

Case No. 2022-00349  
City of Harrodsburg Water Department  
Response to Commission Staff's First Request for Information

**Commission Staff 1-1:**

- a. Identify each witness that Harrodsburg intends to rely on in this matter.
- b. Provide the written direct testimony of each witness identified in Harrodsburg's response to Item 1.a. above.

**Response:** Initially, Harrodsburg relies on the witness identified in the attached document.

Harrodsburg reserves the right to present other witnesses depending on the issues that arise in this matter.

**Witness:** Amy Kays-Huffman, Water Billing Admin

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

ELECTRONIC TARIFF FILING OF )  
THE CITY OF HARRODSBURG WATER DEPT. )  
REVISING ITS WHOLESALE WATER )  
SERVICE RATE )

Case No. 2022-00349

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**TESTIMONY OF AMY KAYS-HUFFMAN**

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

2 A. My name is Amy Kays-Huffman. My business address is 208 South Main, Harrodsburg,  
3 KY 40330.

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

5 A. I am employed as Water Billing Administrator by the City of Harrodsburg  
6 (“Harrodsburg”). I have served in this position since May of 2007. (Prior to working for the City  
7 of Harrodsburg I worked in the automobile business in Accounts Payable/Receivables.)

8 **Q. Have you attended any meetings or seminars dealing with financial management of**  
9 **water districts or utility rate making procedures?**

10 A. Yes, offered through the Kentucky League of Cities.

11 **Q. Please describe HWD’s water operations.**

12 A. Harrodsburg operates water and provides water service to its customers in the City of  
13 Harrodsburg and in the City of Burgin. The water organization is operated as a Commission,  
14 pursuant KRS 96.320. In addition to providing water service to retail customers, Harrodsburg

1 provides wholesale water service to North Mercer Water District and Lake Village Water  
2 District.

3 **Q. In general, why is additional revenue needed to support HWD's water utility?**

4 A. Several factors have prompted the need for a rate increase. Most importantly, the Water  
5 and Sewer Departments had to borrow money from the Reserve Account to balance last year's  
6 budget. The cost of maintaining service lines has increased, and the main service lines are aging.  
7 Additionally, the cost of production of treated water has risen as chemical and lab fees have  
8 increased. There is a continuing need for additional water projects to keep up with our growing  
9 yet aging community. The combination of increasing costs and the use of reserve funds has  
10 caused a need for additional revenue to operate the water utility.

11 **Q. What steps did HWD take to determine a proposed rate increase to its wholesale  
12 customers?**

13 A. GRW conducted a rate study in 2019. The City of Harrodsburg sought a rate increase to  
14 North Mercer Water District and Lake Village Water Association, but the city agreed to  
15 withdraw the request at that time because the proposed increase did not justify the expense  
16 required to litigate a rate case. The City has since raised rates to our current retail customers  
17 three times since the last rate increase for wholesale customers. GRW suggested during the  
18 review that HWD use the CPI increase each year to prevent a substantial rate increase in the  
19 future.

20 **Q. What is the proposed wholesale increase?**

21 A. It is approximately a 10% increase.

1 **Q. Has HWD recently increased its rates to retail customers?**

2 A. Yes. The City increased the water rates to its retail customers, too.

3 **Q. How did HWD determine the rates it would charge retail and wholesale customers?**

4 A. HWD identified and accounted for all costs of providing water service such as labor,  
5 operations costs, and future costs that the system will likely incur. HWD analyzed these costs  
6 with the goal of establishing a fair and equitable system of raising rates.

7 **Q. Do you believe HWD's proposed wholesale rate is reasonable?**

8 A. Absolutely. As shown in the responses to data requests, Harrodsburg could justify a  
9 significantly higher increase than what is being proposed.

10 **Q. Why is HWD using FY 2021 expenses on which to base its rate increase?**

11 A. The most recent audit is for FY 2021. The Water and Sewer Departments had a loss in  
12 that fiscal year.

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 expenses  
15 of HWD and do not pertain to other departments.

16 **Q. Is HWD seeking to recover rate case expenses?**

17 A. Yes.

18 **Q. Why is HWD seeking to recover rate case expenses?**

19 A. The Public Service Commission has routinely stated that a utility is entitled to recover  
20 reasonable rate case expense that is adequately supported in the record. As HWD incurs these

1 expenses for professionals, it should be entitled to recover those expenses from the wholesale  
2 customers.

3 **Q. Does the proposed rate include projected rate-case expenses?**

4 A. No, it does not.

5 **Q. What is HWD's proposal to recover rate case expenses?**

6 A. Harrodsburg proposes to recover rate case expense through a surcharge to North Mercer  
7 Water District and Lake Village Water Association. The estimated rate case expense is \$50,000.  
8 We propose that amount be amortized over a 36-month period and split the amount equally  
9 among the water districts. Therefore, the estimated cost per month would be billed as \$694.44 to  
10 the North Mercer Water District and \$694.44 to Lake Village Water Association.

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

12 A. Yes.

**AFFIDAVIT**

The undersigned, AMY KAYS-HUFFMAN, being duly sworn, deposes and says that she is the Water Billing Administrator of the City of Harrodsburg, that she is authorized to submit this testimony on behalf of the City of Harrodsburg, 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.

*Amy Kays-Huffman*

Amy Kays-Huffman, Affiant

**Shirley A. Logdon**  
Notary Public  
State of Kentucky  
Commission # KYNP6315  
Expires: May 4 / 2024

COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF MERCER )

Sworn and subscribed to before me by Amy Kays-Huffman, this 12<sup>th</sup> day of December, 2022.

*Shirley A. Logdon*  
NOTARY PUBLIC, STATE-AT-LARGE

Notary ID: KYNP6315

My commission expires: May 4, 2024

Case No. 2022-00349  
City of Harrodsburg Water Department  
Response to Commission Staff's First Request for Information

**Commission Staff 1-2:**

Confirm the 12-month fiscal year ending June 30, 2021, is the test year upon which Harrodsburg is basing its proposed wholesale rate adjustment. If this cannot be confirmed, identify the test year Harrodsburg is using.

**Response:** Harrodsburg based its proposed rate adjustment on a number of factors including anticipated expenses, the rates charged to Harrodsburg's other customers, and contractual agreements with North Mercer and Lake Village requiring increases to the wholesale rate when retail rates are raised. These contracts are attached hereto. The fiscal year ending June 30, 2021, is the most recent 12-month period with audited financials.

GRW Engineers performed a financial analysis of Harrodsburg's utilities. GRW's report is attached hereto. As a part of this review, GRW recommended annual rate increases to mitigate anticipated rising expenses.

Based on formulas commonly used by the Commission and its Staff in determining the reasonableness of proposed rates, it appears that Harrodsburg's FY21 financials support at least a 34.7% increase, as shown in the table below.

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Operating Expenses	\$ 1,888,878.00
Add: Depreciation	\$ 1,298,897.00
Add: Average Annual Debt Principal and Interest	\$ 872,169.43
Additional Working Capital	\$ 174,433.89
Overall Revenue Requirement	\$ 4,234,378.31
Less: Other Operating Revenue	\$ (137,817.00)
Interest Income	\$ (8,700.00)
Revenue Requirement - Water Rates	\$ 4,087,861.31
Revenue from Service	\$ (2,668,022.00)
Required Revenue Increase	\$ 1,419,839.31
Percentage Increase	<b>34.73%</b>

Most of the figures in the table above are derived from the FY21 Audit. The Average Annual Debt Principal and Interest is based on the amortization schedule set forth in Rows 100-102 of the Excel file submitted as "DR 1-6 Debt Schedule." This amount is reflective of a three-year average of the following debt: the 2011 (FY12) bond, F-11-17, F 13-002, F-15-31, F-16-049, and water meters. This amount does not include does not include debt for the truck lease, Silverado, or Loan Repay. It also does not include amounts for other debt associated with the sewer system.

**Witness:** Amy Kays-Huffman, Water Billing Admin; Legal



**CITY OF HARRODSBURG**  
**UTILITIES FUND FINANCIAL ANALYSIS**

***DRAFT***

**SEPTEMBER, 2019**



**Prepared by GRW Engineers**

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Appendix

## HARRODSBURG WATER AND SEWER UTILITIES SYSTEM

### FINANCES AND RATE EVALUATION

### SEPTEMBER, 2019

#### **BACKGROUND**

In April, 2019, the City asked GRW Engineers to review the Utilities System's expenses and revenues in order to determine if rates needed to be adjusted. Previous rate increases were put in place in 2012 for the water system, and in 2015 for the wastewater system. The construction project for the expansion of the Wastewater Treatment Plant was near completion, along with two other line improvement projects, and full debt service payments would be due in FY 2020.

The City of Harrodsburg has been progressive in maintaining, improving, and upgrading its Water and Wastewater Facilities in the past 10 years. Major projects include Sanitary Sewer Rehabilitation, water line replacements and improvements, the Water Treatment Plant Expansion, and the Wastewater Treatment Plant Expansion. Several other smaller projects have been completed as well. Table 1 lists the various projects that have been constructed during this time frame, totaling approximately \$51 million. Prior to that time frame, between 1999 and 2009, the Utility made approximately \$13 million in capital improvements.

The described improvements were financed by loans from the State Revolving Fund administered by the Kentucky Infrastructure Authority, and by Rural Utilities Services funds through USDA Rural Development. The City has historically received a reduced interest rate and an amount of "principal forgiveness" or grant with both agencies because the Median Household Income at that time was less than the statewide average. The loan payments are due semi-annually and have payback periods of 20 to 40 years. As a requirement dictated by the Loan Agreements, the City must also set aside annual amounts for each loan into a depreciation reserve account over a period of ten years.

