

City of *Burkesville*
214 Upper River Street
P.O. Box 250
Burkesville, Ky. 42717
Phone: (270) 864-5394 Fax: (270) 864-1795

RECEIVED
MAR 27 2009
PUBLIC SERVICE
COMMISSION

March 24, 2009

RE: CASE NO. 2009-00041

Dear Mr. Derouen,

I am responding to your disapproval of the City of Burkesville Municipal Water request to adjust the water rates for the Cumberland County Water District. We raised water rates for all our customers due to a lack of revenue. The City Auditor Sammy Lee had recommended a rate increase for several years in order to keep us operating in the black. Ms. Carryn Lee formerly with the Kentucky Rural Water Association completed a cost of service survey in 2005. The survey study showed our need for an increase at that time. We felt the numbers in the rate study matched our current need in water considering our last rate increase was January, 2003. Besides the ever increasing cost of water treatment, one of the major contributing factors was Cumberland County Water District drew as much as nine (9) million gallons of water from us in a month to zero (0) amount for the last three (3) years. This put our water revenue in a serious financial dilemma.

The City of Burkesville Municipal Water cut their budget as much as possible over the last three years and had no other choice but to raise water rates. Although CCWD does not get any water from us at this time we do have a written contract stating if they require water from us we have to make three million (3,000,000) gallons in a month available.

The rate increase had nothing to do with the new water plant project. When the new water plant is completed and CCWD is obligated to buy the bulk of their water from the Burkesville Municipal Water Works we will have a new cost to service survey performed as per our interlocal agreement. We would like to invite PSC to perform this survey to set a rate that would be feasible for both parties and prevent any further misunderstandings.

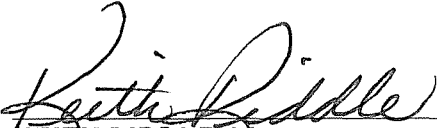
BELOW ARE THE RESPONSES IN ORDER OF APPENDIX A OF ORDER 2009-00041:

1. See enclosed contract.
2. Zero, see enclosed MOR copies.
3. See enclosed KRWA cost of service survey.
4. See enclosed KRWA cost of service survey.
5. 500,000 gpd.
6. 225,000 gpd.
7. N/A new water plant is not an issue in this rate increase.
8. Already sent with original request.
9. See enclosed Burkesville annual audit.
10. See enclosed KRWA a cost of service survey.
11. See enclosed Burkesville annual audit and KRWA cost of service survey.
12. N/A *this is not part of the issue.*
13. N/A *this if not part of the issue.*
14. N/A there is no test trial.
15. See enclosed KRWA cost of service survey and Burkesville annual audit.

Superintendent Mr. Ed Peretto with the Burkesville Municipal Water Works called your office on March 23, 2009, and talked with Mr. Eddie Beavers to help clarify some of these issues. I hope that you find this response sufficient for reconsideration of the water rate increase that we need to require upon CCWD. We feel this is fair and equitable and have expended time and resources to come to this conclusion.

If you have any questions please contact Mr. Ed Peretto (270)864-5670.

Sincerely,



KEITH RIDDLE, Mayor

City of Burkesville
214 Upper River Street
P.O. Box 250
Burkesville, Ky. 42717
Phone: (270) 864-5394 Fax: (270) 864-1795

RECEIVED
MAR 27 2009
PUBLIC SERVICE
COMMISSION

December 9, 2008

Ms. Stephanie Stumbo
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

RE: Wholesale Water Rate Adjustment for Cumberland County Water District.

Dear Ms. Stumbo:

Please consider this as the 30-day notice required for the City of Burkesville to adjust its wholesale water rate for service provided to Cumberland County Water District.

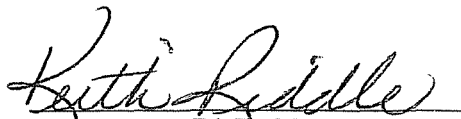
The City of Burkesville has also provided Cumberland County Water District with the required 30-day notice of the rate increase.

Enclosed is (1) a proposed tariff sheet with an effective date of November 20th, 2008, and (2) a copy of the notice that has been given to Cumberland County Water District.

The rate increase is based on cost of service survey performed by KRWA. A copy is available in the City Office.

Thank you for your assistance with this matter.

Sincerely:


KEITH RIDDLE, Mayor

FOR Burkesville, Kentucky
Name of Municipality

P.S.C. KY. NO. 1

1st Revised SHEET NO. 1

City of Burkesville Municipal Water Works
(Name of Municipal Utility)

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

Original SHEET NO. 1

RATES AND CHARGES

MONTHLY WHOLESALE WATER RATE:

Cumberland County Water District

\$3.43 Per 1,000 Gallons

NOTE: This tariff revises the previous rate of \$2.09 per 1,000 gallons that went into effect on 20th day of November, 2008.

DATE OF ISSUE October 16th, 2008
Month / Date / Year

DATE EFFECTIVE November 20th, 2008
Month / Date / Year

ISSUED BY *Keith Riddle*
(Signature of Officer)

TITLE Mayor

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. N/A DATED N/A

NOTICE

The City of Burkesville has filed a proposed rate schedule with the Public Service Commission which will increase the rate for wholesale water service provided as follows:

	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>% Difference</u>
Cumberland County Water District	\$2.09 per 1000 gallons	\$3.43 per 1000 gallons	64% Increase

The proposed effective date is November 20th, 2008. Water passing through the meter prior to that date will be billed at \$2.09 per 1,000 gallons. Water passing through the meter on and after November 20th, 2008 will be billed at \$3.43 per 1,000 gallons.

The rate contained in this notice is the rate proposed by Burkesville. However, the Public Service Commission may order a rate to be charged that differs from the proposed rate contained in this notice.

Any corporation, association, or person with a substantial interest in the matter may, by written request, within thirty (30) days after mailing of this notice of the proposed rate change request to intervene. The motion shall be submitted to the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party.

Any person who has been granted intervention by the Public Service Commission may obtain copies of the rate application and any other filings made by Burkesville by contacting (City Clerk, Brenda Spears) at the utility's office located at 214 Upper River Street in Burkesville, Kentucky; 270-864-5391. Any person may examine the rate application at the utility's office or by contacting the Public Service Commission at 211 Sower Boulevard, P.O. Box 615, in Frankfort, Kentucky; telephone 502-564-3940.

With regards to the rate increase for Cumberland County Water District, I have prepared and attached for you a sample letter, a tariff page, and a notice.

In order to process municipal filings, we ask for the following items:

1. A letter to the PSC telling us that you are increasing the rate and giving us a minimum 30-day advance notice of the increase.
2. A letter, calculation, or report that explains how the new rate was determined.
3. A tariff page showing the new rate and the effective date that gives us at least a 30-day advance notice of the increase.
4. A copy of the official notice page that will need to be sent to the district that gives them at least a 30-day advance notice of the increase. This notice does not have to be run in the newspaper or published in any manner. We only need for you to fax and mail it to them and then give us a copy as well.

I have attached a sample letter that you can use to take care of the first item. Please don't feel committed to using the sample letter as it is just something I put together. It is not official or anything, so feel free to make changes or create an entirely new letter.

As for the second item, you can choose to provide an explanation of how the rate was determined in your cover letter. But if the rate was determined utilizing a formula, calculation, or rate study we ask that you include a copy of that information.

For the third item, I have prepared a tariff page to be signed and sent back to us with the other documents. The date of issue is the date that the tariff is signed and then also fill-in the appropriate effective date. <see attachment>

For item four, I have prepared an official notice for you to give to the district. Please look over the notice for errors. I have highlighted in yellow the areas of the notice that need to be filled-in with the appropriate information for Burkesville. <see attachment>

The key thing to keep in mind is that the rate can become effective no sooner than 30-days from the date that the information is received at the PSC. Postmarks do not count.

Also, the effective date is the date that water flowing through the meter becomes more expensive. It is not for bills issued on or after January 15, but for service rendered on and after January 15. In other words, if the effective date is January 15, then water flowing through the meter on January 14 is to be charged at the old rate and water flowing through the meter on and after January 15 would be at the new rate.

If you have any questions, or if I may provide additional assistance, please don't hesitate to let me know. I'll be more than happy to help out or go over everything with you.

Have a good weekend.

Brent

Brent Kirtley
Tariff Branch Manager
Public Service Commission
502-564-3940 x269
dbkirtley@ky.gov

City of Burkesville

P.O. Box 250
Burkesville, Kentucky 42717

Phone 270 -864 -5391
Fax 270 -864 -4795
DDD 270 -864 -4444

January 23, 2003

CITY ORDINANCE

NUMBER 2003-1

AN ORDINANCE ESTABLISHING POLICIES AND RATES
TO BE CHARGED FOR WATER AND SEWER SERVICES
PROVIDED BY THE CITY OF BURKESVILLE, KENTUCKY.

BE IT ORDAINED BY THE CITY OF BURKESVILLE,
COMMONWEALTH OF KENTUCKY, THAT:

SECTION 1. For the purpose of this ordinance "dwelling unit" shall mean any building or portion of a building designed to house a person or a family. A mobile home with plumbing pipes and/or fixtures is considered a dwelling unit.

SECTION 2. Connection Charges: Waterworks connection charges shall be made for connection to the Burkesville Municipal Waterworks systems as follows:

(a) All connection charges for any size meter shall be actual cost. Actual cost shall consist of the normal installation supplies, man hours, backhoe, road bore and street repair if needed. The owner will not be charged for any repairs or supplies due to any damage caused by the Water Department personnel. The Water Superintendent shall furnish an estimate to the property owner, which must be paid before the installation begins, with balance due before the water meter can be put into service.

(b) All sewer connection charges shall be actual cost to the Burkesville sewer system.

