is intended as a resolution of all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009, an agreement about the proper calculation of charges thereafter and currently, and an accord about procedures for considering proposed changes to billing methods and elements in the future.
- (3) The parties acknowledge and agree: that approval by the Commission is necessary for this Settlement Agreement to be effective and binding on either party; and that, if Commission approval of the entire agreement without modification, together with a final and appealable dismissal of the case is not obtained within 90 days of submission to the Commission with a request for approval, then this Settlement Agreement shall be null and void and shall be without any effect whatsoever on the parties' respective rights, arguments, or positions in Case No. 2007-00405, Case No. 2008-00176, or otherwise. If and when approved by the Commission, this Settlement Agreement will operate as an addendum or revision to the existing Water Purchase Contract between Danville and Parksville. Each party agrees that it will neither request rehearing nor seek judicial review of any Commission order approving the entire agreement without modification.
- (4) Danville and Parksville agree to compromise all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009 for the payment by Danville to Parksville of the amount of \$ 38,171.18. Danville will pay that amount to Parksville in one lump-sum within 5 days following the close of any

period in which a timely rehearing request or review action may be filed from a final and appealable Commission order approving this Settlement Agreement in its entirety and without modification.

- (5) Danville and Parksville agree that charges for water supplied to Parksville are to be calculated at this time as follows:
- (a) for water supplied, with rates stated on a per 100 cubic foot (ccf) basis:

first 20,000 cu. ft.	\$1.68 per ccf
next 80,000 cu. ft.	\$1.35 per ccf
next 100,000 cu. ft.	\$1.05 per ccf
next 300,000 cu. ft.	\$0.96 per ccf
all over 500,000 cu. ft.	\$0.91 per ccf
  - (b) plus a 20% surcharge, applied to the total water charge (but not to any applicable fees or taxes);
  - (c) plus any applicable fee or tax by a third-party authority, which currently consists of a \$0.0165 per ccf (\$0.022 per 1000 gallons) Kentucky River Authority charge, to be stated as a separate line item on the bill.
  - (d) Although there are multiple meters, dials, or accounts for service to Parksville, measured usage will be totaled for all meters, dials, or accounts and the rates in subpart (a) applied to the total monthly usage amount.

Parksville acknowledges that other wholesale customers of Danville have rates different from those listed in subpart (a).

- (6) Danville and Parksville retain the right and ability to make changes to their existing Water Purchase Contract (as it may be supplemented or amended by this Settlement Agreement) through a writing signed on behalf of both parties. Changes are to be filed with the Commission no fewer than 30 days prior to the date on which the changes are to become effective (unless a shorter period is requested and granted). As an alternative, Danville and Parksville agree that changes in billing methods, rates, and other elements, may be made in the future as follows:
- (a) Either party may propose a change affecting the amount billed — whether to the rates, surcharge percentage, or otherwise — by notifying the other party in writing

of the proposed change and proposed effective date and providing an explanation or justification of the proposed change. Such notice shall be provided at least 90 days in advance of the proposed change being made.

- (b) The other party shall have 45 days from receipt of the notice in which to object in writing to the proposed change; if the other party does not so object within 45 days, then the rate change is to be made according to the notice given.
  - (c) If the other party does so object, then the proposing party may apply to the Commission for the proposed change, to become effective no fewer than 30 days from the date the application is filed (unless a shorter period is requested and granted).
- (7) To the extent that the parties provide herein for approval by or application/notice to the Commission, they do so based on the existing situation in which the Commission asserts jurisdiction and authority over such matters. If by legislative action, court ruling, or Commission order or regulation it is determined that the Commission has not had or thenceforth shall not have jurisdiction and authority over one or more such matters (generally or as between Danville and Parksville), then the parties agree that:
- (a) their rights, obligations, and undertakings under paragraphs (1) - (5) above shall remain unaffected thereby; however,
  - (b) paragraph (6) above shall thereafter be null and void, and the parties' rights, obligations, and undertakings regarding such changes or matters shall be determined without reference to this Settlement Agreement.

AGREED on this 1st day of June, 2009.

**Parksville Water District**

By: \_\_\_\_\_

Parksville Water District

**City of Danville**

By:  \_\_\_\_\_

Hugh C. Coomer, Mayor

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is made and entered into this 23rd day of July, 1999, by and between the City of Danville, Kentucky, a municipal corporation of the third class, sometimes hereinafter referred to as "Seller", and Garrard County Water Association, Inc., hereinafter referred to as "Purchaser";

W I T N E S S E T H

WHEREAS, the Seller owns and operates a water supply distribution system and desires to sell water to the Purchaser; and

WHEREAS, the Purchaser desires to purchase water from the Seller, and

WHEREAS, resolutions have been duly enacted by each of the governing bodies of the respective parties hereto, which resolutions approved the terms and provisions of this agreement and do further authorize the respective representatives of each party to execute this agreement.

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereby do now agree to the following terms and conditions:

1. The term of this contract shall be for a period of 45 years, commencing on or before the first day of October, 1999, and ending on the first day of October, 2044.

2. The Seller agrees to furnish the Purchaser at the point of delivery specified and set forth on Addendum a (attached hereto and incorporated by reference) during the term of this contract treated water suitable for human consumption and meeting applicable purity and safety standards, in a quantity not to exceed 300,000 gallons per day, 9,000,000 gallons per month. The Purchaser specifically agrees and covenants to purchase from Seller during the term set forth above and not exceeding the limits set forth above, unless a written agreement is had to the contrary.

3. The water, to be sold hereunder will be furnished at a point set forth in the attached addendum. If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the costs and means of providing such greater pressure shall be the responsibility of the Purchaser. It shall be the expense and the responsibility of the Purchaser to (a) construct and maintain any line or lines beyond the point of delivery, (b) purchase and install a water meter and necessary appurtenant facilities consistent with the specifications directed by the Seller's City Engineer, and (c) provide the hook-up or connection at the point of delivery, but subject to the supervision and the approval of the Seller's City Engineer.

4. The water purchased and sold under this agreement shall be delivered by Seller at the above-stated point of delivery and shall pass through and be measured by a meter capable and sufficient to measure the quantity of water so delivered. It shall

be the expense and responsibility of the Purchaser to furnish, install, and maintain the necessary metering equipment, the same to be determined by the Seller's City Engineer, and any required devices of standard types for property measuring the quantity of water delivered to the Purchaser and the responsibility of the Seller to calibrate and test for accuracy such metering equipment annually, or at such other times that are reasonably requested by either party. A meter registering not more than 2% above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for the six (6) months previous to such tests in accordance with the percentage of inaccuracy found by such tests.

If any meter fails to register for any period, the amount of water delivered in the corresponding period immediately prior to the failure shall be considered the amount consumed, unless the Seller and Purchaser shall agree upon a different amount. The metering equipment shall be read on a regular basis, but not less than once every month. An appropriate official or representative of the Purchaser shall at all reasonable times have access to the meter for the purpose of verifying its readings.

5. The Purchaser agrees to pay to Seller for water delivered in accordance with the following rate schedule based on monthly consumption:

Quantity (Cu Ft)	Rate (\$/100 Cu Ft)
---------------------	------------------------

First	20,000 cu ft	\$1.68
Next	80,000 cu ft	\$1.44
Next	100,000 cu ft	\$1.20
Next	300,000 cu ft	\$1.06
All over	500,000 cu ft	\$0.86

6. In addition to the foregoing schedule of rates, the Purchaser shall further pay to Seller a surcharge of twenty percent (20%) to be added to the total water bill (not including any applicable taxes or fees).

HOWEVER, the parties understand and agree that if at any time during the term of this agreement the rate charged to other wholesale consumers, including other municipalities, independent water districts, or privately owned water companies, are modified, either increased or decreased, the rate of charge to the Purchaser shall automatically be modified to confirm to such rates; similarly, it is agreed and understood that in the event the amount of the surcharge which is charged to all wholesale customers outside the city limits of Seller, is modified, then the rate of surcharge unto Purchaser shall automatically be modified to conform with such surcharge rate. It is understood and agreed by the parties that modification of the water purchase rate and the surcharge thereon shall be at the discretion of the Seller, City of Danville. The City of Danville shall be required to give a written five (5) month advance notice of any rate increase and comply with any applicable Public Service Commission rulings.

7. The Purchaser shall not consume more than the monthly limit without written permission from the Seller except in the case

of an emergency. If an emergency so arises, it shall be the duty of the Purchaser to immediately notify the Seller by telephone of such said emergency and its expected duration and then to follow-up the said telephonic notice with written notice within 24 hours served by certified mail, return receipt requested and that this exception does not apply if the reason for the emergency is due to drought or otherwise lack of rain.

8. Payment for such water delivered shall be made promptly and in accordance with the regular billing policy of the Seller, which shall from time to time, be in effect. The Seller shall furnish Purchaser with an itemized statement of the amount of water furnished the Purchaser during the proceeding period for which the meter was read.

9. The Seller will at all times operate and maintain its system to the point of delivery to Purchaser in a state of reasonable repair and will take such reasonable action as may be necessary to furnish the Purchaser with the quantities of water heretofore set forth. Temporary or partial failure to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or if the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's other customers located outside its corporate limits is reduced or diminished. Seller will afford priority to customers

within the City of Danville. The obligation of the Seller to supply water is limited, however, by the understanding that while the Seller shall use reasonable care and diligence in the operation and maintenance of its existing system to prevent and avoid interruptions or fluctuations in supply, that nevertheless the Seller does not guarantee that such interruptions and fluctuations will not occur. The parties agree that the Seller shall not be liable for the curtailment of supply due to emergencies, breaks, leaks, defects, necessary repairs, fires, strikes, acts of God, or other causes of unusual demand upon its system. Further, in the event of fire, storm, war, acts of God, or other emergencies, the Seller's City Manager may, without liability attaching to the Seller, and without notice, reduce or temporarily discontinue such water supply. In the event the Seller's City Manager shall be absent from the City of Danville, or be for any reason incapacitated, his power to order reduction or cessation of supply shall vest in the City of Danville's Fire Chief, or if he shall be absent or incapacitated, then in the Seller's City Engineer. In either event, the official determination of emergency shall permit such reduction or cessation during the emergency without liability unto the Seller, but with the understanding that same shall be rectified as quickly as is reasonably possible.