GRW reviewed the audited financial statements for Fiscal Years 2016, 2017 and 2018, and included the projected debt service and reserve account requirements in the evaluation.

<b>Table 1</b> <b>Harrodsburg Utilities</b> <b>Capital Improvements Projects 2011 through 2119</b>			
<b>Loan No.</b>	<b>Project Name</b>	<b>Project Cost</b>	<b>Substantial Completion Date</b>
F16-049	Water System 2016 Improvements	\$2,020,000	5/25/2019
A16-033	Sanitary Sewer Rehabilitation 2016	\$1,630,000	3/29/2019
A15-074 and RUS 2016	Wastewater Treatment Plant	\$21,400,000	1/15/2018
A15-075	Corning Force Main	\$5,722,000	6/5/2017
A15-046	Sanitary Sewer Rehab (2015)	\$1,253,000	11/15/2016
F15-031	Chestnut St. and College St. Water System Improvements	\$288,500	10/17/2016
F11-17	Water Distribution System	\$250,700	7/2/2015
RUS 2014	Wastewater Treatment Plant Improvements	\$2,560,000	12/9/2014
RUS 2014	Sludge Digester Heater WWTP Improvements	\$400,000	4/12/2013
A12-07	Western Regional Pump Station Upgrade	\$503,245	12/8/2014
F13-002	North Main Tank Repaint and Line Improvements	\$2,700,000	6/29/2014
A11-21	Sewer System Rehabilitation	\$420,000	7/15/2013
RUS 2011	Water Treatment Plant Expansion	\$12,300,000	1/24/2013
	<b>Total</b>	<b>\$51,447,445</b>	

## **DISCUSSION**

### **A. Annual Revenues and Expenses**

The review of the past three years showed minor increases in revenues for both water and sewer. These increases are due to increased usage and additional customers, since there have been no rate increases during the time period that was under review. The average increase over 3 years is 3.33%. Operation and Maintenance Expenses increased overall, as well, averaging 3.24%. The Debt Service expenses have increased 6.72%.

After evaluating the information included in the audits, it was noted that total expenses have been gradually exceeding total revenues. With the new debt service costs that will be in place in Year 2020, it was evident that existing revenues would not be sufficient to meet the operating and maintenance and debt service expenses. This information was conveyed to the Mayor and Commissioner with some possible options for adjusting both water and sewer rates. The City Commission passed an ordinance amending the utility rates to go into effect in July, 2019. These amendments only affect the City customers, since the water and sewer utility districts rates fall under the jurisdiction of the Public Service Commission. The new rates are presented in Tables 2 and 3.

GRW suggested that further review and study be performed when the Fiscal Year 2019 financial information was completed and compiled by the City's accountant, Mike Young, CPA of Miller, Mayer, Sullivan, & Stevens. This was accomplished in September of 2019. As expected from the review of the 2018 finances and the projected debt service expense increases, the utilities expenses will exceed the 2019 revenues by approximately \$11,700. While this is a fairly minor amount and the Utilities Fund currently has available cash on hand to cover the deficit, the projections for Fiscal Year 2020 indicate a much larger deficit due to the full debt service payment and reserve requirements.

A summary of the annual revenues and expenses for the referenced time period are listed in Table 4.

<b>Table 2</b>						
<b>Harrodsburg Water Rates</b>						
<b>Existing 2012 - 2019</b>						
First	250	cubic feet at	\$9.87	minimum	1,870 gallons	
Next	750	cubic feet at	\$3.75	per hundred cubic feet	5,610 gallons	
Next	3000	cubic feet at	\$3.26	per hundred cubic feet	22,440 gallons	
Next	6000	cubic feet at	\$2.77	per hundred cubic feet	44880 gallons	
Next	25000	cubic feet at	\$2.36	per hundred cubic feet	187,000 gallons	
Next	25000	cubic feet at	\$1.97	per hundred cubic feet	187,000 gallons	
All over	60000	cubic feet at	\$1.58	per hundred cubic feet	448,800 gallons	
<b>Proposed 2019-2020 (City customers only)</b>						
						<b>% increase</b>
First	250	cubic feet at	\$11.84	minimum	1,870 gallons	20
Next	750	cubic feet at	\$4.50	per hundred cubic feet	5,610 gallons	20
Next	3000	cubic feet at	\$3.91	per hundred cubic feet	22,440 gallons	20
Next	6000	cubic feet at	\$3.32	per hundred cubic feet	44880 gallons	20
Next	25000	cubic feet at	\$2.86	per hundred cubic feet	187,000 gallons	20
Next	25000	cubic feet at	\$2.36	per hundred cubic feet	187,000 gallons	20
All over	60000	cubic feet at	\$1.90	per hundred cubic feet	448,800 gallons	20
<b>Note: CPI estimated at 1.5%</b>					<b>Increase in Revenue</b>	<b>\$316,269</b>
<b>Proposed 2020 - 2021 (City Customers @ 1.5% plus Water Districts @ 20%)</b>						
						<b>% increase</b>
First	250	cubic feet at	\$11.84	minimum	1,870 gallons	1.5
Next	750	cubic feet at	\$4.50	per hundred cubic feet	5,610 gallons	1.5
Next	3000	cubic feet at	\$3.91	per hundred cubic feet	22,440 gallons	1.5
Next	6000	cubic feet at	\$3.32	per hundred cubic feet	44880 gallons	1.5
Next	25000	cubic feet at	\$2.86	per hundred cubic feet	187,000 gallons	1.5
Next	25000	cubic feet at	\$2.36	per hundred cubic feet	187,000 gallons	1.5
All over	60000	cubic feet at	\$1.90	per hundred cubic feet	448,800 gallons	1.5
<b>Note: District increase of 20%, CPI estimated at 1.5%</b>					<b>Increase in Revenue</b>	<b>\$184,239</b>

<b>Table 3</b>						
<b>Harrodsburg Sewer Rates</b>						
<b>Existing 2015 - 2019</b>						
First	250	cubic feet at	\$12.99	minimum	1,870 gallons	
Next	750	cubic feet at	\$5.31	per hundred cubic feet	5,610 gallons	
Next	3000	cubic feet at	\$5.02	per hundred cubic feet	22,440 gallons	
Next	6000	cubic feet at	\$5.02	per hundred cubic feet	44880 gallons	
Next	25000	cubic feet at	\$5.02	per hundred cubic feet	187,000 gallons	
Next	25000	cubic feet at	\$4.72	per hundred cubic feet	187,000 gallons	
All over	60000	cubic feet at	\$4.43	per hundred cubic feet	448,800 gallons	
<b>Proposed 2019-2020 (City customers only)</b>						
						<b>% increase</b>
First	250	cubic feet at	\$14.29	minimum	1,870 gallons	20
Next	750	cubic feet at	\$5.84	per hundred cubic feet	5,610 gallons	10
Next	3000	cubic feet at	\$5.53	per hundred cubic feet	22,440 gallons	10
Next	6000	cubic feet at	\$5.53	per hundred cubic feet	44880 gallons	10
Next	25000	cubic feet at	\$5.53	per hundred cubic feet	187,000 gallons	10
Next	25000	cubic feet at	\$5.19	per hundred cubic feet	187,000 gallons	10
All over	60000	cubic feet at	\$4.87	per hundred cubic feet	448,800 gallons	10
<b>Note: CPI estimated at 1.5%</b>					<b>Increase in Revenue</b>	<b>\$215,279</b>
<b>Proposed 2020 - 2021 (City Customers @ 1.5% plus Sewer Districts @ 20%)</b>						
						<b>% increase</b>
First	250	cubic feet at	\$14.29	minimum	1,870 gallons	1.5
Next	750	cubic feet at	\$5.84	per hundred cubic feet	5,610 gallons	1.5
Next	3000	cubic feet at	\$5.53	per hundred cubic feet	22,440 gallons	1.5
Next	6000	cubic feet at	\$5.53	per hundred cubic feet	44880 gallons	1.5
Next	25000	cubic feet at	\$5.53	per hundred cubic feet	187,000 gallons	1.5
Next	25000	cubic feet at	\$5.19	per hundred cubic feet	187,000 gallons	1.5
All over	60000	cubic feet at	\$4.87	per hundred cubic feet	448,800 gallons	1.5
<b>Note: District increase of 20%, CPI estimated at 1.5%</b>					<b>Increase in Revenue</b>	<b>\$64,482</b>

<b>Table 4</b>			
<b>Historic and Projected Revenues and Expenses</b>			
<b>Fiscal Year</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Cash Flow</b>
2016	\$4,839,654	\$4,777,711	\$61,943
2017	\$4,867,090	\$4,585,546	\$281,544
2018	\$5,143,547	\$4,802,136	\$341,411
2019	\$5,336,762	\$5,366,052	-\$29,290
2020	\$5,974,838	\$6,418,613	-\$443,775
Notes: 1. 2019 is unaudited. 2. 2020 is projected.			



## **B. Amortization Schedule and Debt Requirements**

As part of the financial review, an amortization schedule was provided by Mike Young of Miller, Mayer, Sullivan and Stevens. Mike has provided accounting services to the City of Harrodsburg for 30 years, and prepares the City's Annual Financial Statement, which is then audited by a separate accounting firm in accordance with state laws. GRW labeled each loan with a project name and added the new debt service payments that will be required when the current construction projects are completed. This amortization schedule is included in the Appendix. A summary of the schedule was prepared by combining the loans that are for sewer projects versus those that are for water projects. In the past, some bonds and loans were combined when refinancing was performed, so these debt payments are designated as shared expenses for the utilities. Table 5 shows the summary of the amortization schedule.

It is immediately evident that the debt payment requirements will be the highest over the next five years. This is due to several "old" loans and leases that are scheduled to be paid off by 2024. This situation results in the City's annual revenues being insufficient to make the total payments and to achieve the required 10% debt service coverage during this time period.