SECTION 3. Monthly Water Rates. Water Rates for each meter serving a single dwelling unit or a single business location shall be as follows:

(a) WITHIN THE CORPORATE LIMITS OF BURKESVILLE

First	2,000 gallons	\$10.75 (minimum monthly charge)
Next	13,000 gallons	\$3.59 per 1000 gallons
Next	15,000 gallons	\$3.13 per 1000 gallons
Over	30,000 gallons	\$2.85 per 1000 gallons

(b) OUTSIDE THE CORPORATE LIMITS OF BURKESVILLE

First	2,000 gallons	\$21.31 (minimum monthly charge)
Next	3,000 gallons	\$ 5.33 per 1000 gallons
Next	5,000 gallons	\$ 4.31 per 1000 gallons
Over	10,000 gallons	\$ 2.66 per 1000 gallons

SECTION 4. The Cumberland County Water District shall be charged a flat rate of two dollars and nine cents (\$2.09) for each one thousand gallons of water.

SECTION 5. Monthly Sewer Rates. Monthly rate sewer service in the corporate limits of Burkesville will be based on the amount of water used each month as follows:

First 2,000 gallons	\$13.25 (minimum monthly charge)
Next 13,000 gallons	\$ 4.86 per 1000 gallons
Next 15,000 gallons	\$ 4.06 per 1000 gallons
Over 30,000 gallons	\$ 3.59 per 1000 gallons

SECTION 6. Meters Serving Two or More Dwelling Units. Normally, each dwelling unit will be provided water through a separate meter. In those cases where the Mayor authorizes more than one dwelling unit to be supplied with water through a single meter, monthly charges for water and sewer will be as follows:

(a) The party in whose name the single meter account is recorded will be charged for a number of minimum water rates equal to the number of dwelling units served by the meter, whether or not those dwelling units are occupied, and for this basic charge will be allowed a basic amount of water equal to 2,000 times the number of minimum rates paid. Water used in excess of the basic amount covered by the minimum rate charges will be charged at the same rate as for single residences.

(b) Sewer rates will be the same as water rates less a credit of two dollars (\$2.00) for each minimum rate charge paid.

SECTION 7. Policy on Adjusting Water and Sewer Bills.

(a) Detection and repair of water line leaks at any point beyond a property owner's water meter is the responsibility of the person in whose name the meter is recorded.

(b) Payment for all water passing through and recorded on a meter is the responsibility of the person in whose name the meter is recorded. This includes water lost because of leaks in privately owned water lines.

(c) In those cases where leaks have continued unrepaired for more than seven days through no fault of the water customer, the customer may apply to the Mayor for suspension of sewer charges for the period during which leakage took place. The Mayor may at his discretion suspend sewer charges for a period of no more than 30 days.

(d) Water charges may not be suspended because of leaks in private water lines.

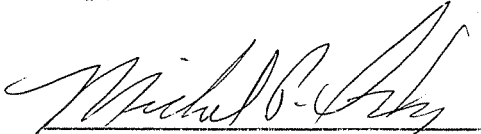
SECTION 8. Billing; Collections; Penalties. The rates or charges aforesaid shall be billed monthly, on statements which shall be issued on or about the first of each month, and all bills for such service shall be considered due and payable ten days after the date of issue. If a bill is not paid within ten days after such date of issue, such bill shall be considered delinquent, and there shall be imposed a penalty on each bill not so paid, in an amount equal to ten percent (10%) of the charges (other than sales tax) shown on the face amount of such delinquent bill. The City shall serve a customer written notice of his delinquency. If such bill is not paid within ten days after the mailing of such notice, the City shall disconnect the water service of such customer without further notice. If water service is disconnected by the City by reason of delinquency in the payment of any water bill, reconnection of such service shall not be made until the owner or user pays all charges and penalties owed, plus the amount of \$15.00 as a disconnection and reconnection charge. If any deadline date falls on a Saturday, Sunday or legal holiday, such deadline shall not expire until the next work day thereafter.

SECTION 9. If any section, sub-section, sentence, clause, phrase or portion of this ordinance is for any reason held invalid or unconstitutional by any Court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision, and such holdings shall not affect the validity of the remaining portions thereof.

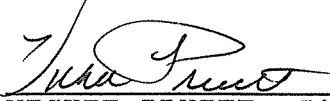
SECTION 10. City Ordinances 1995-5, 1995-8, 1996-7 and 2000-7, are hereby repealed.

SECTION 11. This Ordinance shall become effective March 15, 2003.

Enacted this 20th day of February, 2003.


MICHAEL P. IRBY, Mayor

Attest:


VICKIE PRUITT, City Clerk

City of Burkesville
214 Upper River Street
P.O. Box 250
Burkesville, Ky. 42717
Phone: (270) 864-5391 Fax: (270) 864-1795

CITY ORDINANCE

NUMBER 2008-8

AN ORDINANCE ESTABLISHING POLICIES AND RATES
TO BE CHARGED FOR WATER AND SEWER SERVICES
PROVIDED BY THE CITY OF BURKESVILLE, KENTUCKY.

BE IT ORDAINED BY THE CITY OF BURKESVILLE,
COMMONWEALTH OF KENTUCKY THAT:

SECTION 1: For the purpose of this ordinance, "dwelling unit" shall mean any building or portion of a building designed to house a person or a family. A mobile home with plumbing pipes and/or fixtures is considered a dwelling unit.

SECTION 2: Connection Charges: Waterworks connection charge shall be made for connection to the Burkesville Municipal Waterworks systems as follows:

(a) All connection charges for any size meter shall be actual cost. Actual cost shall consist of the normal installation supplies, man-hours, backhoe, road bore and street repair if needed. The owner will not be charged for any repairs or supplies due to any damage caused by the Water Department personnel. The Water Superintendent shall furnish an estimate to the property owner, which must be paid before the installation begins, with balance due before the water meter can be put into service.

(b) All sewer connection charges shall be actual cost to the Burkesville sewer system.

SECTION 3: Monthly Water Rates. Water Rates for each meter serving a single dwelling unit or a single business location shall be as follows:

(a) WITHIN THE CORPORATE LIMITS OF BURKESVILLE

First	2,000 gallons	\$17.63 (minimum monthly charge)
Next	13,000 gallons	\$ 5.88 per 1000 gallons
Next	15,000 gallons	\$ 5.13 per 1000 gallons
Over	30,000 gallons	\$ 4.67 per 1000 gallons

(b) OUTSIDE THE CORPORATE LIMITS OF BURKESVILLE

First	2,000 gallons	\$28.55 (minimum monthly charge)
Next	3,000 gallons	\$ 7.14 per 1000 gallons
Next	5,000 gallons	\$ 5.77 per 1000 gallons
Over	10,000 gallons	\$ 3.56 per 1000 gallons

SECTION 4: The Cumberland County Water District shall be charged a flat rate of three dollars and forty three cents (\$3.43) for each one thousand gallons of water.

SECTION 5: Monthly Sewer Rates. Monthly rate sewer service in the corporate limits of Burkesville will be based on the amount of water used each month as follows:

First	2,000 gallons	\$13.25 (minimum monthly charge)
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SECTION 6: Meters Serving Two or More Dwelling Units. Normally, each dwelling unit will be provided water through a separate meter. In those cases where the Mayor authorizes more than one dwelling unit to be supplied with water through a single meter, monthly charges for water and sewer will be as follows:

(a) The party in whose name the single meter account is recorded will be charged for a number of minimum water rates equal to the number of dwelling units served by the meter, whether or not those dwelling units are occupied, and for this basic charge will be allowed a basic amount of water equal to 2,000 gallons the minimum bill. Water used in excess of the basic amount covered by the minimum rate charges will be charged at the same rate as for single residences.

(b) Sewer rates will be the same as water rates for each minimum rate charge paid.

SECTION 7: Policy on Adjusting Water and Sewer Bills.

(a) Detection and repair of water line leaks at any point beyond a property owner's water meter is the responsibility of the person in whose name the meter is recorded.

(b) Payment for all water passing through and recorded on a meter is the responsibility of the person in whose name the meter is recorded. This includes water lost because of leaks in privately owned water lines.

(c) In those cases where leaks have continued un-repaired for more than seven days through no fault of the water customer, the customer may apply to the mayor for suspension of sewer charges for the period during which leakage took place. The mayor may at his discretion suspend sewer charges for a period of no more than 30 days. Allowing only one adjustment in a twelve (12) month period.

(d) Water charges may not be suspended because of leaks in private water lines.

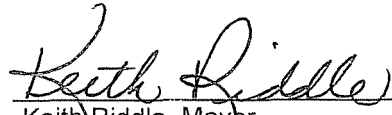
SECTION 8: Billing; Collections; Penalties. The rates or charges aforesaid shall be billed monthly, on statements, which shall be issued on or about the first of each month, and all bills for such service shall be considered due and payable ten days after the date of issue. If a bill is not paid within ten days after such date of issue, such bill shall be considered delinquent, and there shall be imposed a penalty on each bill not so paid, in an amount equal to ten percent (10%) of the charges (other than sales tax) shown on the face amount of such delinquent bill. The City shall serve a customer a written notice of his delinquency. If such bill is not paid within ten days after the mailing of such notice, the City shall disconnect the water service of such customer without further notice. If water service is disconnected by the City by reason of delinquency in the payment of any water bill, reconnection of such service shall not be made until the owner or user pays all charges and penalties owed, plus the amount of \$25.00 as a disconnection and reconnection charge. If any deadline date falls on a Saturday, Sunday or legal holiday, such deadline shall not expire until the next work day thereafter.

SECTION 9: If any Section, sub-section, sentence, clause, phrase or portion of this ordinance is for any reason held invalid or unconstitutional by any Court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision, and such holdings shall not affect the validity of the remaining portions thereof.

SECTION 10: City Ordinances 1995-5, 1995-8, 1996-7, 2000-7, 2003-1 are hereby repealed.

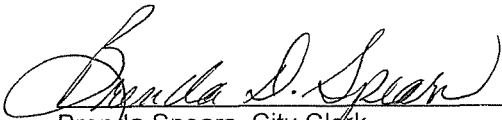
SECTION 11: This Ordinance shall become effective 20th day of November, 2008.

Enacted this 16th day of October, 2008.