10. It is contemplated and understood that the water sold hereunder is for the purpose of providing for the needs of consumers located within the jurisdiction of the Purchaser. It is

agreed and understood the Purchaser shall not circumvent the intention of this contract by the selling of such water, or any portion thereof, unto other municipalities, water districts, or such other entities providing water to consumers not located within the jurisdiction of the Purchaser herein, without the express written consent of the City of Danville.

11. Should major industrial consumer of water desire to located within the area served by the Purchaser, the Purchaser shall not supply water unto said major industrial consumer of water without the express written consent and approval of the City of Danville, which consent and approval shall not be unreasonably withheld. A major industrial consumer of water is defined as one using more than 500,000 gallons of water per month.

12. The parties acknowledge that Seller obtains its raw water from Herrington Lake pursuant to an agreement with Kentucky Utilities Company dated April 14, 1970, under which Agreement the sale of water to the Purchaser herein may be subject to the approval or disapproval of said Kentucky Utilities Company. In the event Kentucky Utilities Company fails to grant approval, or in the event Kentucky Utilities Company grants approval but subsequently revokes such approval, or in the event the Kentucky Utility Company undertakes any action to prohibit or limit the sale of water specifically to the Purchaser herein or to the City of Danville, the City of Danville shall have only a good faith duty to negotiate the matter with Kentucky Utilities Company, but shall not be held

liable for any cessation or reduction in the amount of water provided to the Purchaser herein which results directly from such action by Kentucky Utilities Company.

13. By execution of this contract, the undersigned parties do hereby acknowledge that all prior contracts or agreements between these parties relative to the sale and purchase of water are hereby rescinded and of no further force and effect.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized representatives, have executed this agreement effective the date first above written.

SELLER  
CITY OF DANVILLE, KENTUCKY

BY: Alex W. Stevens  
MAYOR

ATTEST: Cindi Woolson  
CITY CLERK

PURCHASER  
THE GARRARD COUNTY WATER ASSOC., INC.

BY: Mark Clark  
PRESIDENT

ATTEST: Robert W. Eads  
SECRETARY

#### ADDENDUM A

Following is a description of the expected connection to the City of Danville system, by Garrard County Water Association.

1). The point of connection will be made to the existing 12-inch water main currently located on the City of Danville property on Gun Range Road, this point of connection being just south of an existing meter vault where there will be installed appropriate equipment to check flows in the main to determine if leaks may exist under the lake.

2). The Purchaser will be responsible for construction of the water mains including those under the lake as well as work necessary for connections and metering. The Purchaser will also be responsible for any repair work to said equipment and water mains.

The Purchaser will not be responsible for leaks in unmetered portions of the mains provided repairs are made in a timely manner.

3). The meter to measure water to the Purchaser shall be located on the East Side of the lake on the northwest corner of the Jim Bryant property near the end of Bryant's Camp Road and accessible without interference of private property.

### Agreement

This Settlement Agreement is between Garrard County Water Association, Inc. ("GCWA"), with its principal office at 315 Lexington Road, P.O. Box 670, Lancaster, Kentucky 40444, and the City of Danville ("Danville"), a municipal corporation of the third class.

- (1) During the course of a proceeding before the Public Service Commission of Kentucky ("Commission") styled Case No. 2008-00176, Danville and GCWA have identified a number of issues and questions relating to usage, calculation of charges, billings, and payments, including purchasing power adjustments made to rates in 2005, 2006, and 2007 and involving periods of time before, during, and after those affected by the purchasing power adjustments.
- (2) This settlement is intended as a resolution of all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009, an agreement about the proper calculation of charges thereafter and currently, and an accord about procedures for considering proposed changes to billing methods and elements in the future.
- (3) The parties acknowledge and agree: that approval by the Commission is necessary for this Settlement Agreement to be effective and binding on either party; and that, if Commission approval of the entire agreement without modification, together with a final and appealable dismissal of the case is not obtained within 90 days of submission to the Commission with a request for approval, then this Settlement Agreement shall be null and void and shall be without any effect whatsoever on the parties' respective rights, arguments, or positions in Case No. 2008-00176 or otherwise. If and when approved by the Commission, this Settlement Agreement will operate as an addendum or revision to the existing Water Purchase Contract between Danville and GCWA.
- (4) Danville and GCWA agree to compromise all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009 for the payment by Danville to GCWA of the amount of \$ 18,270.44. Danville will pay that amount to GCWA by crediting one-twelfth of that amount to each month of 2010 and supply charges following the close of any period in which a timely rehearing request or

Agreement page 1 of 3

KENTUCKY PUBLIC SERVICE COMMISSION
JEFFREY DEBOLEN EXECUTIVE DIRECTOR TARIFF BRANCH
<i>Brent Kintley</i>
EFFECTIVE 8/17/2010 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

review action is still possible from a final and appealable Commission order approving this Settlement Agreement in its entirety and without modification.

- (5) Danville and GCWA agree that charges for water supplied to GCWA are to be calculated at this time as follows:

- (a) for water supplied, with rates stated on a per 100 cubic foot (ccf) basis:

first 20,000 cu. ft.	\$1.68 per ccf
next 80,000 cu. ft.	\$1.44 per ccf
next 100,000 cu. ft.	\$1.20 per ccf
next 300,000 cu. ft.	\$1.06 per ccf
all over 500,000 cu. ft.	\$0.86 per ccf

- (b) plus a 20% surcharge, applied to the total water charge (but not to any applicable fees or taxes);
- (c) plus any applicable fee or tax by a third-party authority, which currently consists of a \$0.0165 per ccf (\$0.022 per 1000 gallons) Kentucky River Authority charge, to be stated as a separate line item on the bill.
- (d) If there are multiple meters, dials, or accounts for service to GCWA, measured usage will be totaled for all meters, dials, or accounts and the rates in subpart (a) applied to the total monthly usage amount.

GCWA acknowledges that other wholesale customers of Danville have rates different from those listed in subpart (a).

- (6) Danville and GCWA retain the right and ability to make changes to their existing Water Purchase Contract (as it may be supplemented or amended by this Settlement Agreement) through a writing signed on behalf of both parties. Changes are to be filed with the Commission no fewer than 30 days prior to the date on which the changes are to become effective (unless a shorter period is requested and granted). As an alternative, Danville and GCWA agree that changes in billing methods, rates, and other elements ~~and other elements~~ made in the future as follows:

- (a) Either party may propose a change affecting the amount billed — whether to the rates, surcharge percentage, or otherwise — by notifying the ~~Commission~~ <sup>Tariff Branch</sup> *Brent Kintley* ing

Agreement page 2 of 3

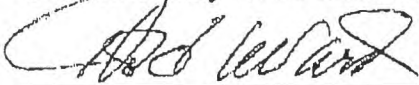
<del>RENTON</del> PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR TARIFF BRANCH
<i>Brent Kintley</i>
EFFECTIVE <b>8/17/2010</b> PURSUANT TO 807 KAR 5-011 SECTION 9 (1)

of the proposed change and proposed effective date and providing an explanation or justification of the proposed change. Such notice shall be provided at least 90 days in advance of the proposed change being made.

- (b) The other party shall have 45 days from receipt of the notice in which to object in writing to the proposed change; if the other party does not so object within 45 days, then the rate change is to be made according to the notice given.
  - (c) If the other party does so object, then the proposing party may apply to the Commission for the proposed change, to become effective no fewer than 30 days from the date the application is filed (unless a shorter period is requested and granted).
- (7) To the extent that the parties provide herein for approval by or application/notice to the Commission, they do so based on the existing situation in which the Commission asserts jurisdiction and authority over such matters. If by legislative action, court ruling, or Commission order or regulation it is determined that the Commission has not had or thenceforth shall not have jurisdiction and authority over one or more such matters (generally or as between Danville and GCWA), then the parties agree that:
- (a) their rights, obligations, and undertakings under paragraphs (1) - (5) above shall remain unaffected thereby; however,
  - (b) paragraph (6) above shall thereafter be null and void, and the parties' rights, obligations, and undertakings regarding such changes or matters shall be determined without reference to this Settlement Agreement.

AGREED as of this 1st day of June, 2009.

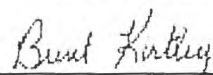
Garrard County Water Association, Inc.



Harold C. Ward, President/Executive Director

City of Danville

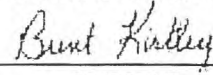
Hugh C. Coomer, Mayor

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH 
EFFECTIVE <b>8/17/2010</b> PURSUANT TO 807 KAR 5.011 SECTION 9 (1)

### Agreement

This Settlement Agreement is between Garrard County Water Association, Inc. ("GCWA"), with its principal office at 315 Lexington Road, P.O. Box 670, Lancaster, Kentucky 40444, and the City of Danville ("Danville"), a municipal corporation of the third class.