## **C. Operation and Maintenance Expenses**

Operation and Maintenance Expenses include supplies, materials, equipment and labor costs. The overall increase has averaged 3.24%, which is typical for a utility of this type and size. In discussions with the City and the accountants, it was suggested that an adequate increase to pension costs be included in the projections due to the anticipated requirements for the state pension program. Personnel and retirement costs were broken out of the total operation and maintenance amount and an annual 12% increase was applied to the retirement costs. An annual increase of 3% was then projected for the remaining costs.

<b>Table 5 Summary of Amortization Schedule</b>				
<b>Fiscal Year</b>	<b>Water</b>	<b>Sewer</b>	<b>Both</b>	<b>Total</b>
2020	\$802,729	\$1,502,768	\$321,571	<b>\$2,627,068</b>
2021	\$802,445	\$1,501,320	\$157,607	<b>\$2,461,371</b>
2022	\$802,044	\$1,499,689	\$142,655	<b>\$2,444,388</b>
2023	\$718,520	\$1,497,878	\$142,531	<b>\$2,358,928</b>
2024	\$634,865	\$1,405,166	\$138,897	<b>\$2,178,929</b>
2025	\$635,553	\$1,312,027	\$130,647	<b>\$2,078,226</b>
2026	\$635,090	\$1,310,482	\$130,723	<b>\$2,076,295</b>
2027	\$634,983	\$1,309,237	\$130,697	<b>\$2,074,917</b>
2028	\$634,734	\$1,307,783	\$131,057	<b>\$2,073,574</b>
2029	\$635,317	\$1,306,117	\$131,293	<b>\$2,072,727</b>
2030	\$636,223	\$1,304,743	\$131,405	<b>\$2,072,372</b>
2031	\$634,972	\$1,303,146	\$131,884	<b>\$2,070,002</b>
2032	\$636,030	\$1,302,300	\$131,728	<b>\$2,070,059</b>
2033	\$635,400	\$1,300,702	\$131,938	<b>\$2,068,040</b>
2034	\$626,288	\$1,287,960	\$132,494	<b>\$2,046,741</b>
2035	\$617,508	\$1,276,989	\$132,395	<b>\$2,026,892</b>
2036	\$545,039	\$1,240,281	\$132,641	<b>\$1,917,960</b>
2037	\$465,317	\$1,201,770	\$133,212	<b>\$1,800,299</b>
2038	\$456,804	\$1,144,703	\$133,597	<b>\$1,735,105</b>
2039	\$401,155	\$1,125,768	\$133,797	<b>\$1,660,720</b>
2040	\$346,992	\$586,548	\$133,811	<b>\$1,067,351</b>
2041	\$347,430	\$586,191	\$134,130	<b>\$1,067,751</b>
2042	\$349,134	\$499,518	\$134,731	<b>\$983,384</b>
2043	\$350,573	\$499,029	\$135,105	<b>\$984,707</b>
2044	\$338,555	\$450,823	\$135,743	<b>\$925,121</b>
2045	\$339,596	\$450,433	\$0	<b>\$790,029</b>
2046	\$340,896	\$450,792	\$0	<b>\$791,688</b>
2047	\$342,441	\$450,881	\$0	<b>\$793,322</b>
2048	\$343,726	\$450,704	\$0	<b>\$794,430</b>
2049	\$344,749	\$450,758	\$0	<b>\$795,507</b>
2050	\$346,497	\$450,532	\$0	<b>\$797,029</b>
2051	\$347,956	\$450,521	\$0	<b>\$798,477</b>
2052	\$345,182	\$450,214	\$0	<b>\$795,396</b>
2053	\$0	\$450,108	\$0	<b>\$450,108</b>
2054	\$0	\$446,255	\$0	<b>\$446,255</b>
2055	\$0	\$373,235	\$0	<b>\$373,235</b>
2056	\$0	\$373,020	\$0	<b>\$373,020</b>
2057	\$0	\$377,100	\$0	<b>\$377,100</b>
2058	\$0	\$0	\$0	<b>\$0</b>

#### **D. Reserve Funds and Unrestricted Cash**

During the review of the audits and the 2019 financial information, it was observed that the Utility fund has maintained a significant amount of cash reserves over the past years. Parts of the cash reserves are designated for depreciation accounts associated with the capital projects and the funding agencies requirements. For each bond and loan, a reserve account is required. These accounts are to be funded over a period of time, usually 10 years, to a designated amount. The accounts are intended as a "Repairs and Maintenance Reserve", for the purpose of paying the costs of repairs, replacement and periodic maintenance of the utilities systems. These would be items that are significant "non-recurring" expenses which are not included as annual operation and maintenance expenses. The funds may also be used for constructing future expansions and improvements to the systems. In the evaluation of the various bond and loan requirements, it was verified that these accounts are all properly funded, and that some of the older ones have actually been overfunded. It was also noted that there are accounts and certificates of deposit that are still in reserve, but are now unrestricted due to the debts being retired. The City also has an amount of unrestricted cash that has accumulated gradually over the years when revenues have exceeded expenses. Table 6 provides a detailed list of the various depreciation reserve accounts and each account's status. The table in the appendix listing the Historic Annual Revenues and Expenses lists the "cash on hand" at the end of each of the last three fiscal years.

<b>Table 6 Depreciation Reserve Requirements</b>				
<b>Description</b>	<b>Annual Payment</b>	<b>Total Required</b>	<b>Amount Funded</b>	<b>Remaining</b>
Rural Development				
2003 Bonds	\$0	\$63,000	\$64,000	-\$1,000
2004 Bonds	\$0	\$138,600	\$158,428	-\$19,828
2011 Bonds	\$35,640	\$356,400	\$213,811	\$142,589
2014 Bonds	\$7,860	\$78,600	\$28,187	\$50,413
2016 Bonds	\$37,800	\$378,000	\$37,800	\$340,200
Subtotals	\$81,300	\$1,014,600	\$502,226	\$512,374
KIA/SRF Loans				
A02-06	\$0	\$680,000	\$727,111	-\$47,111
F11-17	\$1,100	\$11,000	\$7,566	\$3,434
A11-21	\$1,000	\$10,000	\$6,325	\$3,675
A12-07	\$1,800	\$18,000	\$8,105	\$9,895
F13-002	\$6,800	\$68,000	\$30,640	\$37,360
F15-31	\$800	\$8,000	\$1,742	\$6,258
A15-046	\$3,600	\$36,000	\$7,802	\$28,198
A16-033	\$3,900	\$39,000	\$325	\$38,675
F16-049	\$7,200	\$72,000	\$600	\$71,400
A15-075	\$2,000	\$20,000	\$2,000	\$18,000
A15-074	\$25,000	\$250,000	\$0	\$250,000
Subtotals	\$53,200	\$1,212,000	\$792,216	\$419,784
<b>Totals</b>	<b>\$134,500</b>	<b>\$2,226,600</b>	<b>\$1,294,442</b>	<b>\$932,158</b>

## CONCLUSIONS

### A. Rate Adjustments

The rate amendment ordinances passed in June, 2019 will generate \$316,269 in additional water revenue and \$215,279 in additional sewer revenue for Fiscal Year 2020, totaling \$531,548. This does not address any adjustments to rates for Utility Districts. If the same increases are put in place for the Districts, an additional \$155,774 in water revenues and \$21,305 in sewer revenues (total of \$177,179) will be received. This amount does not include the Consumer Price Index (CPI) annual increase that was added in July, 2019.

## **B. Annual Revenue Required 2020-2024**

Future revenues were estimated based on 2019 usage and revenues, with the 2019 rate increases for City customers calculated for Fiscal Year 2020. The increase associated with the consumer price index was estimated to be 1.5% each year. The rate increase for the Utility Districts was included to begin in Fiscal Year 2021. Operation and Maintenance Expenses were projected to increase overall annually by 3.0%, and the increase in retirement/pension costs was calculated at 12.0% annually. Other expenses include debt service and coverage costs, and annual payments to reserve accounts. The projections indicate that the Utility Fund will have a deficit of \$443,775 in Fiscal Year 2020.

## **C. Short-term Debt and Annual Depreciation Reserve Requirements**

The Utility System has three loans totaling \$1,533,543 that will be paid off in five years. Paying these loans off now (early) would reduce debt service by approximately \$532,000 per year. This will also save the cost of interest on those remaining payments over the next five years.

Various partially funded depreciation reserve accounts require future annual payment obligations of \$28,200. Fully funding these now in the amount of \$169,784 will reduce the number and amount of payments for the next ten years. The new depreciation reserve account for the WWTP requires a total of \$250,000 over 10 years. Establishing an interest-bearing CD now to fully fund that requirement will reduce future annual payment obligations by \$25,000. Funding these ten accounts now would also eliminate the need for separate transactions and banking/bookkeeping details that are required at present.

These expenditures will total \$1,953,327, reducing the annual debt payment requirements by \$585,200. These transactions will ensure that coverage ratios and reserve accounts meet requirements without a need for a rate increase in the near future.

Included in the Appendix are a table listing the Historic Revenues and Expenses with the amount of revenue remaining at end-of-year, and tables that detail the projected revenues and expenses, one with the existing debt remaining in place, and one with the three "short-term" loans paid off in 2020. The projections indicate the difference in required revenue if the three loans are paid off in 2020.