Keith Riddle, Mayor

Attest:



Brenda Spears, City Clerk

CITY ORDINANCE

NUMBER 2008-8

AN ORDINANCE ESTABLISHING POLICIES AND RATES TO BE CHARGED FOR WATER AND SEWER SERVICES PROVIDED BY THE CITY OF BURKESVILLE, KENTUCKY.

BE IT ORDAINED BY THE CITY OF BURKESVILLE, COMMONWEALTH OF KENTUCKY THAT:

SECTION 1: For the purpose of this ordinance, "dwelling unit" shall mean any building or portion of a building designed to house a person or a family. A mobile home with plumbing pipes and/or fixtures is considered a dwelling unit.

SECTION 2: Connection Charges: Waterworks connection charge shall be made for connection to the Burkesville Municipal Waterworks systems as follows:

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SECTION 8: Billing; Collections; Penalties. The rates or charges aforesaid shall be billed monthly, on statements, which shall be issued on or about the first of each month, and all bills for such service shall be considered due and payable ten days after the date of issue. If a bill is not paid within ten days after such date of issue, such bill shall be considered delinquent, and there shall be imposed a penalty on each bill not so paid, in an amount equal to ten percent (10%) of the charges (other than sales tax) shown on the face amount of such delinquent bill. The City shall serve a customer a written notice of his delinquency. If such bill is not paid within ten days after the mailing of such notice, the City shall disconnect the water service of such customer without further notice. If water service is disconnected by the City by reason of delinquency in the payment of any water bill, reconnection of such service shall not be made until the owner or user pays all charges and penalties owed, plus the amount of \$25.00 as a disconnection and reconnection charge. If any deadline date falls on a Saturday, Sunday or legal holiday, such deadline shall not expire until the next work day thereafter.

SECTION 9: If any Section, sub-section, sentence, clause, phrase or portion of this ordinance is for any reason held invalid or unconstitutional by any Court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision, and such holdings shall not affect the validity of the remaining portions thereof.

SECTION 10: City Ordinances 1995-5, 1995-8, 1996-7, 2000-7, 2003-1 are hereby repealed.

SECTION 11: This Ordinance shall become effective 20th day of November, 2008.

Enacted this 16th day of October, 2008.

(s) Keith Riddle, Mayor
(s) Brenda Spears, City Clerk

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 5TH day of SEPT., 1971, between the Burkesville Muncipal Water Works, Burkesville (Cumberland County), Kentucky, hereinafter referred to as the "Supplier" and the South Cumberland Water District, hereinafter referred to as the "District".

WITNESSETH

Whereas, the District has been organized and established under the provisions of Chapter 74 of the Kentucky Revised Statutes 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 District and to accomplish this purpose, the District will require a supply of treated water, and

Whereas, the Supplier owns and operates a water supply distribution system with capacity currently capable of serving the present customers of the City system and the estimated number of users to be served by the said District as shown in the plans of the system now on file in the office of the District, and

Whereas, by Resolution _____ enacted on the 5TH day of SEPT., 1971, by the Burkesville Muncipal Water Works, the sale of water to the District in accordance with the provisions of the said Resolution was approved, and the execution of this contract carrying out the said Resolution by the Mayor, and attested by the Secretary, was duly authorized, and

Whereas, by Resolution of the Board of Commissioners, of the District, enacted on the 29TH day of SEPT., 1971, the purchase of water from the City in accordance with the terms set forth in the said Resolution was approved, and the execution of this contract by the Chairman, and attested by the Secretary, was duly authorized;

Now, therefore, in consideration of the foregoing and the mutual agreements herein set forth,

1. (Quality and Quantity) To furnish the District, at the point of delivery hereinafter specified, during the term of this contract or any renewal or extension hereof, potable treated water meeting applicable purity standards of the State Board of Health in such quantity as may be required by the District (not to exceed 3,000,000 gallons per month).

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant normal pressure calculated at approximately 60 psig from a 6 inch main supply at a point located on Kentucky Highway 61 at the City Limits, junction Hwy 90 & 61 south of Burkesville. If a greater pressure than that normally available at the point of delivery is required by the District, the cost of providing such greater pressure shall be borne by the District. Emergency failures of pressure or supply due to main supply line breaks, power failures, flood, fire and use of water to fight fires, earthquake or other catastrophe shall excuse Supplier from this provision for such reasonable period of time as may be necessary to restore service.

3. (Billing Procedure) The metering equipment shall be read on the 25th of each month. To furnish the Secretary and the District of Kettle, Kentucky, not later than the second day of each month, with an itemized statement of the amount of water furnished in the City during the preceding month.

The District Agrees:

1. (Rates and Payment Date) To pay the City, not later than the 15th day of each month, for water delivered in accordance with following schedule of rates:

A. \$40.00 for the first 100,000 gallons (or a like sum) as a minimum rate per month.

B. \$0.40 center per 1,000 for water in excess of 100,000 gallons.

2. (Connection Fee is \$1,000)

3. (Metering Equipment) To operate, and maintain at its own expense at point of delivery, the necessary metering equipment, including a meter house or pit, and related devices of standard type for properly measuring the quantity of water delivered to the District and to calibrate such metering equipment whenever requested by the

City shall not more frequently than once every twelve (12) months. Readings not more than two percent (2%) above or below the test result 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 test in accordance with the percentage of inaccuracy found by such test. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Supplier and District shall agree upon a different amount.

It is further mutually agreed between Supplier and the District as follows:-

1. (Term of Contract) That this contract shall extend for a term of 60 years from the date of the initial delivery of any water by the Supplier to the District and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Supplier and District.

2. (Delivery of Water) That 10 days prior to the estimated date of completion of construction of the District's water supply distribution system, the District will notify the Supplier in writing the date for the initial delivery of water.

3. (Water for Testing) When requested by the District the Supplier will make available to the contractor at the point of delivery, or other points reasonably close hereto, water sufficient for testing, flushing, and trench filling the system of the District during construction, irrespective of whether the metering equipment has been installed at that time, at the rate, of 40 cents per 1,000 gallons which will be paid the contractor or, on his failure to pay, by the District.

4. (Failure to Deliver) That the Supplier will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the District with quantities of water required by the District. Temporary partial failures to deliver water shall be remedied with all possible dispatch.

the event of an extended shortage of water, or the supply of water available to a Supplier is otherwise diminished over an extended period of time, the supply of water to District consumers shall be reduced or diminished in the same ratio or proportion as the supply to the Supplier's consumers is reduced or diminished.

to the schedule of rates to be paid by the District for water delivered are subject to modification at the end of every 2 year period. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs of performance hereunder, but such costs shall not include increased capitalization of the Supplier's system unless such capitalization is required for additional supply to the District, other provisions of this contract may be modified or altered by mutual agreement.

6. (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in the State of Kentucky and the Supplier and District will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

7. (Miscellaneous) That the construction of the water supply distribution system by the District is being financed by a loan, from (or a loan insured by) 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 undertakings of the District are conditioned upon the approval, in writing, of the State Director of Kentucky, of the Farmers Home Administration. Similarly, any modification of the provisions of this contract, including any increase in the schedule of rates to be paid by the District for the delivery of water shall be conditioned upon the prior approval, in writing, of the State Director of Kentucky, of the Farmers Home Administration.

8. (Successor to the District) That in the event of any occurrence rendering the District incapable of performing under this contract, any successor of the District, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the District hereunder.

In witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in ONE counterparts, each of which shall constitute an original.

Burkesville Municipal Water Works

By T. D. Spear
Mayor

test:

Lester Smith
Secretary

South Cumberland Water District

By W. B. Dyott
Chairman

test:

Orude Watson
Secretary

This contract is approved on behalf of the Farmers Home Administration this _____ of Sept. 26, 1973.

Carl H. Dennis

State Director of Ky

Rate Analysis

CITY OF BURKESVILLE
WATER AND SEWER DIVISIONS

Prepared

JUNE 2005

by



Kentucky Rural Water Association
Helping Water and Wastewater Systems Help Themselves

Carryn Lee

Executive Summary

The Kentucky Rural Water Association ("KRWA") has prepared the following rate study for the City of Burkesville ("Burkesville"). The City provides water service to customers located both inside and outside the city limits. Sewer service is provided to customers inside the city limits. It should be noted that this study is based on budgeted expenses for 2005. A review of each item was made based on expenses actually incurred to date and the budget appears to be an accurate projection of expenses. No adjustments have been made for projected increases in normal operating and maintenance expense including increases in salaries, chemical costs, testing or insurance expense.

It should also be noted that Burkesville has not included any depreciation expense in its budget. According to the last audit report, depreciation expense for the water is \$116,911 and depreciation expense for the sewer division is \$64,193. This means that Burkesville should be collecting this amount each year to fund the replacement or rehabilitation of aging assets.

In its budget, Burkesville reports a depreciation fund, which is used to pay a portion of its debt expense. Without a depreciation fund or capital improvement fund Burkesville will have to borrow the funds for replacement of lines and other assets such as vehicles, pumps, tank repair and painting and other equipment that must be replaced or repaired on a regular basis. It is recommended that in the next two years, Burkesville revisit its financial condition and consider placing funds into an account to fund emergency and planned repairs to its system.

REVENUE REQUIREMENT

	Water	Sewer
Operating Expenses	\$492,066	\$245,619
Operating Income	322,580	246,184
Increase Needed	\$169,486	\$0

INSIDE CITY - WATER RATES – CURRENT AND RECOMMENDED

	Current	Recommended
First 2,000	\$10.75	\$17.60
Next 13,000	3.59	6.45
Next 15,000	3.13	5.79
Over 30,000	2.85	5.32
Wholesale	2.09	2.16

OUTSIDE CITY - WATER RATES – CURRENT AND RECOMMENDED

	Current	Recommended
First 2,000	\$21.31	\$28.60
Next 3,000	5.33	7.60
Next 5,000	4.31	6.40
Over 10,000	2.66	5.32

INSIDE CITY - WATER RATES – IMPACT ON CUSTOMER BILLS

	Current Cost	New Cost	\$ Inc.
1,000	\$10.75	\$17.60	\$6.85
3,000	14.34	24.05	9.71
5,000	21.52	36.95	15.43
10,000	39.47	69.20	29.73

OUTSIDE CITY - WATER RATES – IMPACT ON CUSTOMER BILLS

	Current Cost	New Cost	\$ Inc.
1,000	\$21.31	\$28.60	\$7.29
3,000	26.64	36.20	11.56
5,000	37.30	51.40	14.10
10,000	58.85	83.40	24.55

The remainder of this report is divided into three sections. The first section shows the current water revenue received. The second section shows the budgeted expenses for water and the rates required to fund the expenses. The third and final section contains the sewer budget and the rate required to fund the expenses. No increase is needed for the sewer division.