- (1) During the course of a proceeding before the Public Service Commission of Kentucky ("Commission") styled Case No. 2008-00176, Danville and GCWA have identified a number of issues and questions relating to usage, calculation of charges, billings, and payments, including purchasing power adjustments made to rates in 2005, 2006, and 2007 and involving periods of time before, during, and after those affected by the purchasing power adjustments.
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- (3) The parties acknowledge and agree: that approval by the Commission is necessary for this Settlement Agreement to be effective and binding on either party; and that, if Commission approval of the entire agreement without modification, together with a final and appealable dismissal of the case is not obtained within 90 days of submission to the Commission with a request for approval, then this Settlement Agreement shall be null and void and shall be without any effect whatsoever on the parties' respective rights, arguments, or positions in Case No. 2008-00176 or otherwise. If and when approved by the Commission, this Settlement Agreement will operate as an addendum or revision to the existing Water Purchase Contract between Danville and GCWA.
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PUBLIC SERVICE COMMISSION KENTUCKY JEFF R. DEROUEN PUBLIC SERVICE COMMISSION TARIFF BRANCH  EFFECTIVE <b>8/17/2010</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)
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review action is still possible from a final and appealable Commission order approving this Settlement Agreement in its entirety and without modification.

- (5) Danville and GCWA agree that charges for water supplied to GCWA are to be calculated at this time as follows:

- (a) for water supplied, with rates stated on a per 100 cubic foot (ccf) basis:

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next 100,000 cu. ft.	\$1.20 per ccf
next 300,000 cu. ft.	\$1.06 per ccf
all over 500,000 cu. ft.	\$0.86 per ccf

- (b) plus a 20% surcharge, applied to the total water charge (but not to any applicable fees or taxes);
- (c) plus any applicable fee or tax by a third-party authority, which currently consists of a \$0.0165 per ccf (\$0.022 per 1000 gallons) Kentucky River Authority charge, to be stated as a separate line item on the bill.
- (d) If there are multiple meters, dials, or accounts for service to GCWA, measured usage will be totaled for all meters, dials, or accounts and the rates in subpart (a) applied to the total monthly usage amount.

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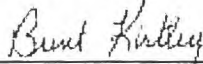
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- (a) Either party may propose a change affecting the amount billed — whether to the rates, surcharge percentage, or otherwise — by notifying the *Brent Kintley* Tariff Branch

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH <i>Brent Kintley</i>
EFFECTIVE <b>8/17/2010</b> PURSUANT TO 807 KAR 5.011 SECTION 9 (1)

of the proposed change and proposed effective date and providing an explanation or justification of the proposed change. Such notice shall be provided at least 90 days in advance of the proposed change being made.

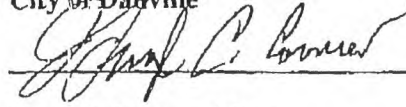
- (b) The other party shall have 45 days from receipt of the notice in which to object in writing to the proposed change; if the other party does not so object within 45 days, then the rate change is to be made according to the notice given.
  - (c) If the other party does so object, then the proposing party may apply to the Commission for the proposed change, to become effective no fewer than 30 days from the date the application is filed (unless a shorter period is requested and granted).
- (7) To the extent that the parties provide herein for approval by or application/notice to the Commission, they do so based on the existing situation in which the Commission asserts jurisdiction and authority over such matters. If by legislative action, court ruling, or Commission order or regulation it is determined that the Commission has not had or thenceforth shall not have jurisdiction and authority over one or more such matters (generally or as between Danville and GCWA), then the parties agree that:
- (a) their rights, obligations, and undertakings under paragraphs (1) - (5) above shall remain unaffected thereby; however,
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KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH 
EFFECTIVE <b>8/17/2010</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

AGREED as of this 1st day of June, 2009.

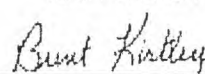
Garrard County Water Association, Inc.

City of Danville



Harold C. Ward, President/Executive Director

Hugh C. Coomer, Mayor

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH 
EFFECTIVE <b>8/17/2010</b> PURSUANT TO 807 KAR 5.011 SECTION 9 (1)

Rec'd from  
Wm Schmidt  
12/1/69

- 14 -

This AGREEMENT made and entered into this the 29 day of May, 1969 by and between the City of Danville, Kentucky, a Municipal Corporation of the Third Class in Boyle County, Kentucky, hereinafter referred to as the SELLER and the Lake Village Water Association, Inc., a Non-profit Corporation of Danville, Boyle County, Kentucky, hereinafter referred to as the PURCHASER.

RECEIVED

W I T N E S S E T H:

SEP 09 1994

PUBLIC SERVICE  
COMMISSION

WHEREAS, the Purchaser has organized and established under the provisions of Kentucky Revised Statutes, Chapter 273, for the purpose of constructing and operating a water supply distribution system serving water users within the area described in plans now on file in the Office of the Purchaser and to accomplish this purpose, the Purchaser will require a supply of treated water, and,

WHEREAS, the Seller owns and operates a water supply distribution system with the capacity capable of serving the present customers of the Sellers system and the estimated number of water users to be served by the said Purchaser as shown in the plans of the system now on file in the office of the Purchaser, and,

WHEREAS, by Resolution enacted on the 13 day of MAY, 1969, by the Common Council of the City of Danville, Kentucky, the sale of water to the Purchaser in accordance with the provisions of said Resolution was approved, and the execution of this contract carrying out the provisions of said Resolution, by the Mayor and attested by the Clerk was duly authorized, and,

WHEREAS, by Resolution of the Board of Directors of the Lake Village Water Association, Inc., enacted on the 29 day of May, 1969, the Purchaser of water from the Seller in accordance with the terms set forth in said Resolution was approved and the execution of this contract by the President and attested by the Secretary was duly authorized:

PUBLIC SERVICE COMMISSION

OFFICE OF THE  
COMMISSIONER

OCT 06 1994

PURSUANT TO 807 KAR 5011,

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

FOR THE \_\_\_\_\_

1. The Seller agrees to furnish the Purchaser at the point of delivery hereinafter specified during the term of this contract or any renewal or extensions thereof, all of its needs for potable treated water meeting applicable purity standards of the Kentucky Department of Health and Purchaser shall purchase from the Seller all of its needs for filtered water suitable for human consumption in such quantity as may be required by the Purchaser not to exceed however two million gallons per month.

CCT 06 1994

2. The water to be sold hereunder will be furnished at a reasonably constant pressure calculated at sixty psi from an existing twelve inch main supply at a point located at the entrance to Melrose Farm on U. S. Highway 27, and a twelve inch main supply at a point on Kentucky Highway 33, near the Danville city limits. If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply due to the main supply line breaks, power failures, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the Seller from this provision for such reasonable period of time as may be necessary to restore service.

3. The water purchased and sold under this agreement shall be delivered by Purchaser at the points designated in Paragraph 2, and there shall be run through meters to measure the quantity of water delivered to the Purchaser. The Purchaser shall receive the water into its control at this point, the acquisition, installation, and maintenance of such meters shall be paid for by the Purchaser, but the type, style and adequacy of the meters shall be subject to Seller's approval. The meters shall be calibrated or tested for accuracy annually, or on request of either party. A meter registering

not more than two percent above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the three months previous to such tests in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water delivered in the corresponding period immediately prior to the failure, unless Seller and Purchaser shall agree upon a different amount. The metering equipment shall be read on a regular basis, not less than once every two months. An appropriate official of the Purchaser at all reasonable times shall have access to the meter for the purpose of verifying its readings.

4. The Seller shall furnish the Purchaser at the above address with an itemized statement of the amount of water furnished the Purchaser during the preceeding period for which the meter was read, which billing procedure shall follow not more than fifteen (15) days the date of such reading.

5. The Purchaser agrees to pay to the Seller monthly upon receiving a bill therefore for water delivered, in accordance with the following schedule of rates, plus applicable state sales and use taxes:

First 150,000 gallons at forty-eight (48) cents per thousand gallons, (minimum bill sixty-two dollars (\$62.00)).

Next 600,000 gallons at thirty-two (32) cents per thousand gallons.

Next 750,000 gallons at twenty-five and six tenths (25.6) cents per thousand gallons.

Next 3,750,000 gallons at twenty-two and four tenths (22.4) cents per thousand gallons.

All over 7,500,000 gallons at sixteen (16) cents per thousand gallons.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY

OCT 06 1994

PURSUANT TO 207 KAR 50.11,  
SECTION 4(1)

BY: [Signature] DATE: [Signature]

6. The Purchaser will pay as an agreed cost a connection fee to connect the Sellers system with the system of the Purchaser, the sum of Twenty Thousand Dollars (\$20,000.00), which shall cover any and all costs of the Seller as a result of the two service connections provided for herein.

7. This contract shall extend for a term of thirty (30) years beginning \_\_\_\_\_, 1969. At the expiration of the thirty (30) year term of this Agreement, the Purchaser shall have the option to extend the term thereof for an additional thirty (30) years, which option will be automatically exercised by the Purchaser, unless the Purchaser shall, not less than ninety (90) days prior to the expiration of the first thirty (30) year term, serve written notice by registered mail upon the then Mayor of the Seller, of the Purchaser's intention not to exercise said option. Said option shall be upon the same terms and conditions as this contract.

8. Sixty (60) days prior to the estimated date of completion of construction of the Purchaser's water supply distribution system, the Purchaser will notify the Seller in writing the date for the initial delivery of water.

9. When requested by the Purchaser, the Seller will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing and trench filling the system of the Purchaser during construction, irrespective of whether the metering equipment has been installed at that time, at a flat charge of two hundred dollars (\$200), which will be paid by the contractor, or, upon his failure to pay, by the Purchaser.

10. The Seller will at all times operate and maintain its system to the points of delivery to Purchaser in an efficient manner and will take such action as may be necessary to furnish the Purchaser with quantities of water required by the Purchaser provided herein. Temporary or partial failures to deliver water shall be

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
FILE NO. 100-100000

OCT 10 1969

PURSUANT TO KRS 601.1,  
SECTION 3

commercial consumers within the City of Danville, or charged to other municipalities, independent water districts, or privately owned water companies similarly situated.

12. This contract is subject to such rules, regulations or laws as may be applicable to similar agreements in the Commonwealth of Kentucky, and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or other documents as may be required to comply therewith.