## APPENDIX

HARRODSBURG UTILITIES HISTORIC ANNUAL REVENUES AND EXPENSES													
	2016		2017			2018			2019			2020 (with rate increase)	
REVENUES		total		total			total			total		total	
Water Sales	\$2,204,877		\$2,279,837			\$2,286,713		\$2,360,220		\$2,676,489			
Sewer Charges	\$2,367,099		\$2,374,871			\$2,508,612		\$2,663,195		\$2,985,002			
Other Income	\$267,678		\$212,382			\$348,222		\$313,347		\$313,347			
		<b>\$4,839,654</b>		<b>\$4,867,090</b>	0.57%		<b>\$5,143,547</b>	5.68%		<b>\$5,336,762</b>	3.76%	<b>\$5,974,838</b>	11.96%
<b>O&amp;M EXPENSES</b>													
Water expenses	\$1,764,509		\$1,760,737			\$1,806,463		\$1,948,780		\$2,088,299			
KY River Fee	\$48,779		\$38,594			\$35,089		\$75,267		\$75,267			
Sewer expenses	\$1,067,511		\$1,095,353			\$1,215,041		\$1,144,055		\$1,230,774			
		\$2,880,799		\$2,894,684	0.48%		\$3,056,593	5.59%		\$3,168,102	3.65%	\$3,394,339	7.14%
<b>DEBT EXPENSES</b>													
Debt Service	\$1,599,101		\$1,411,784		-11.7%	\$1,461,493		\$1,875,864		\$2,627,067	28.4%	\$2,627,067	40.0%
Annual Reserve	\$137,900		\$137,900			\$137,900		\$134,500		\$134,500		\$134,500	
10% Coverage	\$159,910		\$141,178			\$146,149		\$187,586		\$262,707		\$262,707	
		\$1,896,912		\$1,690,862			\$1,745,543			\$2,197,950		\$3,024,274	
<b>TOTAL EXPENSES</b>		<b>\$4,777,711</b>		<b>\$4,585,546</b>			<b>\$4,802,136</b>			<b>\$5,366,052</b>		<b>\$6,418,613</b>	
<b>BALANCE</b>		<b>\$61,943</b>		<b>\$281,544</b>			<b>\$341,411</b>			<b>-\$29,290</b>		<b>-\$443,775</b>	
Amount in Operating Account at end of year	\$2,212,491		\$3,027,523		36.84%	\$3,582,678		\$3,794,000		\$3,794,000	5.90%	\$3,350,225	-11.70%







**RECEIVED** *City Ord.*

SEP 06 1994

AGREEMENT

PUBLIC SERVICE  
COMMISSION

This Agreement, made and entered into this the 14th day of December, 1982, by and between the CITY OF HARRODSBURG, KENTUCKY, a Municipal Corporation of the fourth class, acting by and through its Mayor and the authority of the Board of Commissioners of the City of Harrodsburg, hereinafter referred to as CITY, and LAKE VILLAGE WATER ASSOCIATION, acting by and through its Chairman and Board of Commissioners, all pursuant to authority of its Board of Commissioners, hereinafter referred to as ASSOCIATION, with both parties being organized pursuant to the laws of the Commonwealth of Kentucky, WITNESSETH:

In consideration of the mutual promises and obligations contained hereinafter, the parties hereby agree as follows:

1. The City agrees to furnish and sell potable, treated water, meeting applicable purity standards of the Kentucky Department of Health, of the same type and quality as it regularly furnishes to its City customers to the Association through a meter or meters of the type approved by the City, same to be furnished, installed and maintained by the Association at no cost or expense to the City, upon the terms as set forth herein.

2. The City shall furnish and sell to the Association up to 4,000,000 gallons of water per month. In the event the available supply of purified water obtainable through the City's intake and purification plant should fall short of the City's own needs and demands, including that of the North Mercer Water District, the City may give reasonable notice to the Association, thereafter, provide such amounts as the City can provide and meeting the service obligations of its own customers, including North Mercer Water District.

3. Failure in the City's supply due to main breaks, power failures, floods, earthquakes and other catastrophes or acts of God shall excuse the City from compliance with the supply until such occurrences can be reasonably remedied.

4. The rules, regulations and limitations which the City may impose upon other regular customers with respect to the use of its water will be furnished to the Association. The Association specifically agrees to discontinue water service to any customer who fails to pay the City sewer charge, if applicable, and to restrict usage, so far as possible, during such times as supply from the City may be limited. The intention is for equality of rules and treatment of all customers for the prudent operation of the system.

5. The Association agrees to pay to the City each month and not later than the 10th day following mailing of a bill for water consumed as shown by the reading (or uncombined readings

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BY: Jordan C. Neal  
FOR THE PUBLIC SERVICE COMMISSION

6. The said meters shall be the property of the Association and will be maintained at the Association's expense, however, the Association shall have each meter independently tested each year and prior to the initial usage by a mutually agreed testing agency and supply the City with a certified copy of meter test reports. If any meter shall be found upon testing to be inaccurate beyond plus or minus 2% or other standards currently provided by the regulations of the Utility Regulatory Commission of Kentucky, immediate replacement or repair shall be done by the Association at its expense. Payment for service of not more than 3 months during any period found to be inaccurate shall be 100% of the corresponding months known accurate meter readings as recorded by the City for the previous year.

7. In the event the City shall question the accuracy of the district's meter or meters between the regular testing, the meter shall be examined as hereinbefore stated, and if it is found to be such additional testing that the inaccuracy is beyond plus or minus 2%, the repair and cost of testing shall be borne by the district, otherwise the expense of such additional testing shall be borne by the City.

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8. It is understood that the City does not guarantee to the Association any specific pressure and the Association shall hold the City harmless by reason of any liability for any specific or particular water pressure in the Association's distribution system for fire protection or other purposes.

PUBLIC SERVICE COMMISSION  
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BY *James A. Neal*  
FOR THE PUBLIC SERVICE COMMISSION

9. All extensions of service by the Association within 1-1/2 miles of the present service lines of the City shall only be expanded and enlarged by the Association upon written approval from the City, and upon approval being granted for expansion of the Association lines, such installations and expansion contracts and specifications shall be subject to approval and review by the City, which shall not be unreasonably withheld.

10. It is understood that the City only agrees to supply the Association water to the extent its purified water supply exceeds the demands of its own customers and North Mercer Water District.

11. In the event the City annexes property which contains customers of the Association, the City shall have the option to purchase the right-of-ways, easements, lines and other facilities of the Association, and take over all obligations and responsibilities to the Association customers, provided the annexed area is within 1-1/2 miles of the present City limits.

12. This contract shall extend for a term of 10 years beginning with the effective date of this contract. At the expiration of the 10-year term the Association shall have the option to extend the term hereof for an additional 5 years; which option shall be automatically extended by the Association unless the Association,

if multiple meters) of said meter through which water is furnished by the City to the Association, upon the following terms:

A. It is agreed that the Association will pay to the City monthly as billed the same rate of charges for water received from the City through the facilities for said meters as the City charges and collects from time to time from its other customers of the same classification, plus the Association will pay a 10% surcharge for the privilege of utilizing the City's water supply, and upon failure of the Association to pay the City's billing, the City shall be entitled to discontinue water service to the Association in the same manner as the City may be entitled to discontinue service to any other customer.

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 OF KENTUCKY  
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B. The City may review its rates or charges for water service annually and adjust rates as deemed appropriate for all City customers. In the event the City should increase or decrease its rates or charges to its customers, an equitable increase or decrease will be made in the charges to the Association. However, the City will notify the Association at least six months prior to any proposed increase or decrease becoming effective between the parties. Current rates of charges are:

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	Minimum Bill - \$5.00 for first 250 Cu. Ft.
Next	750 Cu. Ft. for \$1.90 per 100 Cu. Ft.
Next	3,000 Cu. Ft. for 1.65 per 100 Cu. Ft.
Next	6,000 Cu. Ft. for 1.40 per 100 Cu. Ft.
Next	25,000 Cu. Ft. for 1.20 per 100 Cu. Ft.
Next	25,000 Cu. Ft. for 1.00 per 100 Cu. Ft.
	All over 60,000 Cu. Ft. for .80 per 100 Cu. Ft.

C. The Association agrees that from the time the Association's system is first connected to the point or points of supply and a meter or meters through which the Association will acquire water have been installed, the Association will pay a minimum monthly water bill per meter (minimum charge will not be in addition to usage of respective meter) to the City according to the following schedule:

<u>Size of Meter</u>	<u>Minimum Charge per month</u>
1-1/2" and smaller.....	\$ 50.00
2" through 4".....	100.00
6" through 8".....	300.00
Over 8".....	Negotiable

The City may review its minimum meter charges annually and adjust rates as deemed appropriate for City customers.

not less than 90 days prior to the expiration of the 10-year term, serves written notice by registered mail upon the then Mayor of the City of the Association's intention not to exercise said option. Said option shall be upon the same terms and conditions as this contract.

13. Any notice between the parties shall be addressed to the other in the care of the Mayor of the City of Harrodsburg and the Chairman of the Lake Village Water Association, Inc.

14. This contract is subject to the approval of the Public Service Commission of the Commonwealth of Kentucky and in the event same is not approved by the said Commission it shall be null and void and of no effect.