CITY OF BURKESVILLE						
CURRENT WATER REVENUE						
INSIDE CITY						
	Bills	Gallons	2,000	13,000	15,000	30,000
2,000	3,086	3,369,800	3,369,800			
13,000	4,416	19,005,200	8,832,000	10,173,200		
15,000	100	2,109,400	200,000	1,300,000	609,400	
30,000	166	15,172,000	332,000	2,158,000	2,490,000	10,192,000
Total	7,768	39,656,400	12,733,800	13,631,200	3,099,400	10,192,000
CURRENT WATER REVENUE						
2,000	7,768	12,733,800	\$10.75	\$ 83,506		
13,000		13,631,200	3.59	48,936		
15,000		3,099,400	3.13	9,701		
30,000		10,192,000	2.85	29,047		
Subtotal	7,768	39,656,400		\$ 171,190		
Outside City		8,862,460		\$ 70,162		
Wholesale		21,716,131	2.09	\$ 45,387		
Multi Units		6,895,200		23,096		
Total Revenue from Sales		46,551,600		\$ 309,835		

CITY OF BURKESVILLE						
CURRENT WATER REVENUE						
OUTSIDE CITY						
	Bills	Gallons	2,000	13,000	15,000	30,000
2,000	524	531,060	531,060			
3,000	1,498	7,302,200	2,996,000	4,306,200		
5,000	20	413,200	40,000	60,000	313,200	
10,000	12	616,000	24,000	36,000	60,000	496,000
	2,054	8,862,460	3,591,060	4,402,200	373,200	496,000
REVENUE FROM CURRENT RATES						
2,000	2,054	3,591,060	\$21.31	\$ 43,771		
3,000		4,402,200	5.33	23,464		
5,000		373,200	4.31	1,608		
10,000		496,000	2.66	1,319		
	2,054	8,862,460		\$ 70,162		

CITY OF BURKESVILLE						
CURRENT WATER REVENUE						
INSIDE CITY - MULTI UNIT						
2 UNITS - RATE CODE A2						
	Bills	Gallons	4,000	11,000	15,000	30,000
4,000	0	0	0			
11,000	12	84,300	48,000	36,300		
15,000						
30,000						
	12	84,300	48,000	36,300	0	0
CURRENT REVENUE						
	Bills	Gallons	Rate	Revenue		
4,000	12	48,000	\$ 21.50	\$ 258		
11,000		36,300	3.59	130		
15,000		-	3.13			
30,000		-	2.85			
	12	84,300		\$ 388		

CITY OF BURKESVILLE						
CURRENT WATER REVENUE						
INSIDE CITY - MULTI UNITS						
3 Units - Rate Code A1, A3						
	Bills	Gallons	6,000	9,000	15,000	30,000
6,000	21	15,800	15,800			
9,000	3	39,500	18,000	21,500		
15,000	-	-				
30,000	-	-				
	24	55,300	33,800	21,500	-	-
CURRENT REVENUE						
	Bills	Gallons	Rate	Revenue		
6,000	24	33,800	\$ 32.25	\$ 774		
9,000		21,500	3.59	77		
15,000		-	3.13			
30,000		-	2.85			
	24	55,300		\$ 851		

CITY OF BURKESVILLE						
CURRENT WATER REVENUE						
INSIDE CITY - MULTI UNITS						
5 Units - Rate Code A5, HB						
	Bills	Gallons	10,000	5,000	15,000	30,000
10,000	12	15,700	15,700			
5,000	1	10,100	10,000	100		
15,000	8	186,300	80,000	40,000	66,300	
30,000	3	99,900	30,000	15,000	45,000	9,900
	24	312,000	135,700	55,100	111,300	9,900
CURRENT REVENUE						
	Bills	Gallons	Rate	Revenue		
10,000	24	135,700	\$53.75	\$ 1,290		
5,000		55,100	3.59	198		
15,000		111,300	3.13	348		
30,000		9,900	2.85	28		
	24	312,000		\$ 1,864		

CITY OF BURKESVILLE					
CURRENT WATER REVENUE					
INSIDE CITY - MULTI UNITS					
10 Units - Rate Code 75					
	Bills	Gallons	20,000	10,000	30,000
20,000	0	0	0		
10,000	0	0	0	0	
30,000	12	545,500	240,000	120,000	185,500
	12	545,500	240,000	120,000	185,500
CURRENT REVENUE					
	Bills	Gallons	Rate	Revenue	
20,000	12	240,000	\$ 107.50	\$ 1,290	
10,000		120,000	3.13	376	
30,000		185,500	2.85	529	
	12	545,500		\$ 2,194	

CITY OF BURKESVILLE				
CURRENT WATER REVENUE				
INSIDE CITY - MULTI UNIT				
21 Units - Rate Code 21				
	Bills	Gallons	42,000	42,000
42,000	2	64,200	64,200	
42,000	10	552,900	420,000	132,900
	12	617,100	484,200	132,900
CURRENT REVENUE				
	Bills	Gallons	Rate	Revenue
42,000	12	484,200	\$ 225.75	\$ 2,709
42,000		132,900	2.85	379
	12	617,100		\$ 3,088

CITY OF BURKESVILLE				
CURRENT WATER REVENUE				
INSIDE CITY - MULTI UNIT				
24 Units - Rate Code 12, 24				
	Bills	Gallons	48,000	48,000
48,000	19	721,000	721,000	
48,000	12	889,400	576,000	313,400
	31	1,610,400	1,297,000	313,400
CURRENT REVENUE				
	Bills	Gallons	Rate	Revenue
48,000	31	1,297,000	\$ 258.00	\$ 7,998
48,000		313,400	2.85	893
	31	1,610,400		\$ 8,891

CITY OF BURKESVILLE				
CURRENT WATER REVENUE				
INSIDE CITY - MULTI UNIT				
33 Units - Rate Code 33				
	Bills	Gallons	66,000	66,000
66,000	4	124,800	124,800	
66,000	8	848,400	528,000	320,400
	12	973,200	652,800	320,400
CURRENT REVENUE				
	Bills	Gallons	Rate	Revenue
66,000	12	652,800	\$ 354.75	\$ 4,257
66,000		320,400	2.85	913
	12	973,200		\$ 5,170

CITY OF BURKESVILLE				
CURRENT WATER REVENUE				
INSIDE CITY - MULTI UNIT				
75 Units - Rate Code HA				
	Bills	Gallons	150,000	150,000
150,000	0	0	0	
150,000	12	2,554,400	1,800,000	754,400
	12	2,554,400	1,800,000	754,400
CURRENT WATER REVENUE				
	Bills	Gallons	Rate	Revenue
150,000	12	1,800,000	\$ 806.25	\$ 9,675
150,000		754,400	2.85	2,150
	12	2,554,400		\$ 11,825

CITY OF BURKESVILLE						
CURRENT WATER REVENUE						
OUTSIDE CITY - MULTI UNIT						
2 Units - Rate Code R2						
	Bills	Gallons	4,000	11,000	15,000	30,000
4,000	1	1,800	1,800			
11,000	11	69,700	44,000	25,700		
15,000						
30,000						
	12	71,500	45,800	25,700	0	0
CURRENT WATER REVENUE						
	Bills	Gallons	Rate	Revenue		
4,000	12	45,800	\$ 42.62	\$ 511		
11,000		25,700	5.33	137		
15,000		-	4.31			
30,000		-	2.66			
	12	71,500		\$ 648		

CITY OF BURKESVILLE

WATER INCOME AND EXPENSES

Water Income:

Revenue From Sales	\$309,835			
Miscellaneous	12,745			
Total Revenue	\$322,580			
Expenses	FY 2005	Commodity	Demand	Customer
Salaries	\$ 165,375		\$ 124,031	\$ 41,344
Benefits	52,976		39,732	13,244
Accounting	1,733			1,733
Legal	315			315
Repairs, Parts and Supplies	58,800		49,980	8,820
Travel and Training	9,783		9,783	
Utilities	31,500	28,350	1,575	1,575
Telephone	2,363		1,181	1,181
Office Supplies and Postage	5,656			5,656
Vehicle Maintenance	7,334		3,667	3,667
Insurance	7,350		7,350	
Chemicals	13,778	13,778		
Engineering Services	3,675		3,675	
Bad Debt	4,468			4,468
Lab Analysis	7,778		7,778	
Miscellaneous	1,727		864	864
Debt	117,456		99,838	17,618
Total Expenses	\$ 492,066	\$ 42,128	\$ 349,454	\$ 100,485
Total Income	322,580			
Increase Required	\$ 169,486			

DEBT PAYMENTS						
	2005	2006	2007	Average Payment	Water	Sewer
1980 Bonds	\$ 14,900.00	\$ 16,550.00	\$ 15,150.00	\$ 15,533.33	\$ 15,533.33	
1989 Bonds	22,800.00	22,450.00	23,100.00	22,783.33	22,783.33	
1992 Bonds	64,150.00	65,350.00	64,450.00	64,650.00	48,487.50	16,162.50
1998 Bonds	11,066.00	11,044.00	11,118.00	11,076.00	11,076.00	
Total P and I	114,921.00	117,400.00	115,825.00	114,042.67	97,880.17	16,162.50
1.2 Coverage				22,808.53	19,576.03	3,232.50
Total Payment				\$ 136,851.20	\$ 117,456.20	\$ 19,395.00