13. The construction of the water distribution system of the Purchaser is being financed by a loan made or insured by, and/or a grant for the United States of America acting through the Farmers Home Administration of the United States Department of Agriculture, and the provisions hereof pertaining to the undertaking of the Purchaser are conditioned upon the approval in writing of the State Director of the Farmers Home Administration.

14. It is contemplated that the Purchaser shall resell the water purchased under this Agreement to residents and subdivisions lying North and East of the City of Danville, Kentucky, but none shall be resold to other municipalities, independent water districts or privately owned water companies. Nor will the Purchaser undertake to furnish, serve or supply water to any industrial facilities or manufacturing plant located in such area which is not in existence as of this date or to any scientific, educational, health or research facility located any where in Boyle County, Kentucky without the expressed consent in writing of the City of Danville and Kentucky Utilities Company, pursuant to proper resolution of their then respective governing bodies.

15. For a breach or threaten breach of the provisions of this Agreement, a restraining order or temporary or permanent injunction may issue, and the parties agree and intend by this Agreement to confer on each party a right of specific performance of this contract, whether or not such parties may otherwise have an adequate remedy at law.

PURSUANT TO 807 KAR 5011, 3

SECTION 6(1)

BY: [Signature]  
FOR THE

OCT 06 1994

remedied with all possible dispatch. In the event of an extended shortage of water, or if the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's other customers located outside its corporate limits is reduced or diminished. The obligation of the Seller to supply water is limited, however, with the understanding that while the Seller shall use reasonable care and diligence in the operation and maintenance of its existing system to prevent and avoid interruption or fluctuations in supply, but the Seller does not guarantee that such interruptions and fluctuations will not occur. The parties agree that the Seller shall not be liable for the curtailment of supply due to emergencies, breaks, leaks, defects, necessary repairs, fires, strikes, acts of God or other causes of unusual demand upon its system. Further, in the event of fire, storm, war, pestilence, acts of God, or other emergency, Seller's City Administrator or may, without liability attaching to the Seller, and without notice, reduce or temporarily discontinue such water supply. In the event, the administrator or manager of the Seller be absent from the Seller's city, or be for any reason incapacitated, his power to order reduction or cessation of supply shall vest in first the Fire Chief of Danville, and if he be absent or incapacitated in the Superintendent of Public Works of the Seller. In either event, the official determination of emergency shall, PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE OCT 06 1994 or cessation during the pendency of the emergency without liability, but shall be rectified as quickly as possible.

11. If at any time during the term of this Agreement, PURSUANT TO 207 KAR 50.01 SECTION 5(1) during the term of this Agreement as extended by the exercise of the option set forth above, the rates for local commercial consumption within the City of Danville, or charged to other municipalities, independent water districts or privately owned water companies are charged, either raised or lowered, the rate of charge to the Purchaser shall automatically be change to conform to the local rates for

16. In connecting with Seller's systems at the two points of delivery provided in Paragraph Two (2), Purchaser shall make its connection by tapping Seller's system at a point not less than 25 feet south of the northernmost terminus of such lines and install gate valves thereto.

IN TESTIMONY WHEREOF, the Parties hereto, acting under the authority of the respective governing bodies, have caused this contract to be duly executed in \_\_\_\_\_ counterparts, each of which shall constitute an original.

CITY OF DANVILLE, KENTUCKY

BY: *Robert M. [Signature]*

MAYOR

ATTEST:

*Dorothy Van Kille*  
CITY CLERK

(S E A L)

LAKE VILLAGE WATER ASSOCIATION, INC.

BY: *William [Signature]*

PRESIDENT

ATTEST:

*W. N. Graham*  
SECRETARY

This contract is approved on behalf of the Farmers Home Administration, this the \_\_\_\_ day of \_\_\_\_\_, 1969.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

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

TITLE

OCT 06 1994

PURSUANT TO 207 KAR 5.011,  
SECTION 7(1)

BY: *Charles A. [Signature]*  
FCHD 10/10/94

CONTRACT AMENDMENT

This CONTRACT AMENDMENT made and entered into this 14th day of February, 2013, by and between the CITY OF DANVILLE, KENTUCKY, a Municipal Corporation of the Third Class, situated in Boyle County, Kentucky, hereinafter referred to as "SELLER", and the LAKE VILLAGE WATER ASSOCIATION, INC., a non-profit corporation of Danville, Boyle County, Kentucky, hereinafter referred to as "PURCHASER";

W I T N E S S E T H:

WHEREAS, the parties hereto did on May 29, 1969 enter into an Agreement under which the Seller was obligated to supply unto Purchaser a maximum of 2,000,000 gallons of water per month; and

WHEREAS, on or about December 30, 1969, the maximum amount of water was amended and increased to 5,000,000 gallons per month; and

WHEREAS, on or about August 23, 1977, the Seller did by action of its legislative body increase the maximum limit to 6,000,000 gallons per month and did impose a penalty of two times the normal rate charge for any water consumed over and above said limit; and

WHEREAS, on or about August 27, 1982, the maximum amount of water was amended and increased to 9,000,000 gallons of water per month at normal rate with the penalty of two times the normal rate charge for any water consumed over and above said limit; and

WHEREAS, the parties desire to increase the purchase limit and fix the rate charged to reflect that of other wholesale customers without penalty; and

WHEREAS, the parties desire to allow Purchaser to provide water to North Point Training Facility so long as the water is purchased from Seller and not an alternative source;

NOW, THEREFORE, in consideration of the foregoing, and for and in consideration of the mutual promises and agreements hereinafter set forth, the parties do now agree as follows:

1. Numerical paragraph 1 of the Contract Amendment dated April 27, 1982 between the parties shall be revised and amended to read as follows: Effective March 1, 2013, the Purchaser shall be entitled to purchase from the Seller 665,000 gallons per day or 19,950,000 gallons per month at the normal rate for other wholesale customers, which is hereinafter described in numerical paragraph 2 below. It is explicitly stated that there is no penalty assessed for any water purchased over the allowed amount. Nothing contained herein shall be construed

as creating an obligation upon the Seller to provide water in excess of 19,950,000 gallons per month and, further, the Seller may at its option choose not to supply water exceeding 19,950,000 gallons per month; any sale of water by Seller in excess of 19,950,000 gallons per month shall not constitute a waiver of the limitation and shall not prohibit the Seller from enforcing the limitation during subsequent months.

2. Numerical paragraph 5 of the Agreement dated May 29, 1969 is hereby revised and amended to read as follows: The Purchaser agrees to pay to the Seller monthly upon receiving a bill therefore for water delivered, in accordance with the following schedule of rates, plus applicable state sales and use taxes:

First 20,000 cu. ft. @ \$1.68 per ccf, (minimum bill \$448.00);

Next 80,000 cu. ft. @ \$1.35 per ccf;

Next 100,000 cu. ft. @ \$1.05 per ccf;

Next 300,000 cu. ft. @ \$0.96 per ccf;

All over 500,000 cu. ft. @ \$0.91 per ccf.

3. Seller shall allow Purchaser to furnish water to North Point Training Facility in an amount up to 500,000 gallons per day so long as Purchaser agrees to only purchase that water furnished to North Point Training Facility from Seller and not from an alternative source. The water furnished by Purchaser to North Point Training Facility under this paragraph shall not count against the daily and monthly allowance of Purchaser described in numerical paragraph 1 above.

4. The parties specifically acknowledge that all other terms and conditions of the original agreement and amendments thereto shall remain in full force and effect and are incorporated herein by reference.

SELLER:

CITY OF DANVILLE, KENTUCKY

BY: Bernie Hunstad  
BERNIE HUNSTAD, MAYOR

ATTEST:

Donna Peek  
DONNA PEEK, CITY CLERK

PURCHASER:

LAKE VILLAGE WATER ASSOCIATION,  
INC.

BY: Danny Asplund  
PRESIDENT

ATTEST:

Paula Campbell  
SECRETARY

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Agreement

This Settlement Agreement is between Lake Village Water Association, Inc. ("Lake Village"), with its principal office at 801 Pleasant Hill Drive, P.O. Box 303, Burgin, Kentucky 40310, and the City of Danville ("Danville"), a municipal corporation of the third class.

- (1) During the course of a proceeding before the Public Service Commission of Kentucky ("Commission") styled Case No. 2008-00176 Danville and Lake Village have identified a number of issues and questions relating to usage, calculation of charges, billings, and payments, including purchasing power adjustments made to rates in 2005, 2006, and 2007 and involving periods of time before, during, and after those affected by the purchasing power adjustments.
- (2) This settlement is intended as a resolution of all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009, an agreement about the proper calculation of charges thereafter and currently, and an accord about procedures for considering proposed changes to billing methods and elements in the future.
- (3) The parties acknowledge and agree: that approval by the Commission is necessary for this Settlement Agreement to be effective and binding on either party; and that, if Commission approval of the entire agreement without modification, together with a final and appealable dismissal of the case is not obtained within 90 days of submission to the Commission with a request for approval, then this Settlement Agreement shall be null and void and shall be without any effect whatsoever on the parties' respective rights, arguments, or positions in Case No. 2008-00176 or otherwise. If and when approved by the Commission, this Settlement Agreement will operate as an addendum or revision to the existing Water Purchase Contract between Danville and Lake Village.
- (4) Danville and Lake Village agree to compromise all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009 for the payment by Danville to Lake Village of the amount of \$ 28,845.14. Danville will pay that amount to Lake Village by crediting one-twelfth of that amount to each month's wholesale supply charges following the close of any period in which the amount is to be paid.

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KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH
<i>Brent Kintley</i>
EFFECTIVE <b>8/17/2010</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

request or review action is still possible from a final and appealable Commission order approving this Settlement Agreement in its entirety and without modification.