CITY OF HARRODSBURG

LAKE VILLAGE WATER ASSOCIATION

BY: *Charles W. Carr*  
Charles W. Carr, Mayor

BY: *Danny Noel*  
Chairman

ATTESTED: *Marquita E. Carey*  
Marquita E. Carey, Clerk

*R. W. Hester*  
Secretary

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
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PURSUANT TO 807 KAR 5.011,  
SECTION 9(1)

BY: *Jordan A. Noel*  
FOR THE PUBLIC SERVICE COMMISSION

*City Orig*

ADDENDUM

This addendum made and entered this the 19 day of August, 1985, by and between the CITY OF HARRODSBURG, KENTUCKY, a Municipal Corporation of the fourth class, acting by and through its Mayor and the authority of the Board of Commissioners of the City of Harrodsburg, hereinafter referred to as CITY, and LAKE VILLAGE WATER ASSOCIATION, acting by and through its Chairman and Board of Commissioners, all pursuant to authority of its Board of Commissioners, hereinafter referred to as ASSOCIATION, with both parties being organized pursuant to the laws of the Commonwealth of Kentucky, WITNESSETH:

WHEREAS, the parties entered into an Agreement dated December 14, 1982, providing for the purchase of water by the ASSOCIATION from the CITY; and

WHEREAS, The ASSOCIATION is now being required by its lender to obtain a forty (40) year Agreement to purchase water; and

WHEREAS, both parties desire to establish and continue a good working relationship,

THEREFORE, in consideration of the mutual promises and obligations in the original Agreement, dated December 14, 1982, and contained herein, the parties agree as follows:

1. Numerical paragraph number 12 of the original Agreement, dated December 14, 1982, is hereby amended to read as follows:

12. This contract shall extend for a term of 10 years beginning with the effective date of this contract. At the expiration of the 10-year term the ASSOCIATION shall have

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OF KENTUCKY  
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PURSUANT TO 807 KAR 5.011,  
SECTION 9 (1)

BY: *Jonathan P. Neal*  
PUBLIC SERVICE COMMISSION

the option to extend the term thereof for an additional 5 years three additional 10-year terms; which options shall be automatically extended by the ASSOCIATION unless the ASSOCIATION, not less than 90 days prior to the expiration of the 10-year any then current 10-year term, serves written notice by registered mail upon the then Mayor of the CITY of the ASSOCIATION'S intention not to exercise said option. Said options shall be upon the same terms and conditions as this contract.

The intent of this addendum is to provide the ASSOCIATION with the possibility of maintaining the December 14, 1982, Agreement for a total of forty (40) years.

CITY OF HARRODSBURG

LAKE VILLAGE WATER ASSOCIATION

BY:

Charles W. Carr  
Charles W. Carr, Mayor

BY:

Donna Noel  
Chairman

ATTESTED:

Marquita E. Carey  
Marquita E. Carey, Clerk

ATTESTED:

W. A. Hora

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OF KENTUCKY  
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PURSUANT TO 807 KAR 5011,  
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BY: Jordan C. Noel  
FOR THE PUBLIC SERVICE COMMISSION

ADDENDUM

This addendum made and entered into this the 6 day of Oct, 1989, by and between the CITY OF HARRODSBURG, KENTUCKY, a Municipal Corporation of the fourth class, acting by and through its Mayor and upon the authority of the Board of Commissioners of the City of Harrodsburg as granted to the Mayor by Resolution of the Board of Commissioners dated March 11, 1986, hereinafter referred to as CITY, and LAKE VILLAGE WATER ASSOCIATION, acting by and through its Chairman and Board of Commissioners, pursuant to authority granted by Resolution of its Board of Directors, dated 6 Oct. 87, hereinafter referred to as Association, with both parties being organized pursuant to the laws of the commonwealth of Kentucky, WITNESSETH:

WHEREAS, the parties entered into an Agreement dated December 14, 1982, providing for the purchase of 4,000,000 gallons of water per month by the Association from the CITY; and

WHEREAS, on August, 19, 1985, the parties entered into an Addendum extending the terms of the original agreement from an original term of 10 years plus an additional 5 year option to 3 additional 10 year options; and

WHEREAS, both parties desire to continue a good working relationship; and

WHEREAS, the ASSOCIATION, has now requested the CITY to increase the amount of water which the CITY will furnish and sell to the ASSOCIATION,

THEREFORE, in consideration of the mutual promises and obligations in the original agreement and the Addendum, and in the further consideration of the mutual benefits which the parties will receive, it is agreed as follows:

1. Numerical paragraph number 2 of the original Agreement, dated December 14, 1982, is hereby amended to read as follows:

2. The City shall furnish and sell to the Association up to ~~4,000,000~~ <sup>6,000,000</sup> gallons of water per month. In the event the available supply of purified water obtainable through the City's intake and purification plant should fall short of the City's own needs and demands, including that of the North Mercer Water District, the City may give reasonable notice to the Association, and thereafter, provide such amount as the City can provide, after meeting the service obligations of its own customers, including North Mercer Water District.

2. In all other respects the aforesaid documents remain unchanged and in full force and effect.

CITY OF HARRODSBURG

BY: Charles W. Carr  
Charles W. Carr

ATTESTED: Marquita E. Carey  
Marquita E. Carey, City Clerk

LAKE VILLAGE WATER ASSOCIATION

BY: Danny Noel  
Danny Noel, Chairman

ATTESTED: W. A. Ford

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OF KENTUCKY  
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SECTION 9 (1)  
BY: Danny Noel  
FOR THE PUBLIC SERVICE COMMISSION



ADDENDUM NO. 3

This addendum made and entered this the 7<sup>th</sup> day of July, 1992, by and between the CITY OF HARRODSBURG, KENTUCKY, a Municipal Corporation of the fourth class, acting by and through its Mayor and pursuant to the authority of the Board of Commissioners of the City of Harrodsburg, hereinafter referred to as CITY, and LAKE VILLAGE WATER ASSOCIATION, acting by and through its Chairman and Board of Commissioners, pursuant to authority of its Board of Commissioners, hereinafter referred to as ASSOCIATION, with both parties being organized pursuant to the laws of the Commonwealth of Kentucky, WITNESSETH:

WHEREAS, the parties entered into an Agreement dated December 14, 1982, providing for the purchase of water by the ASSOCIATION from the CITY; and

WHEREAS, by Addendum No. 1 dated August 19, 1985 the original Agreement of August 19, 1982 was extended for 10 years with three 10 year options in favor of Lake Village through August 19, 2022; and

WHEREAS, by Addendum No. 2 dated October 6, 1987 the quantity of water the City agreed to furnish and sell the Association per month was increased from 4,000,000 gallon to 6,000,000 gallon per month; and

WHEREAS, the ASSOCIATION is now requested by its lender (FmHA) to obtain a forty (40) year Agreement to purchase said water and the Association has been requested to increase the quantity of water it can purchase to 20,000,000 gallons per month; and

WHEREAS, both parties desire to continue a good working relationship, and the City is of the opinion it can comply with the Association's requests.

THEREFORE, in consideration of the mutual promises and obligations in the original Agreement, dated December 14, 1982, and others which followed as mentioned herein, the parties agree as follows:

I. Numerical paragraph number 2 of the original Agreement dated December 14, 1982, which was amended by Addendum No. 2 dated October 6, 1987 is further amended, to read as follows:

PUBLIC SERVICE COMMISSION  
OF KENTUCKY

EFFECTIVE

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PURSUANT TO 807 KAR 5.011,  
SECTION 9(1)

BY: Jonathan C. Neal  
FOR THE PUBLIC SERVICE COMMISSION

2. The City shall furnish and sell to the Association up to ~~6,000,000~~ 20,000,000 gallons of water per month. In the event the available supply of purified water obtainable through the City's intake and purification plant should fall short of the City's own needs and demands, including that of the North Mercer Water District, the City may give reasonable notice to the Association, and thereafter, provide such amounts as the City can provide, after meeting the service obligations of its own customers, including North Mercer Water District.

II. Numerical paragraph number 12 of the original Agreement, dated December 14, 1982, as amended by Addendum No. 1 dated August 19, 1985 is hereby amended to read as follows:

12. This contract shall extend for a term of 10 years beginning December 1, 1992. At the expiration of the 10-year term the ASSOCIATION shall have the option to extend the term thereof for three additional 10-year terms; which options shall be automatically extended by the ASSOCIATION unless the ASSOCIATION, not less than 90 days prior to the expiration of any then current 10-year term, serves written notice by registered mail upon the then Mayor of the CITY of the ASSOCIATION'S intention not to exercise said option. Said options shall be upon the same terms and conditions as this contract.

III. In all other respects the aforesaid documents remain unchanged and in full force and effect.

Approved by City of Harrodsburg Board of Commissioners on JUNE 23, 1992.

Approved by Lake Village Water Association Board of Commissioners on July 7, 1992.

CITY OF HARRODSBURG  
By: [Signature]  
Charles W. Carr

LAKE VILLAGE WATER ASSOCIATION  
By: [Signature]  
Chairman

ATTESTED: [Signature]  
Marquita E. Carey, Clk

ATTESTED: [Signature]  
~~clerk~~ Secretary - Treas.

contracts\city-lake.add

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

SEP 22 1994

PURSUANT TO 807 KAR 5011,  
SECTION 9(1)  
BY: [Signature]  
FOR THE PUBLIC SERVICE COMMISSION

THIS AGREEMENT, made and entered into on this the 1st day of January, 1982, by and between the CITY OF HARRODSBURG, KENTUCKY, a Municipal Corporation of the fourth class, acting by and with the authority of the Harrodsburg Board of City Commissioners, hereinafter called the CITY, and NORTH MERCER WATER DISTRICT, acting by and through its Board of Commissioners, hereinafter called the DISTRICT, both municipal corporations organized under the laws of the State of Kentucky;

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OF KENTUCKY  
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WITNESSETH:

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Prior contract, dated October 8, 1963, is hereby superceded, and further;

PURSUANT TO 807 KAR 5011,  
SECTION 9(1)  
BY: Curtis C. Neal  
FOR THE BOARD OF COMMISSIONERS

WHEREAS, the City desires to sell to the District, and the District desires to purchase from the City, purified water, the parties agree, as follows:

(1) The City agrees to furnish and sell treated water, (of the same type and quality as it furnishes to its regular City customers), to the District through a meter or meters of standard type in use in the City, size to be designated by the District, but subject to the approval of the City and furnished, installed, and maintained by the District at no cost or expense to the City, upon the following special terms and conditions:

- A. Existing connections with the City's existing water service have been made to the eight-inch main at the City Swimming Pool on the Mackville Road and the second connection made on Highway 127 at the North City Limits from a twelve-inch water main. Additional connections to the

*P.P.T.*  
*3-24-82*  
*AM*  
*3-25-82*  
*McC*  
*mea*

City's water service mains may be approved in writing by the City from time to time.