CITY OF BURKESVILLE

RECOMMENDED WATER REVENUE

INSIDE CITY

	Bills	Gallons	2,000	13,000	15,000	30,000
2,000	3,086	3,369,800	3,369,800			
13,000	4,416	19,005,200	8,832,000	10,173,200		
15,000	100	2,109,400	200,000	1,300,000	609,400	
30,000	166	15,172,000	332,000	2,158,000	2,490,000	10,192,000
Total	7,768	39,656,400	12,733,800	13,631,200	3,099,400	10,192,000

RECOMMENDED RATES

2,000	7,768	12,733,800	\$17.60	\$ 136,717		
13,000		13,631,200	6.45	87,921		
15,000		3,099,400	5.79	17,946		
30,000		10,192,000	5.32	54,221		
Subtotal	7,768	39,656,400		\$ 296,805		
Outside City		8,862,460		\$ 97,228		
Wholesale		21,716,131	2.16	\$ 46,907		
Multi Units		6,895,200		38,480		
Total Revenue from Sales		46,551,600		\$ 479,420		
Other Revenue				12,745		
Total Revenue				\$ 492,165		

CITY OF BURKESVILLE

RECOMMENDED RATES

OUTSIDE CITY

	Bills	Gallons	2,000	13,000	15,000	30,000
2,000	524	531,060	531,060			
3,000	1,498	7,302,200	2,996,000	4,306,200		
5,000	20	413,200	40,000	60,000	313,200	
10,000	12	616,000	24,000	36,000	60,000	496,000
	2,054	8,862,460	3,591,060	4,402,200	373,200	496,000

RECOMMENDED RATES

2,000	2,054	3,591,060	\$28.60	\$ 58,744		
3,000		4,402,200	7.60	33,457		
5,000		373,200	6.40	2,388		
10,000		496,000	5.32	2,639		
	2,054	8,862,460		\$ 97,228		

CITY OF BURKESVILLE						
RECOMMENDED RATES						
INSIDE CITY - MULTI UNIT						
2 UNITS - RATE CODE A2						
	Bills	Gallons	4,000	11,000	15,000	30,000
4,000	0	0	0			
11,000	12	84,300	48,000	36,300		
15,000						
30,000						
	12	84,300	48,000	36,300	0	0
RECOMMENDED RATES						
	Bills	Gallons	Rate	Revenue		
4,000	12	48,000	\$ 35.20	\$ 422		
11,000		36,300	6.45	234		
15,000		-	5.79			
30,000		-	5.32			
	12	84,300		\$ 657		

CITY OF BURKESVILLE						
RECOMMENDED RATES						
INSIDE CITY - MULTI UNITS						
3 Units - Rate Code A1, A3						
	Bills	Gallons	6,000	9,000	15,000	30,000
6,000	21	15,800	15,800			
9,000	3	39,500	18,000	21,500		
15,000	-	-				
30,000	-	-				
	24	55,300	33,800	21,500	-	-
RECOMMENDED RATES						
	Bills	Gallons	Rate	Revenue		
6,000	24	33,800	\$ 52.80	\$ 1,267		
9,000		21,500	6.45	139		
15,000		-	5.79			
30,000		-	5.32			
	24	55,300		\$ 1,406		

CITY OF BURKESVILLE						
RECOMMENDED RATES						
INSIDE CITY - MULTI UNITS						
5 Units - Rate Code A5, HB						
	Bills	Gallons	10,000	5,000	15,000	30,000
10,000	12	15,700	15,700			
5,000	1	10,100	10,000	100		
15,000	8	186,300	80,000	40,000	66,300	
30,000	3	99,900	30,000	15,000	45,000	9,900
	24	312,000	135,700	55,100	111,300	9,900
RECOMMENDED RATES						
	Bills	Gallons	Rate	Revenue		
10,000	24	135,700	\$88.00	\$ 2,112		
5,000		55,100	6.45	355		
15,000		111,300	5.79	644		
30,000		9,900	5.32	53		
	24	312,000		\$ 3,164		

CITY OF BURKESVILLE					
RECOMMENDED RATES					
INSIDE CITY - MULTI UNITS					
10 Units - Rate Code 75					
	Bills	Gallons	20,000	10,000	30,000
20,000	0	0	0		
10,000	0	0	0	0	
30,000	12	545,500	240,000	120,000	185,500
	12	545,500	240,000	120,000	185,500
RECOMMENDED RATES					
	Bills	Gallons	Rate	Revenue	
20,000	12	240,000	\$ 176.00	\$ 2,112	
10,000		120,000	5.79	695	
30,000		185,500	5.32	987	
	12	545,500		\$ 3,794	

CITY OF BURKESVILLE				
RECOMMENDED RATES				
INSIDE CITY - MULTI UNIT				
21 Units - Rate Code 21				
	Bills	Gallons	42,000	42,000
42,000	2	64,200	64,200	
42,000	10	552,900	420,000	132,900
	12	617,100	484,200	132,900
RECOMMENDED RATES				
	Bills	Gallons	Rate	Revenue
42,000	12	484,200	\$ 369.60	\$ 4,435
42,000		132,900	5.32	707
	12	617,100		\$ 5,142

CITY OF BURKESVILLE				
RECOMMENDED RATES				
INSIDE CITY - MULTI UNIT				
24 Units - Rate Code 12, 24				
	Bills	Gallons	48,000	48,000
48,000	19	721,000	721,000	
48,000	12	889,400	576,000	313,400
	31	1,610,400	1,297,000	313,400
RECOMMENDED RATES				
	Bills	Gallons	Rate	Revenue
48,000	31	1,297,000	\$ 422.40	\$ 13,094
48,000		313,400	5.32	1667
	31	1,610,400		\$ 14,762

CITY OF BURKESVILLE				
RECOMMENDED RATES				
INSIDE CITY - MULTI UNIT				
33 Units - Rate Code 33				
	Bills	Gallons	66,000	66,000
66,000	4	124,800	124,800	
66,000	8	848,400	528,000	320,400
	12	973,200	652,800	320,400
RECOMMENDED RATES				
	Bills	Gallons	Rate	Revenue
66,000	12	652,800	\$ 580.80	\$ 6,970
66,000		320,400	5.32	1705
	12	973,200		\$ 8,674

CITY OF BURKESVILLE				
RECOMMENDED RATES				
INSIDE CITY - MULTI UNIT				
75 Units - Rate Code HA				
	Bills	Gallons	150,000	150,000
150,000	0	0	0	
150,000	12	2,554,400	1,800,000	754,400
	12	2,554,400	1,800,000	754,400
RECOMMENDED RATES				
	Bills	Gallons	Rate	Revenue
150,000	12	1,800,000	\$ 1,320.00	\$ 15,840
150,000		754,400	5.32	4,013
	12	2,554,400		\$ 19,853

CITY OF BURKESVILLE

RECOMMENDED RATES

OUTSIDE CITY - MULTI UNIT

2 Units - Rate Code R2

	Bills	Gallons	4,000	11,000	15,000	30,000
4,000	1	1,800	1,800			
11,000	11	69,700	44,000	25,700		
15,000						
30,000						
	12	71,500	45,800	25,700	0	0

RECOMMENDED RATES

	Bills	Gallons	Rate	Revenue		
4,000	12	45,800	\$ 57.20	\$ 686		
11,000		25,700	7.60	195		
15,000		-	6.40			
30,000		-	5.32			
	12	71,500		\$ 882		

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CITY OF BURKESVILLE				
SEWER INCOME AND EXPENSES				
Sewer Income:				
Revenue From Sales	\$246,184			
Miscellaneous	0			
Total Revenue	\$246,184			
Expenses	FY 2005	Commodity	Demand	Customer
Salaries	\$ 55,125		\$ 41,344	\$ 13,781
Benefits	17,659		13,244	4,415
Accounting	1,733			1,733
Legal	315			315
Repairs, Parts and Supplies	58,800		49,980	8,820
Sludge Disposal	2,625	2,625		
Travel and Training	1,767		1,767	
Utilities	47,250	42,525	2,363	2,363
Telephone	2,363		1,181	1,181
Office Supplies and Postage	119			119
Vehicle Maintenance	1,066		533	533
Insurance	11,025		11,025	
Chemicals	12,262	12,262		
Engineering Services	3,675		3,675	
Lab Analysis	7,778		7,778	
Miscellaneous	898		449	449
Debt	19,395		16,486	2,909
Bad Debt	1,765			1,765
Total Expenses	\$ 245,619	\$ 57,412	\$ 149,824	\$ 38,382
Total Income	246,184			
No Increase Required	\$ (565)			

CITY OF BURKESVILLE

CURRENT SEWER REVENUE

INSIDE CITY

	Bills	Gallons	2,000	13,000	15,000	30,000
2,000	3,086	3,369,800	3,369,800			
13,000	4,416	19,005,200	8,832,000	10,173,200		
15,000	100	2,109,400	200,000	1,300,000	609,400	
30,000	166	15,172,000	332,000	2,158,000	2,490,000	10,192,000
Total	7,768	39,656,400	12,733,800	13,631,200	3,099,400	10,192,000

CURRENT RATES AND REVENUE

2,000	7,768	12,733,800	\$13.25	\$ 102,926		
13,000		13,631,200	4.86	66,248		
15,000		3,099,400	4.06	12,584		
30,000		10,192,000	3.59	36,589		
Subtotal	7,768	39,656,400		\$ 218,346		
Multi Units		6,823,700		27,838		
Total Revenue from Sales		46,480,100		\$ 246,184		

CITY OF BURKESVILLE						
CURRENT SEWER REVENUE						
INSIDE CITY - MULTI UNIT						
2 UNITS - RATE CODE A2						
	Bills	Gallons	4,000	11,000	15,000	30,000
4,000	0	0	0			
11,000	12	84,300	48,000	36,300		
15,000						
30,000						
	12	84,300	48,000	36,300	0	0
CURRENT REVENUE						
	Bills	Gallons	Rate	Revenue		
4,000	12	48,000	\$ 26.50	\$ 318		
11,000		36,300	4.86	176		
15,000		-	4.06			
30,000		-	3.59			
	12	84,300		\$ 494		