- (5) Danville and Lake Village agree that charges for water supplied to Lake Village are to be calculated at this time as follows:

- (a) for water supplied, with rates stated on a per 100 cubic foot (ccf) basis:

first 20,000 cu. ft.	\$1.68 per ccf
next 80,000 cu. ft.	\$1.35 per ccf
next 100,000 cu. ft.	\$1.05 per ccf
next 300,000 cu. ft.	\$0.96 per ccf
next 703,125 cu. ft.	\$0.91 per ccf
all over 1,203,125 cu. ft.	\$1.365 per ccf

- (b) plus a 20% surcharge, applied to the total water charge (but not to any applicable fees or taxes);
- (c) plus any applicable fee or tax by a third-party authority, which currently consists of a \$0.0165 per ccf (\$0.022 per 1000 gallons) Kentucky River Authority charge, to be stated as a separate line item on the bill.
- (d) Although there are multiple meters, dials, or accounts for service to Lake Village, measured usage will be totaled for all meters, dials, or accounts and the rates in subpart (a) applied to the total monthly usage amount.

Lake Village acknowledges that other wholesale customers of Danville have rates different from those listed in subpart (a).

- (6) Danville and Lake Village retain the right and ability to make changes to their existing Water Purchase Contract (as it may be supplemented or amended by this Settlement Agreement) through a writing signed on behalf of both parties. As an alternative, Danville and Lake Village agree that changes in billing methods, rates, and other elements, may be made in the future as set forth in subparagraphs (a)-(c) below. In either event, any change is to be filed with the Commission no fewer than 30 days prior to the date on which the change is to become effective (unless a shorter period is requested and granted).

Agreement page 2 of 3

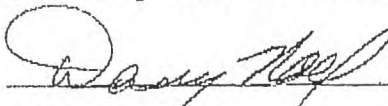
KENTUCKY PUBLIC SERVICE COMMISSION
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  - (b) The other party shall have 45 days from receipt of the notice in which to object in writing to the proposed change; if the other party does not so object within 45 days, then the rate change is to be made according to the notice given.
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- (a) their rights, obligations, and undertakings under paragraphs (1) - (5) above shall remain unaffected thereby; however,
  - (b) paragraph (6) above shall thereafter be null and void, and the parties' rights, obligations, and undertakings regarding such changes or matters shall be determined without reference to this Settlement Agreement.

AGREED as of this 1st day of June, 2009.

Lake Village Water Association, Inc.

City of Danville

  
 Danny Noel, President

Hugh C. Coomer, Mayor

Agreement page 3 of 3

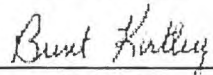
KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
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Agreement page 1 of 4

KENTUCKY PUBLIC SERVICE COMMISSION
JEFFREY DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH

EFFECTIVE <b>8/17/2010</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

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Agreement page 2 of 4

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH  <i>Brent Kistley</i>
EFFECTIVE <b>8/17/2010</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

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Agreement page 3 of 4

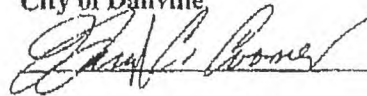
KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH <i>Brent Kirtley</i>
EFFECTIVE <b>8/17/2010</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

AGREED as of this 1st day of June, 2009.

Lake Village Water Association, Inc.

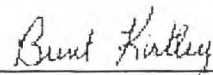
\_\_\_\_\_  
Danny Noel, President

City of Danville



\_\_\_\_\_  
Hugh C. Coomer, Mayor

Agreement page 4 of 4

<b>KENTUCKY</b> PUBLIC SERVICE COMMISSION
<b>JEFF R. DEROUEN</b> EXECUTIVE DIRECTOR
TARIFF BRANCH 
EFFECTIVE <b>8/17/2010</b> PURSUANT TO 807 KAR 5.011 SECTION 9 (1)

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is made and entered into this 26th day of June, 1984, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as "SELLER"; and the CITY OF HUSTONVILLE, KENTUCKY, a municipal corporation of the fifth class, hereinafter referred to as "PURCHASER";

W I T N E S S E T H:

WHEREAS, the Seller owns and operates a water supply distribution system and is currently providing water unto Purchaser, City of Hustonville, pursuant to a contract dated February 21, 1983; and

WHEREAS, the Purchaser is seeking to improve its water service to its customers and in order to do so must borrow money from the United States of America, Farmers Home Administration, and in order to satisfy the requirements of the United States of America, Farmers Home Administration, the Purchaser must have an extension of the above-noted contract from twenty (20) years to thirty-six (36) years; and

WHEREAS, the Purchaser, City of Hustonville, does now desire to purchase its entire water supply directly from Seller, City of Danville, for the next thirty-six (36) years; and

WHEREAS, the Seller, City of Danville, desires to sell water directly to the Purchaser for the next thirty-six (36) years; and

WHEREAS, resolutions have been duly passed by each of the legislative bodies of the respective parties hereto, which resolutions approved the terms and provisions of this agreement and do further authorize the respective officers of each party to execute this agreement;

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions:

1. The term of this contract shall be for a period of thirty-six (36) years commencing June 26th, 1984.
2. The Seller agrees to furnish the Purchaser at the point of delivery hereinafter specified during the term of this contract potable treated water,

meeting applicable purity standards of the state health department, in such quantity as may be required by the Purchaser, but not to exceed 4.75 million gallons per month during years one (1) through twenty (20) of this contract; 5.25 million gallons per month during the next five (5) years (years 21 through 25); 5.75 million gallons per month during the next five (5) years (years 26 through 30); and 6.25 million gallons per month during the last six (6) years of the contract term.

The Purchaser specifically agrees and covenants to purchase from Seller during the term set forth above the purchaser's entire water needs and requirements up to the limits set forth above.

3. The water to be sold hereunder will be furnished at a reasonably constant pressure from the twelve (12") inch water main located at the intersection of U.S. 127 By-Pass and Stewart's Lane to the eight (8") inch distribution water line of the City of Hustonville. If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the costs and means of providing such greater pressure shall be the responsibility of the Purchaser. It shall be the expense and responsibility of the Purchaser to (a) construct and maintain any line or lines between the City of Hustonville and the point of delivery, (b) purchase and install a water meter consistent with the specifications directed by the Seller's City Engineer, and (c) provide the hookup or connection at the point of delivery, but subject to the supervision and approval of the Seller's City Engineer.

4. The water purchased and sold under this agreement shall be delivered by Seller at the above stated point of delivery and shall pass through and be measured by a meter or meters capable and sufficient to measure the quantity of water so delivered. It shall be the expense and responsibility of the Purchaser to furnish, install, operate and maintain at the point of delivery the necessary metering equipment, including a meter house or pit, and required devices of standard types for properly measuring the quantity of water delivered to the Purchaser and to calibrate and test for accuracy such metering equipment annually, or at such other times as are reasonably requested by the Seller. A meter registering not more than 2% above or below

the test result shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for the three months previous to such tests in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water delivered in the corresponding period immediately prior to the failure shall be considered the amount consumed, unless the Seller and Purchaser shall agree upon a different amount. The metering equipment shall be read on a regular basis, but not less than once every two months. An appropriate official or representative of the Purchaser shall at all reasonable times have access to the meter for the purpose of verifying its readings.

5. The Purchaser agrees to pay unto Seller for water delivered in accordance with the following rate schedule:

<u>QUANTITY</u> (Cu.Ft.)		<u>RATE</u> (\$/100 Cu.Ft.)
First	20,000 cu. ft.	1.00 (Min. \$200.00 per mo.)
Next	80,000 cu. ft.	0.82
Next	100,000 cu. ft.	0.62
Next	300,000 cu. ft.	0.52
All over	500,000 cu. ft.	0.50

In addition to the foregoing schedule of rates, the Purchaser shall further pay unto Seller a surcharge of thirty percent (30%) to be added to the total water bill, less taxes.

HOWEVER, the parties understand and agree that if at any time during the term of this agreement the rate charged to other wholesale or industrial consumers, including other municipalities, independent water districts, or privately owned water companies, are modified, either increased or decreased, the rate of charge to the Purchaser shall automatically be modified to conform to such rates; similarly, it is agreed and understood that in the event the amount of the surcharge which is charged to all customers outside the city limits of Seller, is modified, then the rate of surcharge unto Purchaser shall automatically be modified to conform with such surcharge rate. It is understood and agreed by the parties that modification of the water purchase rate and the surcharge thereon shall be at the discretion of the Seller, City of Danville.

6. In the event the Purchaser shall consume in excess of the monthly limit as set forth above, the Purchaser shall pay a penalty upon any and all amounts consumed in excess of said limit, the amount of which penalty shall be equivalent to 50% of the regular rate for such water, including the surcharge thereupon. However, the imposition of such penalty shall not limit the Seller's other available remedies for breach of this contract, and particularly the provision limiting the amount of water to be delivered; but it is specifically understood that in addition to the penalty provisions set forth herein, the City of Danville shall retain any and all other remedies allowed by law. Likewise, the Purchaser shall be entitled to pursue any and all remedies allowed by law in the event of breach of this contract by the Seller.

7. Payment for such water delivered shall be made promptly and in accordance with the regular billing policy of the Seller, which shall from time to time be in effect. The Seller shall furnish Purchaser with an itemized statement of the amount of water furnished the Purchaser during the preceding period for which the meter was read.

8. The Seller will at all times operate and maintain its system to the point of delivery to Purchaser in a state of reasonable repair and will take such reasonable action as may be necessary to furnish the Purchaser with the quantities of water heretofore set forth. Temporary or partial failure to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or if the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's other customers located outside its corporate limits is reduced or diminished. The obligation of the Seller to supply water is limited, however, by the understanding that while the Seller shall use reasonable care and diligence in the operation and maintenance of its existing system to prevent and avoid interruptions or fluctuations in supply, that nevertheless the Seller does not guarantee that such interruptions and fluctuations will not occur. The parties agree that the Seller shall not be liable for the curtailment of supply due to

emergencies, breaks, leaks, defects, necessary repairs, fires, strikes, acts of God, or other causes of unusual demand upon its system. Further, in the event of fire, storm, war, acts of God, or other emergencies, the Seller's City Manager may, without liability attaching to the Seller, and without notice, reduce or temporarily discontinue such water supply. In the event the Seller's City Manager shall be absent from City of Danville, or be for any reason incapacitated, his power to order reduction or cessation of supply shall vest in the City of Danville's Fire Chief, or if he shall be absent or incapacitated, then in the Seller's City Engineer. In either event, the official determination of emergency shall permit such reduction or cessation during the pendency of the emergency without liability unto the Seller, but with the understanding that same shall be rectified as quickly as is reasonably possible.