B. The City agrees that through said connections it will furnish to the District, such supply of purified water as the District may require up to twenty percent of the City's capacity to produce, which is presently 4.0 million gallons per day. In the event that the available supply of purified water obtainable through the City's river intake and purification plant should fall short of the City's own needs and demands, the City may give reasonable notice to the District, and thereafter, prorate available water between the City and the District according to the respective use of the two bodies during the six (6) months last/~~calendar~~ year. Failure in the City's supply due to main breaks, power failure, floods, earthquakes, and other catastrophes shall excuse the City from compliance with supply terms until such occurrences are remedied.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
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PURSUANT TO 807 KAR 5011,  
SECTION 9 (1)

BY: *[Signature]*  
FOR THE PUBLIC SERVICE COMMISSION

*PPV - 3-24-82  
H.A.M. 3-25-82  
PWC  
m 80*

C. The rules, regulations, and limitations which the City may impose upon other regular customers with respect to the use of its water will be applicable to the District which will cooperate with the City in enforcing same. See below (i)

(2) The District agrees to pay the City each month for water consumed as shown by the reading or uncombined readings of said meters through which water is furnished by the City to the District upon the following terms:

A. It is agreed that the District shall pay to the City, monthly, as billed, the same rate of

\* \* \* \* \*

(i) The intention is for equality of rules

and treatment for all customers for the prudent operation of the system.

*PPV 3-11-82  
H.A.M. 3-25-82  
PWC  
m 80*

charges for water received from the City through the facilities of said meters as the City charges and collects from time to time from its other customers of the same classification; and, upon failure of the District to pay the City's billing, the City shall be entitled to discontinue water service to the District in the same manner as the City may be entitled to discontinue service to any other customer of the same classification.

B. The City may review its rates of charge for water service annually and adjust rates as deemed appropriate for all City customers according to their classification. In the event the City should increase or decrease its rates of charge to its customers, an equitable increase or decrease will be made in its charges to the District. Current rates of charge are, as follows:

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 SECTION 9(1)  
 BY: Jordan R. [Signature]  
 FOR THE PUBLIC SERVICE COMMISSION

	Minimum Bill - \$5.00 for first 250 Cu. Ft.
Next	750 Cu. Ft. for \$1.90 per 100 Cu. Ft.
Next	3,000 Cu. Ft. for 1.65 per 100 Cu. Ft.
Next	6,000 Cu. Ft. for 1.40 per 100 Cu. Ft.
Next	25,000 Cu. Ft. for 1.20 per 100 Cu. Ft.
Next	25,000 Cu. Ft. for 1.00 per 100 Cu. Ft.
All Over	60,000 Cu. Ft. for .80 per 100 Cu. Ft.

C. The District agrees that from the time the District's system is first constructed and tested at the point or points of supply and a meter or meters through which the District will acquire water have been installed, the District will pay a minimum monthly water bill per meter to the City, according to the following schedule:

*Handwritten:*  
 5-24-82  
 3-25-82  
 [Signature]  
 [Signature]  
 [Signature]  
 mec

<u>Size of Meter</u>	<u>Minimum Charge Per Month</u>
1-1/2" and smaller . . . . .	\$ 50.00
2" through 4" . . . . .	100.00
6" through 8" . . . . .	300.00
Over 8" . . . . .	Negotiable

The City may review its minimum meter charges annually and adjust rates as deemed appropriate for City customers according to their classification.

(3) The said water meters on which the District receives said supply of water from the City's waterlines, shall be the property of the District and will be maintained at the District's expense; provided, however, that the District shall have each meter independently tested each year by a mutually agreed testing agency and supply the City with a certified copy of meter test reports. If any meter shall be found upon such testing that said meter is inaccurate beyond +2 percent or other standards currently provided by the regulations of the Utility Regulatory Commission of Kentucky, immediate replacement or repair of any such meter shall be borne by the District. Payment for service during any period found to be inaccurate shall be 110 percent of the corresponding month(s) of the previous year's known accurate meter readings as recorded by the City.

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OF KENTUCKY  
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In the event that the City should question the accuracy of the District's meter(s) between said regular testing, meter(s) shall be examined as hereinbefore stated. If it is found upon such additional testing and repair shall be borne by the District, otherwise the expense of such additional testing shall be borne by the City.

PURSUANT TO 807 KAR 5.011,  
SECTION 9 (1)  
BY *[Signature]*  
FOR THE PUBLIC SERVICE COMMISSION

(4) A "notice" or a "request" by one party to the other under the terms hereof shall be sufficient if in writing, mailed by certified-receipt-requested, United States Mail, postage prepaid, and addressed to such other party in care of an officer of such party, in Mercer County, designated by such party to receive notices hereunder. In the absence of such designation, it may be addressed in care of any executive officer of such party in Mercer County.

3.24-8:  
3-25-82  
MBC  
*[Signature]*

(5) It is understood and agreed that the City does not guarantee unto the District any specific pressure of such water service and that the maximum rate of supply will not exceed the limits as set out below, provided, that such withdrawal rates do not cause deterioration of service to the City's other customers, at which time, paragraph 1, subparagraph B, of this Agreement, shall apply.

Mackville Road Connection	200	gallons per minute
U.S. Highway 127 Connection	- 355.56	gallons per minute
.....	- .....	gallons per minute
.....	- .....	gallons per minute
.....	- .....	gallons per minute

(6) The District agrees it will construct and install, at its own expense and upon its own responsibility, such booster pumping, storage, and/or other facilities as may be necessary or desirable to preserve, in the District's water distribution system, such pressure for fire protection and other purposes as the District may desire or require. It is expressly understood and agreed that City does not assume responsibility for any specific or particular water pressure in the District's distribution system for fire protection or other purposes.

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OF KENTUCKY  
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(7) The District agrees that it will, at City expense, terminate water service to any customers which fail to pay for sewer service received from the City.

SEP 22 1994

PURSUANT TO 807 KAR 5.011,  
SECTION 9(1)

BY: [Signature]  
FOR THE P[...]

(8) The term of this contract shall be for the period of forty (40) years, beginning with the date of this Agreement.

(9) The purchaser's rights and privileges are hereby pledged to the United States of America,

3-24-82  
3-25-82  
MBC

[Signature]

acting through Farmers Home Administration as Lender and/or bondholder of the District's bond or bonds as a part of the security for such indebtedness.

(10) In consideration of the premises above, the District agrees that all plans and specifications for installations within a 1-1/2 miles radius of City shall be submitted to the City for review and approval prior to their submission to the Kentucky Department of Health for approval and that all construction under such plans and specifications be subject to inspection and approval by the City. Such approval shall not be unreasonably withheld.

*3-20-82*  
*3-25-82*  
*MWC*

S I G N E D , this the day and year first above written by the Mayor and Clerk of the City of Harrodsburg, and by the Chairman and Secretary of the North Mercer Water District, in multiple copies, each of which shall have the same force and effect as the original, all pursuant to appropriate Resolutions of the City of Harrodsburg and the Board of Commissioners of the North Mercer Water District.

CITY OF HARRODSBURG, KENTUCKY

By: *Charles W. Carr*  
Charles W. Carr, PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

A T T E S T :

*Marginta E. O'Leary*  
City Clerk

SEP 22 1994

PURSUANT TO 807 KAR 5011,  
SECTION 9 (1)

NORTH MERCER WATER DISTRICT *C. Carr*  
FOR THE PUBLIC SERVICE COMMISSION

By: *Aubrey Morris*  
Aubrey Morris, Chairman  
Board of Commissioners

A T T E S T :

*John Tuggle* *3-24-82*  
John Tuggle, Secretary



THIS ADDENDUM to that certain Agreement dated the 1st day of January, 1982, by and between the CITY OF HARRODSBURG, KENTUCKY, a Municipal Corporation of the Fourth Class, acting by and with the authority of the Harrodsburg Board of City Commissioners, and NORTH MERCER WATER DISTRICT, acting by and through its Board of Commissioners, all of Mercer County, in the State of Kentucky;

W I T N E S S E T H :

That in consideration of mutual promises of the parties previously expressed in the aforementioned Agreement dated January 1st, 1982, and the further consideration of these promises, the parties agree that Section (8) shall be amended to read,

(8) This CONTRACT shall have as an expiration date of September 30th, 2037.

SIGNED on this 12 day of January 1988,

1987.