CITY OF BURKESVILLE						
CURRENT SEWER REVENUE						
INSIDE CITY - MULTI UNITS						
3 Units - Rate Code A1, A3						
	Bills	Gallons	6,000	9,000	15,000	30,000
6,000	21	15,800	15,800			
9,000	3	39,500	18,000	21,500		
15,000	-	-				
30,000	-	-				
	24	55,300	33,800	21,500	-	-
CURRENT REVENUE						
	Bills	Gallons	Rate	Revenue		
6,000	24	33,800	\$ 39.75	\$ 954		
9,000		21,500	4.86	104		
15,000		-	4.06			
30,000		-	3.59			
	24	55,300		\$ 1,058		

CITY OF BURKESVILLE						
CURRENT SEWER REVENUE						
INSIDE CITY - MULTI UNITS						
5 Units - Rate Code A5, HB						
	Bills	Gallons	10,000	5,000	15,000	30,000
10,000	12	15,700	15,700			
5,000	1	10,100	10,000	100		
15,000	8	186,300	80,000	40,000	66,300	
30,000	3	99,900	30,000	15,000	45,000	9,900
	24	312,000	135,700	55,100	111,300	9,900
CURRENT REVENUE						
	Bills	Gallons	Rate	Revenue		
10,000	24	135,700	\$ 66.25	\$ 1,590		
5,000		55,100	4.86	268		
15,000		111,300	4.06	452		
30,000		9,900	3.59	36		
	24	312,000		\$ 2,345		

CITY OF BURKESVILLE					
CURRENT SEWER REVENUE					
INSIDE CITY - MULTI UNITS					
10 Units - Rate Code 75					
	Bills	Gallons	20,000	10,000	30,000
20,000	0	0	0		
10,000	0	0	0	0	
30,000	12	545,500	240,000	120,000	185,500
	12	545,500	240,000	120,000	185,500
CURRENT REVENUE					
	Bills	Gallons	Rate	Revenue	
20,000	12	240,000	\$ 132.50	\$ 1,590	
10,000		120,000	4.06	487	
30,000		185,500	3.59	666	
	12	545,500		\$ 2,743	

CITY OF BURKESVILLE				
CURRENT SEWER REVENUE				
INSIDE CITY - MULTI UNIT				
21 Units - Rate Code 21				
	Bills	Gallons	42,000	42,000
42,000	2	64,200	64,200	
42,000	10	552,900	420,000	132,900
	12	617,100	484,200	132,900
CURRENT REVENUE				
	Bills	Gallons	Rate	Revenue
42,000	12	484,200	\$ 278.25	\$ 3,339
42,000		132,900	3.59	477
	12	617,100		\$ 3,816

CITY OF BURKESVILLE				
CURRENT SEWER REVENUE				
INSIDE CITY - MULTI UNIT				
24 Units - Rate Code 12, 24				
	Bills	Gallons	48,000	48,000
48,000	19	721,000	721,000	
48,000	12	889,400	576,000	313,400
	31	1,610,400	1,297,000	313,400
CURRENT REVENUE				
	Bills	Gallons	Rate	Revenue
48,000	31	1,297,000	\$ 318.00	\$ 9,858
48,000		313,400	3.59	1125
	31	1,610,400		\$ 10,983

CITY OF BURKESVILLE				
CURRENT SEWER REVENUE				
INSIDE CITY - MULTI UNIT				
33 Units - Rate Code 33				
	Bills	Gallons	66,000	66,000
66,000	4	124,800	124,800	
66,000	8	848,400	528,000	320,400
	12	973,200	652,800	320,400
CURRENT REVENUE				
	Bills	Gallons	Rate	Revenue
66,000	12	652,800	\$ 437.25	\$ 5,247
66,000		320,400	3.59	1150
	12	973,200		\$ 6,397

CITY OF BURKESVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
June 30, 2008

Financial Overview - Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets totaled \$2,450,275 at the end of 2008, compared to \$2,556,998 at the end of the previous year.

The largest portion of the City's net assets reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire those assets that is still outstanding.

At the end of the current fiscal year, the City is able to report positive balance in the governmental and business-type activities. The same situation held true for prior fiscal year.

	Governmental Activities			
	2008	2007 (restated)	Change	% Change
Current Assets	\$ 350,796	\$ 374,638	\$ (23,842)	-6.36%
Noncurrent Assets	729,147	557,141	172,006	30.87%
Total Assets	1,079,943	931,779	148,164	15.90%
Current Liabilities	111,356	83,885	27,471	32.75%
Noncurrent Liabilities	0	0	0	0.00%
Total Liabilities	111,356	83,885	27,471	32.75%
Invested in Capital				
Assets, Net	677,186	510,657	166,529	32.61%
Restricted	51,961	29,726	22,235	74.80%
Unrestricted	239,440	307,511	(68,071)	-22.14%
Total Net Assets	\$ 968,587	\$ 847,894	\$ 120,693	14.23%
	Business-Type Activities			
	2008	2007 (restated)	Change	% Change
Current Assets	\$ 432,427	\$ 428,165	\$ 4,262	1.00%
Noncurrent Assets	4,080,758	2,874,427	1,206,331	41.97%
Other Assets	34,801	0	34,801	100.00%
Total Assets	4,547,986	3,302,592	1,245,394	37.71%
Current Liabilities	138,958	114,188	24,770	21.69%
Noncurrent Liabilities	2,608,100	1,479,300	1,128,800	76.31%
Other Liabilities	19,240	0	19,240	100.00%
Total Liabilities	2,766,298	1,593,488	1,172,810	73.60%
Invested in Capital				
Assets, Net	54,876	2,455,815	(2,400,939)	-97.77%
Restricted	1,376,582	231,675	1,144,907	494.19%
Unrestricted	350,230	(978,386)	1,328,616	-135.80%
Total Net Assets	\$ 1,781,688	\$ 1,709,104	\$ 72,584	4.25%

CITY OF BURKESVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
June 30, 2008

Financial Overview - Statement of Activities

Approximately 36 percent of the City's total revenue resulted from charges for services, while 20 percent were from taxes. Charges for various sources, investment income and grant income provided 44 percent of the total revenues. The City's expenses cover a range of services. The largest expenses were for public safety, street maintenance, water, and sanitation. Governmental activity revenues exceeded program expenses by \$120,693. Business-type activity revenues exceeded expenses by \$72,584.

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>	<u>2007</u>	<u>Difference</u>
Revenues:					
Charges for Services	\$ 18,164	\$ 760,537	\$ 778,701	\$ 754,048	\$ 24,653
Taxes	429,617	0	429,617	368,437	61,180
Licenses	295,295	0	295,295	266,428	28,867
Investment Earnings	17,575	17,626	35,201	32,007	3,194
Intergovernmental Revenue	374,596	0	374,596	116,444	258,152
Grants	0	236,806	236,806	41,024	195,782
Other	10,932	11,159	22,091	35,151	(13,060)
Total Revenues	<u>1,146,179</u>	<u>1,026,128</u>	<u>2,172,307</u>	<u>1,613,539</u>	<u>558,768</u>
Expenses:					
Administration	155,716	0	155,716	159,321	(3,605)
Police	522,407	0	522,407	464,829	57,578
Fire	75,899	0	75,899	89,819	(13,920)
Street	189,102	0	189,102	175,818	13,284
Park	82,362	0	82,362	85,559	(3,197)
Water	0	629,725	629,725	616,664	13,061
Sewer	0	130,563	130,563	130,625	(62)
Sanitation	0	193,256	193,256	174,752	18,504
Total Expenses	<u>1,025,486</u>	<u>953,544</u>	<u>1,979,030</u>	<u>1,897,387</u>	<u>81,643</u>
Change in Net Assets	120,693	72,584	193,277	(283,848)	477,125
Net Assets, Beginning of Year	847,894	1,709,104	2,556,998	2,840,846	(283,848)
Net Assets, End of Year	<u>\$ 968,587</u>	<u>\$ 1,781,688</u>	<u>\$ 2,750,275</u>	<u>\$ 2,556,998</u>	<u>\$ 193,277</u>

CITY OF BURKESVILLE, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government Activities			Component Unit
	Governmental	Business-type	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 52,685	\$ 68,474	\$ 121,159	\$ 6,818
Investments, at cost	262,286	260,962	523,248	0
Accounts receivables, net:				
Customers	1,991	81,268	83,259	0
Other	29,706	18,737	48,443	1,385
Interest receivable	2,396	2,986	5,382	0
Prepaid insurance	1,732	0	1,732	0
Total Current Assets	350,796	432,427	783,223	8,203
Non-current Assets				
Restricted cash	51,961	1,376,582	1,428,543	0
Capital Assets	1,939,094	6,430,035	8,369,129	0
Accumulated depreciation	(1,261,908)	(3,725,859)	(4,987,767)	0
Total Non-current Assets	729,147	4,080,758	4,809,905	0
Unamortized loan issue costs	0	34,801	34,801	0
Total Assets	1,079,943	4,547,986	5,627,929	8,203
Liabilities				
Current Liabilities				
Accounts payable	53,443	12,982	66,425	795
Accrued expenses	57,913	31,616	89,529	7,408
Revenue bonds payable, current	0	41,200	41,200	0
Accrued interest	0	24,365	24,365	0
Customer deposits payable	0	28,795	28,795	0
Total Current Liabilities	111,356	138,958	250,314	8,203
Non-current Liabilities				
Revenue bonds payable, noncurrent	0	1,438,100	1,438,100	0
Notes payable	0	1,170,000	1,170,000	0
Total Non-current Liabilities	0	2,608,100	2,608,100	0
Other Liabilities				
Unamortized premium	0	19,240	19,240	0
Total Liabilities	111,356	2,766,298	2,877,654	8,203
Net Assets				
Investment in capital assets, net	677,186	54,876	732,062	0
Restricted	51,961	1,376,582	1,428,543	0
Unrestricted	239,440	350,230	589,670	0
Total Net Assets	\$ 968,587	\$ 1,781,688	\$ 2,750,275	\$ 0

See accompanying notes to financial statements.