9. It is contemplated and understood that the water sold hereunder is for the purpose of providing for the needs of those residents and businesses located within the City of Hustonville, or within close proximity thereto; including the Main Water Line extending from Hustonville to Danville. It is agreed and understood that the Purchaser shall not circumvent the intention of this contract by the selling of such water, or any portion thereof, unto other municipalities, water districts, or such other entities providing water to persons or businesses not located within the city limits of Hustonville or within close proximity thereto without the express written consent of the City of Danville.

10. Should a major industrial consumer of water desire to locate in the area served by the City of Hustonville Water System, the City of Hustonville shall not supply water unto said major industrial consumer of water without the express written consent and approval of the City of Danville, which consent and approval shall not be unreasonably withheld. A major industrial consumer of water is defined as one using more than 500,000 gallons of water per month.

11. It is understood that the City of Hustonville is installing a water line beginning at the intersection of U.S. 127 By-Pass and Stewart's Lane south to the City of Hustonville. The City of Hustonville will also be

installing a Master Meter Pit at the intersection of U.S. 127 By-Pass and Stewart's Lane. If the City of Danville annexes any of the property through which the water line of the City of Hustonville passes, the City of Danville shall have the option of purchasing that portion of the water line which lies between the Master Meter Pit at the intersection of U.S. 127 By-Pass and Stewart's Lane and the southern most point of annexation, which option shall be subject to the following terms and conditions:

- A. The City of Danville shall have such option to purchase the water line for a period of one (1) year from and after the effective date of annexation;
- B. In the event City of Danville decides to exercise such option to purchase the portion of the water line, it shall give written notice of same unto City of Hustonville;
- C. In the event of the exercise of said option by the giving of written notice, the City of Danville agrees to purchase the water line and to pay unto City of Hustonville within 30 days from the exercise of its option a sum to be computed as follows:

The construction price per foot multiplied by the total number of feet purchased, less depreciation of three (3%) percent for each year (or portion thereof if the same exceeds six months) which has elapsed from the date of this agreement until the date of the written notice of City of Danville's exercise of the option; the construction price per foot shall be determined by the total cost of original construction of said water line divided by the total length of said line; it is agreed and understood that City of Hustonville shall within 90 days from the completion of said construction provide unto City of Danville written documentation setting forth and substantiating the total cost of construction and the total number of feet of said line.

- D. In the event of such purchase, the City of Danville shall at its expense move the Master Meter Pit from its location at the intersection of U.S. 127 By-Pass and Stewart's Lane to the southern most point of annexation (the northern most point of the water line which remains the property of City of Hustonville).

IN TESTIMONY WHEREOF, the parties hereto, by and through their  
respective authorized officers, have executed this agreement as of the date  
first above written.

CITY OF DANVILLE, KENTUCKY - SELLER

CITY OF HUSTONVILLE, KENTUCKY -  
PURCHASER

BY: John Bowling  
MAYOR Pro Tem

BY: Ernest Hefly  
MAYOR

ATTEST:

ATTEST:

Dorothy Van Hildes  
CITY CLERK

Shirley Maples  
CITY CLERK

RESOLUTION

Be it RESOLVED by the City Council of the City of Hustonville, Kentucky, that Mayor Eugene Hafley and City Clerk, Shirley Maples, be and are authorized and directed to execute and attest, respectively, on behalf of the City of Hustonville, the Contract between the City of Danville and the City of Hustonville, which contract has this day been presented in open meeting of the City Council and approved; and the City Clerk is directed to attach a copy of this Resolution to the executed Contract.

This, 26th day of June, 1984.

Eugene Hafley  
EUGENE HAFLEY, MAYOR

ATTEST:

Shirley Maples  
SHIRLEY MAPLES, CITY CLERK

City of

**DANVILLE**

KENTUCKY

P.O. Box 670  
Danville, KY 40423  
(606) 238-1200

November 13, 1998

Mr. Eugene Hafley, Mayor  
City of Hustonville  
Hustonville, Kentucky 40437

Dear Mayor Hafley:

Please be advised that the Danville City Board of Commissioners approved your request for increasing the Hustonville Water Contract limit to 12 million gallons of water a month.

Sincerely,

CITY OF DANVILLE

*Edward F. Music*  
EDWARD F. MUSIC, CITY MANAGER  
EFM/clw

**"The City of Firsts"**

First Courthouse in Kentucky — 1785  
First U.S. Post Office in the West — 1792  
First Successful Ovariectomy in the World — 1809

First Capitol of Kentucky District — 1785  
First Political Club in the West — 1786  
First Constitutional Convention in the West — 1792

First College in the West — 1783  
First Law School in the West — 1799  
First State Supported School for Deaf — 1823

**MINUTES OF THE DANVILLE CITY COMMISSION  
NOVEMBER 10, 1998**

The Board of Commissioners of the City of Danville, Kentucky, convened in Regular Session in the Commission Chambers of the Municipal Building on Tuesday, November 10, 1998, at 4:00 p.m.

**COMMISSIONERS PRESENT WERE:** Mayor John W. D. Bowling  
William "Bunny" Davis  
George Cunningham  
Alex Stevens  
Nancy Caudill

**OTHERS PRESENT WERE:** Ed Music, City Manager  
Luther Galloway, City Engineer  
Cindi Woolum, City Clerk  
Ed Hays, City Attorney  
Jamey Gay  
Tom Bryant  
Kay Smith  
Brenda DeWitt  
Mike Rankin  
Mike Perros  
Others

Mayor Bowling called the meeting to order and announced there was a quorum present. He then asked Commissioner Stevens to give the opening prayer.

**PROCLAMATIONS:**

Mayor Bowling read aloud an American Education Week Proclamation and a Community Education Day Proclamation.

**NAME THE PARK CONTEST:**

John Drake, Recreation Director for Danville-Boyle County, addressed the Commission regarding having a Name the Park Contest for the new Regional Park. After discussion, a motion was made by Commissioner Davis that this contest be approved. The motion was seconded by Commissioner Cunningham. The motion was unanimously passed upon voice vote.

**1. MINUTES:**

Commissioner Davis made a motion that the minutes of the November 10, 1998, meeting be approved as presented. It was seconded by Commissioner Caudill. The motion was unanimously passed upon roll call.

**2. ACCOUNTS PAYABLE:**

Commissioner Caudill made a motion that the bills of General Fund in the amount of \$88,664.59, Cemetery Operations Fund in the amount of \$850.01, Utility Fund in the amount of \$30,286.05, and Museum Fund in the

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amount of \$89.81, for a total of \$119,890.46, be approved as presented. The motion was seconded by Commissioner Stevens. The motion was unanimously passed upon roll call.

**3. TENTATIVE BID AWARD - WASTEWATER TREATMENT PLANT:**

Luther Galloway, the City Engineer, addressed the Commission regarding the Tentative Bid Award on the Wastewater Treatment Plant. After discussion, a motion was made by Commissioner Davis that this matter be laid on the clerk's desk. The motion was seconded by Commissioner Stevens. The motion was unanimously passed upon voice vote.

**4. PARK ENTRANCE BID AWARD:**

Luther Galloway, the City Engineer, addressed the Commission regarding the Park Entrance Bid Award. After discussion, a motion was made by Commissioner Stevens that the bid from The Allen Company in the amount of \$316,250.00 for the park entrance be approved, also that Change Order #1 on this project in the amount of \$29,000.00 be approved. The motion was seconded by Commissioner Caudill. The motion was unanimously passed upon roll call.

**5. STONEHILL COURT STREET LIGHTING BIDS:**

Luther Galloway, the City Engineer, addressed the Commission regarding Stonehill Court Lighting bids. A motion was made by Commissioner Davis that Richardson Signal & Light receive the Stonehill Court Lighting bid in the amount of \$4,500.00. The motion was seconded by Commissioner Cunningham. The motion was unanimously passed upon roll call.

**6. BAUGHMAN AVENUE SIDEWALK REPORT:**

Luther Galloway, the City Engineer, addressed the Commission regarding Baughman Avenue Sidewalks. A motion was made by Commissioner Stevens to lay the Baughman Avenue Sidewalk Project on the clerk's desk until further information is gathered. The motion was seconded by Commissioner Caudill. The motion was unanimously passed upon voice vote.

**7. DRAINAGE PROBLEM ON SEMINOLE TRAIL:**

Luther Galloway, the City Engineer, addressed the Commission regarding the drainage problem on Seminole Trail. After discussion, a motion was made by Commissioner Davis that the project on Seminole Trail in the estimated range of \$15,000.00 to \$25,000.00 (for bid and design) be approved in order to rectify the drainage problem on Seminole Trail (award of bid for the project would be brought back to the City Commission). The motion was seconded by Commissioner Cunningham. The motion was unanimously passed upon roll call.

**8. HOUSING AUTHORITY CONTRACT FOR LAW ENFORCEMENT SERVICES:**

Rachel White and Larry Downs addressed the Commission regarding the Housing Authority Contract for Law Enforcement Services. After discussion, a motion was made by Commissioner Cunningham to approve this Contract. The motion was seconded by Commissioner Davis. The motion was unanimously passed upon roll call.