CITY OF HARRODSBURG, KENTUCKY

ATTEST:

Margita E. Carey  
City Clerk

By:

Mark W. Carr  
Mayor

NORTH MERCER WATER DISTRICT

ATTEST:

John A. Fugge  
Secretary

By:

Aubrey S. Morris  
Chairman, Board of Commissioners

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

SEP 22 1994

PURSUANT TO 807 KAR 5.011,  
SECTION 9(1)

BY: Jordan C. Neal  
FOR THE PUBLIC SERVICE COMMISSION

RECEIVED  
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PUBLIC SERVICE  
COMMISSION

THIS SUPPLEMENTAL AGREEMENT, made and entered into on this the 1st day of February, 1982, by and between the CITY OF HARRODSBURG, KENTUCKY, a Municipal Corporation of the fourth class, acting by and through the Mayor of said City, and the authority of the Board of City Commissioners of the City of Harrodsburg, hereinafter known and referred to as CITY, and NORTH MERCER WATER DISTRICT, acting by and through its Chairman of its Board of Commissioners, all pursuant to authority of the Board of Commissioners, hereinafter known and referred to as DISTRICT, with both parties being organized pursuant to the laws of the Commonwealth of Kentucky;

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

SEP 22 1994

WITNESSETH:

PURSUANT TO 807 KAR 5.011,  
SECTION 9(1)

WHEREAS, the parties hereto did on the 1st day of January, 1982, enter into a Water Purchase Agreement, subject to the terms and covenants as set out in said Agreement; and

By [Signature]  
FOR THE DISTRICT

WHEREAS, the parties hereto do hereby affirm and reaffirm the terms and covenants of said Agreement; and

WHEREAS, there exists between the parties, the desire and need to make additional agreements and covenants; and

NOW, THEREFORE, in consideration of the promises, commitments, and covenants of the Agreement dated the 1st day of January, 1982, and further in consideration of these promises, commitments, and covenants, made hereinafter, all of which are acknowledged and recognized as being valuable and valid consideration for this Supplemental Agreement, it is agreed, as follows:

3-24-92  
3-25-82

[Handwritten initials]

MBC

(1) The City shall have the option to purchase the rights-of-way easements, lines, and other facilities of the District and take over all District's customers in areas which have been, or may hereafter be, annexed to the City upon the following terms and conditions, and subject to the following limitations:

- A. Such areas must have reached or be anticipated by the City to reach a population density of not less than one customer per acre. Such areas may also be eligible for purchase for anticipated or existing commercial and/or industrial development.
- B. The price to be paid for the lines and facilities purchased by the City under the terms hereof shall be negotiated within the computed range of the three following pricing methodologies:

(1) Original cost, less depreciation for facilities actually installed by and/or paid for by the water district.

PUBLIC SERVICE COMMISSION  
 OF KENTUCKY  
 EFFECTIVE

(2) Replacement cost, less depreciation for facilities actually installed by and/or paid for by the water district.

SEP 22 1994

(3) The present worth value of revenue from lost customers, computed by the following procedure:

PURSUANT TO 807 KAR 5.011,  
 SECTION 9(1)

BY: Jordan L. Smith  
 FOR THE PUBLIC SERVICE COMMISSION

- a. Total annual revenue from customers served by line(s) subject to City purchase, (from water district billing records) . . . . . \$
- b. Less direct cost of water sold to customers in question, (billed volume in a., above, multiplied by unit cost paid to supplier) . . . . . \$
- c. Less other O & M costs associated with customers lost, (to be taken at 15% or more of b., above) . . . . . \$
- d. Sum available annually for debt service and depreciation reserves . . . \$
- e. Less allowance of 10% or more to represent depreciation reserve allocation. . . . . \$
- f. BALANCE: Sum available for debt service . . . . . \$
- g. From f. balance, compute present worth value using actual bonded debt percentage rate and years remaining on indebtedness

3-24-82  
 3-25-82  
 J.P.S.  
 H.P.M.  
 C.W.C.  
 M & C

EXAMPLE: Assume "balance" in f., above, is \$7,000.00 per year. Assume further that debt of water district is at a rate of 5% with 39 years remaining for debt repayment. Present value of \$1.00 @ 5% for 39 years equals \$17.02. Therefore, present worth value of system being acquired equals 17.02 x 7,000 = \$119,140.00 under method 3.

It is further understood that a significant portion of the price paid by the City for such acquisition may need to be placed in an escrow account to assure continued compliance with District debt agreements. Further, the District may elect to use such sum to extend service to other areas, with lender approval. Lenders or lending agency shall make input and give instructions as to desired handling of price disbursement, which instruction shall be adhered to by both the City and the Water District.

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SEP 22 1994

C. If the City and the District shall be unable to agree whether an area is subject to purchase by the City under the terms hereof within forty-five (45) days after written notice by the City to the District of the City's desire to take over such an area, or unable to arrive at the purchase price under the aforementioned pricing methodologies within ninety (90) days after such notice, the matter shall be submitted to arbitration upon the written request of either party. Each party agrees to appoint one arbitrator within twenty (20) days following such request for arbitration and the two arbitrators thus chosen shall select a third arbitrator. If they are unable to agree upon a third arbitrator within thirty (30) days following such request for arbitration, such third arbitrator shall be selected by the then judge of the Mercer Circuit Court upon the application of either party. The decision of the three arbitrators or a majority of them made within the scope of this agreement, shall be final and binding upon the City and the District.

PURSUANT TO 807 KAR 5.011,  
SECTION 9(1)

BY THE JUDGE OF THE MERCER CIRCUIT COURT

(2) In consideration of the

purchase option contained in paragraph 1, above, the District agrees that all plans and specifications for installations

within a 1-1/2 miles radius of City shall be submitted to the City for review and approval prior to their submission to the

3-24-81  
3-25-82  
me (Row)

Kentucky Department of Health for approval and that all construction under such plans and specifications be subject to inspection and approval by the City. Such approval shall not be unreasonably withheld.

This Supplemental Agreement is signed, this the day and year first above written, by the Mayor and Clerk of the City of Harrodsburg, and by the Chairman and Secretary of the North Mercer Water District, in multiple copies, each of which shall have the same force and effect as the original, all pursuant to appropriate Resolution of the Board of Commissioners of the City of Harrodsburg and the Board of Commissioners of the North Mercer Water District.

CITY OF HARRODSBURG, KENTUCKY

By:

Charles W. Carr  
Charles W. Carr, Mayor

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

ATTEST:

Margueta E. Carey  
City Clerk

SEP 22 1994

PURSUANT TO 807 KAR 5.011,  
SECTION 9(1)

BY: Jonathan C. Neal  
FOR THE PUBLIC SERVICE COMMISSION

NORTH MERCER WATER DISTRICT

By:

Aubrey Morris  
Aubrey Morris, Chairman  
Board of Commissioners

ATTEST:

John P. Tuggle 3.24.82  
John Tuggle, Secretary

**THIS AGREEMENT**, made and entered into on this the 23<sup>rd</sup> day of August, 2010, by and between the **CITY OF HARRODSBURG, KENTUCKY**, a Municipal Corporation of the fourth class organized in the Commonwealth of Kentucky, acting by and through, **Lonnie Campbell, Mayor**, pursuant to the authority of the Board of Commissioners of the City of Harrodsburg, Kentucky, with a mailing address of City Hall, 208 South Main Street, Harrodsburg, Kentucky 40330, hereinafter called the **CITY**, and **NORTH MERCER WATER DISTRICT**, a rural water district organized pursuant to Chapter 74 of the Kentucky Revised Statutes, and all other applicable law, acting by and through **Roy Short, Chairman of, and pursuant to Resolution of, its Board of Commissioners**, with a mailing address of Post Office Box 79, 108 Main Street, Salvisa, Kentucky 40372, hereinafter called the **DISTRICT**;

**WITNESSETH:**

Prior contract, dated January 1, 1982, is hereby superseded, and further;

**WHEREAS**, the City desires to sell to the District, and the District desires to purchase from the City, purified water, the parties agree, as follows:

(1) The City agrees to furnish and sell treated water (of the same type and quality as it furnishes to its regular City customers), to the District through a meter or meters of standard type in use in the City, size to be designated by the District, but subject to the approval of the City and furnished, installed, and maintained by the District at no cost or expense to the City, upon the following special terms and conditions:





A. Connections within the City's existing water service have been made to the ten-inch main at the old city swimming pool on the Mackville Road; a second connection made on Highway 127 at Tapp Road from a twelve-inch water main; a third connection at Salt River on Cornishville Road from an eight-inch main; a fourth connection at Dry Branch Road on Perryville Road from an eight-inch main; a fifth connection at US 127 and US 127 Bypass from a twenty-inch main; and a sixth connection at Warwick Road from a twenty-inch main. It is anticipated that after the connections designated as fifth and sixth connections herein, the second connection located at US 127 and Tapp Road will be eliminated. Additional connections to the City's water service mains may be approved in writing by the City from time to time.

Notwithstanding any other provisions to the contrary, a connection shall be made to the District's Louisville Road main, at the site of the Anderson-Dean Community Park, with such connection providing service to the aquatic center, the baseball, soccer, and softball fields, and the various pavilions and structures. The District will read the meter at this connection, and the usage, whether in gallons or cubic feet, shall be deducted by the City from the monthly billings the City makes to the District

B. The City agrees that through said connections it will furnish to the District, such supply of purified water as the District may require up to thirty percent of the City's capacity to produce, which is presently *4.0 million gallons* per day. In the event that the available supply of purified water obtainable through the City's river intake and purification plant should fall short of the City's own needs and demands, the City may give reasonable notice to the District, and thereafter, prorate available water between the City and the District according to the respective use of the two bodies during the last twelve (12) months. Failure in the City's supply due to main breaks, power failure, floods, earthquakes, and other catastrophes shall excuse the City from compliance with supply terms until such occurrences are remedied.

C. The rules, regulations, and limitations which the City may impose upon other regular customers with respect to the use of its water will be applicable to the District which will cooperate with the City in enforcing same. The intention is for equality of rules and treatment for all customers for the prudent operation of the system.

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(2) The District agrees to pay the City each month for water consumed as shown by the reading or combined readings of said meters through which water is furnished by the City to the District upon the following terms:

A. It is agreed that the District shall pay to the City, monthly, as billed, the same rate of charges for water received from the City through the facilities of said meters as the City charges and collects from time to time from its other customers of the same classification; and, upon failure of the District to pay the City's billing, the City shall be entitled to discontinue water service to the District in the same manner as the City may be entitled to discontinue service to any other customer of the same classification.