CITY OF BURKESVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Government activities:					
General government	\$ 155,716	\$ 18,164	\$ 0	\$ 0	\$ (137,552)
Police	522,407	0	0	0	(522,407)
Fire	75,899	0	0	0	(75,899)
Street	189,102	0	0	0	(189,102)
Parks & recreation	82,362	0	0	0	(82,362)
Total governmental activities	<u>1,025,486</u>	<u>18,164</u>	<u>0</u>	<u>0</u>	<u>(1,007,322)</u>
Business-type activities:					
Water	629,725	314,289	0	236,806	(78,630)
Sewer	130,563	257,173	0	0	126,610
Sanitation	193,256	189,075	0	0	(4,181)
Total business-type activities	<u>953,544</u>	<u>760,537</u>	<u>0</u>	<u>236,806</u>	<u>43,799</u>
Total activities	<u>\$ 1,979,030</u>	<u>\$ 778,701</u>	<u>\$ 0</u>	<u>\$ 236,806</u>	<u>\$ (963,523)</u>
Component unit:					
Burkesville Tourist and Convention Commission	<u>\$ 13,650</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (13,650)</u>

See accompanying notes to financial statements.

CITY OF BURKESVILLE, KENTUCKY
STATEMENT OF ACTIVITIES (continued)
June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Change in net assets:				
Net (expense) revenue	\$ (1,007,322)	\$ 43,799	\$ (963,523)	\$ (13,650)
General Revenues:				
Property taxes	106,473	0	106,473	0
Insurance premium taxes	319,029	0	319,029	0
Payments in lieu of taxes	4,116	0	4,116	0
Tourism Tax	0	0	0	9,246
Occupational licenses	248,709	0	248,709	0
Business licenses and permits	24,722	0	24,722	0
Franchise income	21,863	0	21,863	0
Investment income	17,575	17,626	35,201	0
Intergovernmental	374,596	0	374,596	0
Miscellaneous	10,932	11,159	22,091	0
Total general revenues	<u>1,128,015</u>	<u>28,785</u>	<u>1,156,800</u>	<u>9,246</u>
Change in net assets	120,693	72,584	193,277	(4,404)
Net assets - beginning	<u>847,894</u>	<u>1,709,104</u>	<u>2,556,998</u>	<u>4,404</u>
Net assets - ending	<u>\$ 968,587</u>	<u>\$ 1,781,688</u>	<u>\$ 2,750,275</u>	<u>\$ 0</u>

See accompanying notes to financial statements.

CITY OF BURKESVILLE, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 52,685	\$ 0	\$ 52,685
Investments	262,286	0	262,286
Accounts receivable:			
Customers	1,991	0	1,991
Other	26,334	3,372	29,706
Interest receivable	2,396	0	2,396
Prepaid insurance	1,732	0	1,732
Cash and cash equivalents - restricted	5,213	46,748	51,961
Total Assets	<u>\$ 352,637</u>	<u>\$ 50,120</u>	<u>\$ 402,757</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 29,633	\$ 23,810	\$ 53,443
Deferred revenues	0	0	0
Accrued expenses	57,913	0	57,913
Total Liabilities	<u>87,546</u>	<u>23,810</u>	<u>111,356</u>
Fund Balances			
Reserved	5,213	46,748	51,961
Unreserved	259,878	(20,438)	239,440
Total Fund Balances	<u>265,091</u>	<u>* 26,310</u>	<u>291,401</u>
Total Liabilities and Fund Balances	<u>\$ 352,637</u>	<u>\$ 50,120</u>	<u>\$ 402,757</u>

CITY OF BURKESVILLE, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 52,685	\$ 0	\$ 52,685
Investments	262,286	0	262,286
Accounts receivable:			
Customers	1,991	0	1,991
Other	26,334	3,372	29,706
Interest receivable	2,396	0	2,396
Prepaid insurance	1,732	0	1,732
Cash and cash equivalents - restricted	5,213	46,748	51,961
Total Assets	\$ 352,637	\$ 50,120	\$ 402,757
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 29,633	\$ 23,810	\$ 53,443
Deferred revenues	0	0	0
Accrued expenses	57,913	0	57,913
Total Liabilities	87,546	23,810	111,356
 Fund Balances			
Reserved	5,213	46,748	51,961
Unreserved	259,878	(20,438)	239,440
Total Fund Balances	265,091	26,310	291,401
 Total Liabilities and Fund Balances	 \$ 352,637	 \$ 50,120	 \$ 402,757

See accompanying notes to financial statements.

**CITY OF BURKESVILLE, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2008**

Total fund balance - total governmental funds	\$ 291,401
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Amounts reported for *government activities* in the statement of net assets are different because:

Capital assets of \$1,939,094 net accumulated depreciation of (\$1,261,908), are not financial resources and, therefore are not reported in the funds. See note 9 for details.

677,186

Net assets of governmental activities	<u>\$ 968,587</u>
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CITY OF BURKESVILLE, KENTUCKY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2008

	<u>Water & Sewer Utilities</u>	<u>Sanitation Utilities</u>	<u>Total Enterprise Funds</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 19,280	\$ 49,194	\$ 68,474
Investments, at cost	61,976	198,986	260,962
Accounts receivables, net:			
Customers	60,406	20,862	81,268
Other	5,728	13,009	18,737
Interest receivable	1,346	1,640	2,986
Total Current Assets	<u>148,736</u>	<u>283,691</u>	<u>432,427</u>
Non-current Assets			
Restricted Cash	1,376,582	0	1,376,582
Capital Assets, net of accumulated depreciation	2,653,131	51,045	2,704,176
Total Non-current Assets	<u>4,029,713</u>	<u>51,045</u>	<u>4,080,758</u>
Other Assets			
Unamortized loan issue costs	34,801	0	34,801
Total Assets	<u>4,213,250</u>	<u>334,736</u>	<u>4,547,986</u>
Liabilities			
Current Liabilities			
Accounts payable	6,919	6,063	12,982
Accrued expenses	28,321	3,295	31,616
Revenue bonds payable, current	41,200	0	41,200
Accrued interest	24,365	0	24,365
Customer deposits payable	28,795	0	28,795
Total Current Liabilities	<u>129,600</u>	<u>9,358</u>	<u>138,958</u>
Non-current Liabilities			
Revenue bonds payable, noncurrent	1,438,100	0	1,438,100
Notes payable	1,170,000	0	1,170,000
Total Non-current Liabilities	<u>2,608,100</u>	<u>0</u>	<u>2,608,100</u>
Other Liabilities			
Unamortized Premium	19,240	0	19,240
Total Liabilities	<u>2,756,940</u>	<u>9,358</u>	<u>2,766,298</u>
Net Assets			
Investment in capital assets	3,831	51,045	54,876
Restricted	1,376,582	0	1,376,582
Unrestricted	75,897	274,333	350,230
Total Net Assets	<u>\$ 1,456,310</u>	<u>\$ 325,378</u>	<u>\$ 1,781,688</u>

See accompanying notes to financial statements.

CITY OF BURKESVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN NET ASSETS - PROPRIETARY FUNDS
June 30, 2008

	<u>Water Utilities</u>	<u>Sewer Utilities</u>	<u>Sanitation Utilities</u>	<u>Total Enterprise Funds</u>
Operating Revenues				
Charges for services	\$ 314,289	\$ 257,173	\$ 189,075	\$ 760,537
Miscellaneous	11,159	0	0	11,159
Total Operating Revenues	<u>325,448</u>	<u>257,173</u>	<u>189,075</u>	<u>771,696</u>
Operating Expenses				
Salaries	183,552	31,055	41,975	256,582
Employee benefits	66,162	11,851	19,155	97,168
Contractual services	4,420	105	1,980	6,505
Materials and supplies	65,795	18,588	91,994	176,377
Travel and training	1,714	181	0	1,895
Utilities and telephone	48,720	32,276	1,778	82,774
Insurance	27,350	791	14,271	42,412
Depreciation	161,696	7,932	17,608	187,236
Bad debt provision	1,571	1,286	945	3,802
Miscellaneous	6,726	11,376	3,550	21,652
Total Operating Expenses	<u>567,706</u>	<u>115,441</u>	<u>193,256</u>	<u>876,403</u>
Operating Income (Loss)	<u>(242,258)</u>	<u>141,732</u>	<u>(4,181)</u>	<u>(104,707)</u>
Non-operating Revenues (Expenses)				
Interest income	6,390	1,597	9,639	17,626
Interest expense	(62,019)	(15,122)	0	(77,141)
Grant proceeds	236,806	0	0	236,806
Total Non-operating Revenue (expenses)	<u>181,177</u>	<u>(13,525)</u>	<u>9,639</u>	<u>177,291</u>
Change in net assets	<u>(61,081)</u>	<u>128,207</u>	<u>5,458</u>	<u>72,584</u>
Total net assets, beginning	<u>803,074</u>	<u>586,110</u>	<u>319,920</u>	<u>1,709,104</u>
Total net assets, ending	<u>\$ 741,993</u>	<u>\$ 714,317</u>	<u>\$ 325,378</u>	<u>\$ 1,781,688</u>

See accompanying notes to financial statements.
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CITY OF BURKESVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS - PROPRIETARY FUNDS
For the Year Ended June 30, 2008