**9. HUSTONVILLE WATER CONTRACT AMENDMENT:**

Ed Music, the City Manager, addressed the Commission regarding the Hustonville Water Contract Amendment. After discussion, a motion was made by Commissioner Davis that the Commission approve the Hustonville Water Contract Amendment for Hustonville to get an increase of 9 million gallons of water to 12 million gallons of water. The motion was seconded by Commissioner Stevens. The motion was unanimously passed upon roll call.

**10. ORDINANCE NO. 1555 - LANNOCK STREET LIGHTS:**

Ordinance No. 1555 entitled "A New Ordinance of the City of Danville, Kentucky, Providing for the Installation and Maintenance of a Street Lighting System Which Will Afford Lighting Service to Certain Areas in Lannock Subdivision Thereby Benefiting the Residents Thereof and the Public for Safety and Travel Within the Said Subdivision and Permitting the City to Impose and Levy Ad Valorem Taxes on the Real Property Within Said Subdivision to Pay a Portion of the Original Installation of the Lighting System" was read. A motion was made by Commissioner Stevens that the Ordinance be approved on second reading. The motion was seconded by Commissioner Caudill. The motion was unanimously passed upon roll call.

**PRESENTATION OF RENAISSANCE PROGRAM PARTICIPATION REQUIREMENTS:**

Jane Cassady presented the requirements for continued participation in the Renaissance Program, specifically regarding historic preservation.

**11. MUNICIPAL ORDER - POLICE VEHICLE LOCKOUT POLICY:**

Larry Downs, the Police Chief, addressed the Commission regarding Municipal Order No. 98-11-10-1 to do with the Police Vehicle Lockout Policy. A motion was made by Commissioner Cunningham for approval of Municipal Order No. 98-11-10-1 (attached). The motion was seconded by Commissioner Davis. The motion was unanimously passed upon roll call.

**12. MUNICIPAL ORDER - POLICE DISCIPLINARY CALL:**

Larry Downs, the Police Chief, addressed the Commission regarding Municipal Order No. 98-11-10-2 to do with Police Disciplinary Call. A motion was made by Commissioner Davis for approval of Municipal Order No. 98-11-10-2 (attached). The motion was seconded by Commissioner Cunningham. The motion was unanimously passed upon roll call.

**13. BUDGET AMENDMENT NOS. 5, 6, AND 7:**

Ed Music, the City Manager, addressed the Commission regarding Budget Amendment Nos. 5, 6, and 7. A motion was made by Commissioner Caudill for approval of Budget Amendment Nos. 5, 6, and 7 (attached). The motion was seconded by Commissioner Stevens. The motion was unanimously passed upon roll call.

**HEAR THE PUBLIC:**

Mayor Bowling asked if anyone in the audience that was not on the agenda would like to be heard.

**EXECUTIVE SESSION:**

The Commission went into executive session to discuss property acquisition and proposed litigation, the time being 5:07 p.m.

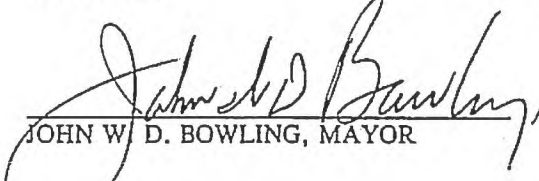
**REGULAR SESSION:**

The Commission returned to regular session at 5:32 p.m.

ADJOURNMENT:

There being no more business to come before the Commission the meeting adjourned at 5:33 p.m.

APPROVED:

  
JOHN W. D. BOWLING, MAYOR

ATTEST:

  
CINDI WOOLUM, CITY CLERK

# CITY OF HUSTONVILLE

HUSTONVILLE, KENTUCKY 40437

October 27, 1998

Edward F. Music  
City Manager  
City of Danville  
Danville, Kentucky 40423

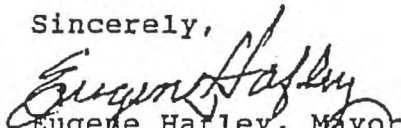
Dear Mr. Music:

Due to the recent growth in housing between Hustonville and Danville, since the building of the new highway 127, our water consumption has increased considerably.

Our contract limits us to nine million gallons per month, and we are now using over eight million. We would like to request an increase in our contract to twelve million gallons per month.

We would appreciate if you would present this request to the City Commissioners at your convenience.

Sincerely,

  
Eugene Harley, Mayor  
City of Hustonville

EH/sm

## AMENDMENT OF WATER PURCHASE CONTRACT

This Amendment of Water Purchase Contract made and entered into this 12th day of July, 1994, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as "SELLER"; and the CITY OF HUSTONVILLE, KENTUCKY, a municipal corporation of the fifth class, hereinafter referred to as "PURCHASER";

### W I T N E S S E T H:

WHEREAS, the parties hereto did enter into a water purchase contract dated June 26, 1984, under which the City of Danville sells water to the City of Hustonville; and

WHEREAS, in numerical paragraph number 2 of said contract the Seller agreed to furnish the Purchaser 4.75 million gallons per month during years one (1) through twenty (20) of the contract, 5.25 million gallons per month during the next five (5) years (years 21 through 25), 5.75 million gallons per month during the next five (5) years (years 26 through 30) and 6.25 million gallons per month during the last six (6) years of the contract term; and the Purchaser agreed to purchase its entire water needs and requirements from the Seller up to the limits set forth in said contract; and

WHEREAS, the parties amended the contract limit to 7.0 million gallons per month on October 12, 1993; and

WHEREAS, the parties hereto do now wish to amend and increase the amount of water to be purchased;

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions.

1. Numerical paragraph number 2 of the water purchase contract dated June 26, 1984, by and between the Seller and the Purchaser herein is hereby amended to read as follows:

The Seller agrees to furnish the Purchaser at the point of delivery hereinafter specified during the term of this contract potable treated water, meeting applicable purity standards of the State health Department, in such quantity as may be required by the Purchaser, but not to exceed 9.0 million gallons per month during the term of this contract. The Purchaser specifically agrees and covenants to purchase from Seller during the term of the contract the Purchaser's entire water needs and requirements up to the limits set forth above.

2. Any and all other terms set forth in the original water purchase contract of June 26, 1984, shall remain the same and are hereby reaffirmed.

3. The terms of this amendment shall be effective retroactively to July 12, 1994.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have executed this agreement as of the date first above written.

CITY OF DANVILLE, KENTUCKY-SELLER

BY:

MAYOR

ATTEST:

Cecile Woodrum  
CITY CLERK

CITY OF HUSTONVILLE, KENTUCKY-  
PURCHASER

BY:

MAYOR

ATTEST:

Shirley Napier  
CITY CLERK

# Question #29

Existing Declining Block Rate Structure - Question 29								Existing Rate as a Flat Rate (\$/100 cf) <sup>1</sup>	Proposed Flat Rate (\$/100 cf)	Existing Rate as a Flat Rate (\$/1000 gal)	Proposed Flat Rate (\$/1000 gal)
Parksville											
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.19	\$2.00	\$1.59	\$2.68
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons				
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons	FY 13 consumption		cubic feet	14,810,300
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			gallons	110,781,044
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons	exist rev	\$175,634	prop rev	\$296,206
Hustonville											
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.24	\$1.85	\$1.66	\$2.47
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons				
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons	FY 13 consumption		cubic feet	15,937,000
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			gallons	119,208,760
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons	exist rev	\$198,372	prop rev	\$294,835
GCWA											
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.23	\$1.80	\$1.65	\$2.41
Next	80,000	cubic feet	\$1.44	per 100 cf	or per	598,440	gallons				
Next	100,000	cubic feet	\$1.20	per 100 cf	or per	748,050	gallons	FY 13 consumption		cubic feet	11,180,100
Next	300,000	cubic feet	\$1.06	per 100 cf	or per	2,244,150	gallons			gallons	83,627,148
All Over	500,000	cubic feet	\$0.86	per 100 cf	or per	3,740,250	gallons	exist rev	\$137,958	prop rev	\$201,242
LVWA											
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.22	\$1.80	\$1.64	\$2.41
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons				
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons	FY 13 consumption		cubic feet	17,695,200
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			gallons	132,360,096
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons	exist rev	\$216,480	prop rev	\$318,514

<sup>1</sup>All wholesale customers are assessed an additional 20% surcharge after calculation of the monthly bill—a surcharge will not be added to the new flat rate. Equivalent flat rate is calculated based on FY13 usage.