B. The City may review its rates of charge for water service annually and adjust rates as deemed appropriate for all City customers according to their classification. In the event the City should increase or decrease its rates of charge to its customers, an equal increase or decrease will be made in its charges to the District.

Current rates of charge, per month, are, as follows:

Minimum Bill - \$8.78 for first 250 Cu. Ft. (1,875 gal)  
 Next 750 Cu. Ft. (5,625 gal) for \$3.33 per 100 Cu. Ft. (750 gal)  
 Next 3,000 Cu. Ft. (22,500 gal) for \$2.90 per 100 Cu. Ft. (750 gal)  
 Next 6,000 Cu. Ft. (45,000 gal) for \$2.46 per 100 Cu. Ft. (750 gal)  
 Next 25,000 Cu. Ft. (187,500 gal) for \$2.10 per 100 Cu. Ft. (750 gal)  
 Next 25,000 Cu. Ft. (187,500 gal) for \$1.75 per 100 Cu. Ft. (750 gal)  
 All Over 60,000 Cu. Ft. (450,000 gal) for \$1.40 per 100 Cu. Ft. (750 gal)

C. The District will pay a minimum monthly water bill per meter to the City, according to the following schedule:

<u>Size of Meter</u>	<u>Minimum Charge Per Month</u>
1-1/2" and smaller	\$50.00
2" through 4"	\$100.00
6" through 8"	\$300.00
Over 8"	Negotiable

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**The City may review its minimum meter charges annually and adjust rates as deemed appropriate for City customers according to their classification.**

(3) The said water meters on which the District receives said supply of water from the City's waterlines, shall be the property of the District and will be maintained at the District's expense; provided, however, that the District shall have each meter independently tested each year by a mutually agreed testing agency and supply the City with a certified copy of meter test reports. Upon such testing, if any meter shall be found to be inaccurate beyond +/- two percent (2%) or other standards currently provided by the regulations of the Public Service Commission of Kentucky, immediate replacement or repair of any such meter shall be borne by the District. Payment for service during any period found to be inaccurate shall be 110 percent of the corresponding month(s) of the previous two (2) years which are known to be accurate meter readings as recorded by the City.

In the event that the City shall question the accuracy of the District's meter(s) between aforesaid regular testing, meter(s) shall be examined as herein before stated. If it is found upon such additional testing that the meter is inaccurate beyond the two percent (2%) variance stated above, such additional testing, repairs, and/or replacements shall be borne by the District, but otherwise the expense of such additional testing shall be borne by the City.

(4) A "notice" or a "request" by one party to the other party under the terms hereof shall be sufficient if in writing, mailed by the United States Certified Mail, return receipt requested, with all postage prepaid, and addressed to such other party in care of an officer of such party, designated by such party to receive notices hereunder. In the absence of such designation, such certified mail may be addressed in care of any executive officer of the receiving party, at the address set out in the preamble of this Agreement.

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OF KENTUCKY

(5) Provided that the District's usage rate and volume does not cause deterioration of service of the City's other customers, the following represents the present and the expected demand and supply which the parties anticipate:

**A. Existing System with Phase 1 Transmission and Storage Improvements to**

**City System**

<u>Meter Location</u>	<u>Average Daily Flow</u>	<u>Peak Flow Rate</u>	<u>Pressure at Peak Flow Rate</u>
North 127	699,980 gpd (93,580 cu. ft.)	800 gpm (1,152,000 gpd)	54 psi
Cornishville Road	315,000 gpd (42,112 cu. ft.)	300 gpm (432,000 gpd)	74 psi
Mackville Road	252,000 gpd (33,690 cu. ft.)	400 gpm (576,000 gpd)	62 psi
Perryville Road	140,300 gpd (18,707 cu. ft.)	150 gpm (216,000 gpd)	65 psi
Warwick Road	480,000 gpd (64,171 cu. ft.)	500 gpm (720,000 gpd)	50 psi

**B. Regional Water Resources Utilization and Cooperation.**

The District has requested additional water supply over the life of this contract, and the parties acknowledge a substantial cost to the City to provide such increased production to the District. It is agreed that in view of the cooperative effort required and the dependency of one party upon the other, the City will be the primary provider of water to the District. The City acknowledges that the District has made, or is negotiating, agreements for additional supplies of water with Springfield Water and Sewer Commission, 603 West Main Street, Post Office Box 307, Springfield, Kentucky 40069; South Anderson Water District, 142 South Main Street, Lawrenceburg, Kentucky 40342; City of Danville, 445 West Main Street, Danville, Kentucky 40422; and Lake Village Water Association, Inc., 803 Pleasant Hill Road, Burgin, Kentucky 40310.

These parties acknowledge the increasing need for joint and/or cooperative action by all regional water utilities, and pledge their efforts toward these regional goals.

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(6) The District agrees it may construct and install, at its own expense and upon its own responsibility, such booster pumping, storage, and/or other facilities as may be necessary or desirable in the District's water distribution system.

(7) The District agrees that it will, at City's expense, terminate water service to any of its water customers which fail to pay for City sewer services.

(8) The term of this contract shall be for the period of fifty (50) years, beginning with the date of this Agreement.

(9) The City understands that the District's rights and privileges under this contract will be pledged to the United States of America, acting through Farmers Home Administration/Rural Development as Lender and/or bondholder, or any other creditor, agency or institution holding the District's bonds, as a part of the security for such indebtedness.

(10) In consideration of the premises above, the District agrees that all plans and specifications for installations within a 1-1/2 miles radii of the City shall be submitted to the City for review and comment before constructions of same.


(11) If the City desires to purchase the easements, lines, and other facilities of the District and assume responsibility for serving the District's customers in certain areas, which have been or may hereafter, be annexed into the City, the parties will exchange requested pertinent information and will negotiate in good faith for the sale and transfer of same. The parties realize that any sale or transfer of such assets may be contingent upon receiving approval from any agency providing funding or lending of funds to either of the parties in connection with their water treatment, transmission, storage or distribution systems.






WITNESS the hands of the Mayor and the Clerk of the City of Harrodsburg, and the hands of the Chairman and Secretary of the North Mercer Water District, in multiple copies, each of which shall have the same force and effect as the original, all pursuant to appropriate Resolutions of the City of Harrodsburg, Kentucky, and the Board of Commissioners of the North Mercer Water District, all on this the day and year first above written.

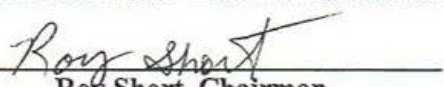
CITY OF HARRODSBURG, KENTUCKY

BY:   
Lonnie Campbell, Mayor


ATTEST:

  
City Clerk  
City of Harrodsburg, Kentucky

NORTH MERCER WATER DISTRICT

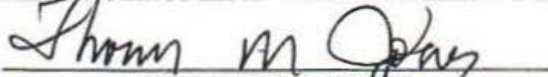
BY:   
Roy Short, Chairman  
Board of Commissioners

ATTEST:

  
Tony Best, Secretary  
Board of Commissioners of the  
North Mercer Water District



THIS INSTRUMENT WAS PREPARED BY:



THOMAS M. JONES

Attorney at Law

138 South Main Street

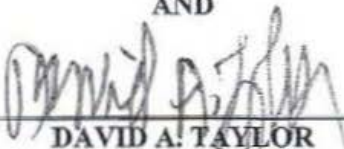
Lawrenceburg, KY 40342

Telephone: 502-839-6020

Facsimile: 502-839-6029

ATTORNEY FOR NORTH MERCER WATER DISTRICT

AND



DAVID A. TAYLOR

Attorney at Law

119 Short Street

Harrodsburg, KY 40330

Telephone: 859-734-2423

Facsimile: 859-734-2244

ATTORNEY FOR CITY OF HARRODSBURG



Case No. 2022-00349  
City of Harrodsburg Water Department  
Response to Commission Staff's First Request for Information

**Commission Staff 1-3:**

Provide Harrodsburg's general ledgers for the Fiscal Years 2020 and 2021. The general ledgers shall include all check registers and spreadsheets used to record and track financial transactions. If available, provide the copies of the requested general ledgers in Excel spreadsheet format with all formulas unprotected and all rows and columns fully accessible.

**Response:** Please see Excel files named DR 1-03 FY2020 GL Trial Balance and DR 1-03 FY2021 GL Trial Balance.

**Witness:** Shavonna Huffman, City Clerk

Case No. 2022-00349  
City of Harrodsburg Water Department  
Response to Commission Staff's First Request for Information

**Commission Staff 1-4:**

Provide copies of the adjusted trial balances and audit adjustments for the Fiscal Years 2020 and 2021. The trial balances shall be traced and referenced directly to the general ledger requested in Item 3.

**Response:** Please see Excel files named DR 1-03 FY2020 GL Trial Balance and DR 1-03 FY2021 GL Trial Balance.

**Witness:** Shavonna Huffman, City Clerk

Case No. 2022-00349  
City of Harrodsburg Water Department  
Response to Commission Staff's First Request for Information

**Commission Staff 1-5:**

Refer to Harrodsburg's Report on Audited Financial Statements and Supplementary Information for the Year Ended June 30, 2021 (2021 Audit), Combining Statement of Revenues and Expenses Municipal Waterworks and Sewer System For the Year Ended June 30, 2021 at pages 62-63.

a. Provide a detailed explanation as to why the reported depreciation expense of \$2,597,794 was divided evenly between Harrodsburg's water and sewer divisions (\$1,298,897 each division).

b. Provide separate depreciation schedules for each of Harrodsburg's divisions (Water and Sewer).

**Response:** The City's auditor has traditionally divided the depreciation expense evenly between Harrodsburg's water and sewer divisions. See Excel file named DR 1-05 Depreciation Expense

**Witness:** Shavonna Huffman, City Clerk