# Question #30

## Pro Forma Adjustments to Operation and Maintenance Costs

Danville's category	description	FY13 to date from budget	projected FY14 (from budget)	projected FY15	projected FY16	projected FY17	projected FY18	projected FY19	notes
persrv	regular salary production	247,191.04	279,080	287,452	296,076	304,958	314,107	323,530	3% increase
persrv	overtime production	35,027.10	30,000	30,000	30,000	30,000	30,000	30,000	no significant change
persrv	FICA	20,855.98	23,645	26,000	28,000	30,000	32,000	34,000	6% increase
persrv	medical & hospital	65,466.99	92,801	107,000	123,000	141,000	162,000	186,000	15% increase
persrv	dental	3,804.72	5,729	6,000	6,100	6,200	6,300	6,400	1% increase
persrv	life	596.80	745	850	900	950	1,000	1,050	5% increase
persrv	workers compensation	6,763.68	8,750	9,000	9,500	10,000	10,500	11,000	4% increase
persrv	retirement CERS	54,936.61	58,385	62,000	65,000	69,000	73,000	77,000	5% increase
cs	contract labor	336.88		500	550	600	650	700	\$50 increase
csc	advertising and publicity	247.21	500	500	500	500	500	500	no change
csc	printing & duplication		4,500	4,500	4,500	4,500	4,500	4,500	no change
csc	postage & freight	2,271.47	3,000	3,000	3,000	3,000	3,000	3,000	no change
cso	rentals & leases	5,976.96	3,500	4,000	4,000	4,500	4,500	5,000	5% increase
cso	cleaning & janitorial		200	300	300	300	300	300	no change
csp	consultants	4,290.00	7,500	8,000	8,000	8,000	8,500	8,500	1% increase
csp	laboratory analysis	37,217.89	35,000	37,000	38,000	39,000	40,000	41,000	2% increase
csp	insurance/judgement/c	55,353.81	61,600	67,000	73,000	79,000	85,000	91,000	\$6,000 increase
csu	telephone & fax	4,161.78	4,950	5,500	5,900	6,300	6,700	7,100	6% increase
csu	electric service	388,123.74	450,000	500,000	560,000	610,000	650,000	700,000	8% increase
csu	natural & propane gas	11,685.61	13,750	14,500	15,000	15,500	16,000	16,500	3% increase
csw	landfill charges	11,093.00	62,600	30,000	25,000	25,000	25,000	25,000	3% reduction
csi	building & structure			2,000	2,100	2,205	2,315	2,431	4% increase
csi	water plant	81,102.98	90,000	100,000	110,000	120,000	130,000	140,000	\$10,000 increase
csi	water lines/fire hydrants	4,580.00		2,000	2,100	2,205	2,315	2,431	5% increase
csv	vehicles & light truck		500	500	500	500	500	500	no change
csv	machinery & equipment		250	250	250	250	250	250	no change
csm	electronic information systems	2,276.14	4,000	4,200	4,400	4,600	4,800	5,000	\$200 increase
csm	general services	67.84		100	100	100	100	100	no change
ms	marketing & promotions	4,602.84		3,000	3,150	3,308	3,473	3,647	4% increase

# Question #30

## Pro Forma Adjustments to Operation and Maintenance Costs

Danville's category	description	FY13 to date from budget	projected FY14 (from budget)	projected FY15	projected FY16	projected FY17	projected FY18	projected FY19	notes
ms	office supplies	90.00	400	400	400	400	400	400	no change
ms	furniture & fixtures			200	210	221	232	243	4% increase
ms	cleaning supplies		500	520	546	573	602	632	4% increase
ms	clothing & assessories	4,386.05	4,950	5,000	5,250	5,513	5,788	6,078	4% increase
ms	food service & supplies		250	300	315	331	347	365	4% increase
ms	safety & first aid	1,823.14	1,500	1,600	1,680	1,764	1,852	1,945	4% increase
os	electronic information systems	7,758.91	80,000	10,000	10,500	11,025	11,576	12,155	4% increase
os	water plant	99,553.64	100,000	110,000	115,500	121,275	127,339	133,706	4% increase
os	lake pump station	2,275.03	25,000	20,000	20,000	20,000	20,000	20,000	reduction-no change
os	chemicals	607,246.53	715,600	815,600	915,600	990,600	1,065,600	1,140,600	\$100K, then \$70K
os	building supplies			500	525	551	579	608	4% increase
os	general supplies	527.36	100	200	210	221	232	243	4% increase
os	water lines/fire hydrants	1,670.88	1,000	1,500	1,575	1,654	1,736	1,823	4% increase
ves	tools & equipment	119.97	500	500	525	551	579	608	4% increase
ves	vehicles & light truck	1,331.55	750	1,000	1,050	1,103	1,158	1,216	4% increase
ves	machinery & equipment	207.48	250	300	315	331	347	365	4% increase
ves	gasoline & oil	13,326.67	15,600	16,000	16,500	17,000	17,500	18,000	3% increase
os	water meters	1,331.12	1,500	1,550	1,600	1,650	1,700	1,750	3% increase
other	membership/subscriptions	1,658.39	1,500	2,000	2,000	2,000	2,000	2,000	no change
other	staff developmental education	3,453.25	3,000	4,000	4,000	4,100	4,100	4,200	1% change
	non-capital outlay	13,000.00	-	-	-	-	-	-	
	<b>treatment O&amp;M</b>	<b>1,807,791.04</b>	<b>2,193,385</b>	<b>2,306,322</b>	<b>2,517,227</b>	<b>2,702,337</b>	<b>2,880,977</b>	<b>3,073,374</b>	<b>average 7% change</b>
persrv	reg salary distr	408,959.15	416,937	430,000	451,500	474,075	497,779	522,668	5% increase
persrv	overtime distr	36,465.40	32,500	38,000	39,900	41,895	43,990	46,189	5% increase
persrv	FICA	32,431.78	34,382	36,000	37,800	39,690	41,675	43,758	5% increase
persrv	medical & hospital	139,602.82	171,100	197,000	227,000	261,000	300,000	345,000	15% increase
persrv	dental	8,487.00	9,383	10,000	10,500	11,025	11,576	12,155	5% increase
persrv	life	780.14	886	1,000	1,050	1,103	1,158	1,216	5% increase

### Question #30

#### Pro Forma Adjustments to Operation and Maintenance Costs

Danville's category	description	FY13 to date from budget	projected FY14 (from budget)	projected FY15	projected FY16	projected FY17	projected FY18	projected FY19	notes
persrv	workers comp	9,424.24	10,925	11,000	11,550	12,128	12,734	13,371	5% increase
persrv	retirement CERS	84,830.59	84,899	85,000	89,250	93,713	98,398	103,318	5% increase
cs	contract labor	5,000.00	750	2,000	2,060	2,163	2,271	2,385	4% increase
cs	uniform & clothing	3,947.62	3,600	4,000	4,120	4,326	4,542	4,769	4% increase
csc	advertising & publicity	215.09	500	700	721	757	795	835	4% increase
csc	printing & duplic	328.00	200	300	309	324	341	358	4% increase
csc	postage & freight	3,549.98		1,000	1,030	1,082	1,136	1,192	4% increase
cso	rentals & leases	8,350.00	10,000	11,000	11,330	11,897	12,491	13,116	4% increase
cso	cleaning & janitorial	451.03	1,000	1,000	1,030	1,082	1,136	1,192	4% increase
csp	consultants	935.50	1,000	1,500	1,545	1,622	1,703	1,789	4% increase
csp	insurance/judgment	28,236.58	33,550	36,000	37,080	38,934	40,881	42,925	4% increase
csu	telephone & fax	2,207.42	2,530	2,700	2,781	2,920	3,066	3,219	4% increase
csu	electric service	6,212.12	6,600	7,600	8,600	9,600	10,600	11,600	\$1,000 increase
csu	natural & propane	1,199.90	1,250	1,300	1,339	1,406	1,476	1,550	4% increase
csw	solid waste collec	721.94	750	800	824	865	908	954	4% increase
csi	buildings & structure	283.00	500	550	567	595	625	656	4% increase
csi	water lines/fire hydrants	27,025.67	22,000	25,000	25,750	27,038	28,389	29,809	4% increase
csi	water meters	3,088.48	4,000	4,200	4,326	4,542	4,769	5,008	4% increase
csv	vehicles & light trucks	46.97	500	550	567	595	625	656	4% increase
csv	heavy trucks & equipmt	2,706.09	3,000	3,200	3,296	3,461	3,634	3,816	4% increase
csv	machinery & equipmnt		500	500	515	541	568	596	4% increase
csm	electronic information sys	3,136.27	3,500	4,000	4,120	4,326	4,542	4,769	4% increase
ms	office supplies	1,307.59	2,000	2,200	2,266	2,379	2,498	2,623	4% increase
ms	furniture & fixtures		200	300	309	324	341	358	4% increase
ms	cleaning supplies	1,065.77	1,500	2,000	2,060	2,163	2,271	2,385	4% increase
ms	clothing & assessories	2,909.13	3,000	3,200	3,296	3,461	3,634	3,816	4% increase
ms	food service/supplies	208.19	750	1,000	1,030	1,082	1,136	1,192	4% increase
ms	safety & first aid	3,124.79	3,500	3,700	3,811	4,002	4,202	4,412	4% increase
os	electronic information sys	3,071.50	3,250	3,400	3,502	3,677	3,861	4,054	4% increase
os	building supplies	2,788.34	2,000	2,200	2,266	2,379	2,498	2,623	4% increase

# Question #30

## Pro Forma Adjustments to Operation and Maintenance Costs

Danville's category	description	FY13 to date from budget	projected FY14 (from budget)	projected FY15	projected FY16	projected FY17	projected FY18	projected FY19	notes
os	construction materials	9,944.21	8,000	8,000	8,240	8,652	9,085	9,539	4% increase
os	general supplies	2,972.47	3,000	3,500	3,605	3,785	3,975	4,173	4% increase
os	water lines & fire hydrants	104,825.45	90,000	80,000	82,400	86,520	90,846	95,388	4% increase
ves	tools & equipmt	12,725.99	3,500	5,000	5,150	5,408	5,678	5,962	4% increase
ves	vehicles and light truck	6,059.20	5,000	5,500	5,665	5,948	6,246	6,558	4% increase
ves	heavy truck and equipmt	659.02	350	500	515	541	568	596	4% increase
ves	machinery & equipmt		4,000	4,000	4,120	4,326	4,542	4,769	4% increase
ves	gasoline & oil	30,545.42	34,500	40,000	41,200	43,260	45,423	47,694	4% increase
ves	miscellaneous	3,540.27	4,000	4,000	4,120	4,326	4,542	4,769	4% increase
os	water meters	24,232.22	30,000	32,000	32,960	34,608	36,338	38,155	4% increase
other	membership/subscrip	1,547.42	1,250	1,500	1,545	1,622	1,703	1,789	4% increase
other	staff developmt/education	4,346.80	4,500	5,000	5,150	5,408	5,678	5,962	4% increase
	<b>distribution O&amp;M</b>	<b>1,034,496.56</b>	<b>1,061,042</b>	<b>1,122,900</b>	<b>1,193,669</b>	<b>1,276,572</b>	<b>1,366,871</b>	<b>1,465,685</b>	<b>average 6% increase</b>