Cash flows from operating activities:	
Cash received from customers	\$ 770,098
Cash received from other sources	11,159
Cash payments to suppliers for goods and services and cash paid employees	<u>(668,680)</u>
Net cash provided by operating activities	<u>112,577</u>
Cash flows from investing activities	
Cash received from interest income	<u>17,921</u>
Net cash provided by investing activities	<u>17,921</u>
Cash flows from capital and related financing activities:	
Cash received from grants	236,806
Cash received from loan	1,154,439
Principal and interest paid on revenue bonds	(115,870)
Acquisition and construction of capital assets	<u>(248,660)</u>
Net cash used by capital and related financing activities	<u>1,026,715</u>
Net increase (decrease) in cash and cash equivalents	1,157,213
Cash and cash equivalents at July 1, 2007	<u>548,805</u>
Cash and cash equivalents at June 30, 2008	<u>\$ 1,706,018</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (104,707)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	187,236
Changes in assets and liabilities:	
(Increase) decrease in customer accounts receivable	7,750
Increase (decrease) in accounts payable	4,943
Increase (decrease) in accrued expenses	15,544
Increase (decrease) in customer deposits	<u>1,811</u>
Total Adjustments	<u>217,284</u>
Net cash provided (used) by operating activities:	<u>\$ 112,577</u>

See accompanying notes to financial statements.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2008

NOTE 2. CASH DEPOSITS AND INVESTMENTS

At June 30, 2008, the carrying amounts of the City's cash deposit and investment accounts (including certificates of deposits), both restricted and unrestricted were \$2,079,768. The bank balances at June 30, 2008, were \$2,121,100 which were either insured or collateralized with securities held by pledging financial institutions in the City's name. Cash and investments, both restricted and unrestricted, at June 30, 2008, consisted of the following:

<u>Account</u>	<u>Interest Bearing</u>	<u>General</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Operating	Yes	\$ 56,871	\$ 19,280	\$ 49,194	\$ 125,345
Police Fund	No	5,213	0	0	5,213
LGEAF	Yes	14,437	0	0	14,437
MRA	Yes	32,311	0	0	32,311
Payroll	Yes	(4,186)	0	0	(4,186)
Component Unit	No	6,818	0	0	6,818
1980 Sinking Fund	Yes	0	24,168	0	24,168
1989 Sinking Fund	Yes	0	112,469	0	112,469
1997 Depreciation Fund	Yes	0	85,975	0	85,975
BH608 Loan Project Fund	No	0	1,153,970	0	1,153,970
Certificates of Deposit	Yes	262,286	61,976	198,986	523,248
Total:		<u>\$ 373,750</u>	<u>\$ 1,457,838</u>	<u>\$ 248,180</u>	<u>\$ 2,079,768</u>

Interest Rate Risk: Is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Management believes the City is not exposed to significant interest rate risk on investments.

Credit Risk: Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a policy regarding the types of authorized investments that would ensure preservation of assets, only certificates of deposit and money market accounts are permitted. Management believes the City is not exposed to a significant credit risk.

Custodial Credit Risk (For deposits, the risk that the Authority's deposits may not be returned in the event of bank failure): The Authority maintains its deposits with a financial institution insured by Federal Deposit Insurance Corporation (FDIC). As of June 30, 2008, the City's bank accounts in the amount of \$1,621,100 were not covered by FDIC insurance, but were covered by securities pledged at market.

Concentration of Credit Risk: Is the risk of loss attributed to the magnitude of investment in a single issuer. Management does not believe the City is exposed to a significant concentration of credit risk.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2008

NOTE 3. PROPERTY TAXES

The City elects to use the annual property assessment prepared by the County Property Valuation Administrator (PVA) as its base to apply the property tax rate. Property taxes of the City are billed each October on the basis of the preceding January property assessment values and are due no later than the following December. Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected.

Property tax is levied each October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Appraised values are established by the Appraisal Board of Review at 100% for estimated fair market value.

Taxes are due on November 1 immediately following the levy date and are delinquent after the following December 31. Tax liens are automatic on January 1 each year. The tax lien is part of a law suit for property that can be filed any time after taxes become delinquent. The City usually waits until July 1 to file suits on real estate property. A collection cost may be added to all delinquent accounts. Current collections for the year ended June 30, 2008 were at 99% of the tax levy.

Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within sixty days following the close of the fiscal year, and therefore susceptible to accrual in accordance with accounting principles generally accepted in the United States of America, have been recognized as revenue. The city charter of the City of Burkesville, Kentucky does not provide for a debt limit, therefore, no computation can be made.

Property Tax Calendar

Lien Date	January 1
Levy Date	July 1 to June 30
Due Dates	November 1
Delinquent Dates	December 31

NOTE 4. BONDED DEBT

Revenue Bonds

The following is a description of the City's bonds outstanding as of June 30, 2008:

<u>Issue</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Retired in 2008</u>	<u>Bonds Outstanding 6/30/2008</u>
01 - 334802	5.0%	08/01/80	03/01/19	\$ 255,000	\$ 8,000	\$ 127,000
91 - 03	5.0%	01/09/90	03/01/28	387,000	8,000	286,000
92 - 05	5.0%	07/15/93	03/01/32	1,091,000	19,000	892,000
91 - 07	4.5%	01/13/98	03/01/35	200,000	3,100	174,300
			Totals	<u>\$ 1,933,000</u>	<u>\$ 38,100</u>	<u>\$ 1,479,300</u>

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2008

NOTE 4. BONDED DEBT - CONTINUED

Water and Sewer Revenue Bonds with par value of 255,000 were issued in 1980 and mature annually on March 1, and September 1, with an interest rate of 5.0%. In accordance with the bond ordinance, all transfers to the sinking fund were made during the year.

Assuming the bonds are not called prior to maturity, the minimum obligations of the City's funds at June 30, 2008 for the payment of bond principal and interest are as follows:

<u>Fiscal Year</u>	<u>Annual Requirements of Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>	<u>Bond Numbers</u>
2009	9,000	6,350	15,350	121-128
2010	9,000	5,900	14,900	129-137
2011	10,000	5,450	15,450	138-146
2012	10,000	4,950	14,950	147-156
2013	11,000	4,450	15,450	157-166
2014	11,000	3,900	14,900	167-177
2015	12,000	3,350	15,350	178-188
2016	13,000	2,750	15,750	189-200
2017	13,000	2,100	15,100	241-255
2018	14,000	1,450	15,450	189-200
2019	15,000	750	15,750	241-255
Totals	<u>\$ 127,000</u>	<u>\$ 41,400</u>	<u>\$ 168,400</u>	

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2008

NOTE 4. BONDED DEBT - CONTINUED

Water and Sewer Revenue Bonds with par value of 387,000 were issued in 1989 and mature annually on March 1, with a final maturity scheduled for the year 2028. Annual interest payments are due on March 1, and September 1, with an interest rate of 5.0%. In accordance with the bond ordinance, all transfers to the sinking fund were made during the year.

Assuming the bonds are not called prior to maturity, the minimum obligations of the City's funds at June 30, 2008 for the payment of bond principal and interest are as follows:

<u>Fiscal Year</u>	<u>Annual Requirements of Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>
2009	9,000	14,300	23,300
2010	9,000	13,850	22,850
2011	10,000	13,400	23,400
2012	10,000	12,900	22,900
2013	11,000	12,400	23,400
2014	11,000	11,850	22,850
2015	12,000	11,300	23,300
2016	12,000	10,700	22,700
2017	13,000	10,100	23,100
2018	13,000	9,450	22,450
2019	14,000	8,800	22,800
2020	15,000	8,100	23,100
2021	16,000	7,350	23,350
2022	16,000	6,550	22,550
2023	17,000	5,750	22,750
2024	18,000	4,900	22,900
2025	19,000	4,000	23,000
2026	20,000	3,050	23,050
2027	20,000	2,050	22,050
2028	21,000	1,050	22,050
Totals	<u>\$ 286,000</u>	<u>\$ 171,850</u>	<u>\$ 457,850</u>

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2008

NOTE 4. BONDED DEBT - CONTINUED

Water and Sewer Revenue Bonds with par value of 1,091,000 were issued in 1992 and mature annually on March 1, with a final maturity scheduled for the year 2032. Annual interest payments are due on March 1, and September 1, with an interest rate of 5.0%. In accordance with the bond ordinance, all transfers to the sinking fund were made during the year.

Assuming the bonds are not called prior to maturity, the minimum obligations of the City's funds at June 30, 2008 for the payment of bond principal and interest are as follows:

<u>Fiscal Year</u>	<u>Annual Requirements of</u>		<u>Total Annual Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2009	20,000	44,600	64,600
2010	21,000	43,600	64,600
2011	22,000	42,550	64,550
2012	23,000	41,450	64,450
2013	24,000	40,300	64,300
2014	26,000	39,100	65,100
2015	27,000	37,800	64,800
2016	28,000	36,450	64,450
2017	30,000	35,050	65,050
2018	31,000	33,550	64,550
2019	33,000	32,000	65,000
2020	34,000	30,350	64,350
2021	36,000	28,650	64,650
2022	38,000	26,850	64,850
2023	40,000	24,950	64,950
2024	42,000	22,950	64,950
2025	44,000	20,850	64,850
2026	46,000	18,650	64,650
2027	48,000	16,350	64,350
2028	51,000	13,950	64,950
2029	53,000	11,400	64,400
2030	56,000	8,750	64,750
2031	59,000	5,950	64,950
2032	60,000	3,000	63,000
Totals	<u>\$ 892,000</u>	<u>\$ 659,100</u>	<u>\$ 1,551,100</u>

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2008

NOTE 4. BONDED DEBT - CONTINUED

Water and Sewer Revenue Bonds with par value of 200,000 were issued in 1998 and mature annually on March 1, with a final maturity scheduled for the year 2036. Annual interest payments are due on March 1, and September 1, with an interest rate of 4.5%. In accordance with the bond ordinance, all transfers to the sinking fund were made during the year.

Assuming the bonds are not called prior to maturity, the minimum obligations of the City's funds at June 30, 2008 for the payment of bond principal and interest are as follows:

<u>Fiscal Year</u>	<u>Annual Requirements of</u>		<u>Total Annual Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2009	3,200	7,843	11,043
2010	3,400	7,700	11,100
2011	3,500	7,547	11,047
2012	3,700	7,389	11,089
2013	3,900	7,223	11,123
2014	4,000	7,047	11,047
2015	4,200	6,867	11,067
2016	4,400	6,678	11,078
2017	4,600	6,480	11,080
2018	4,800	6,273	11,073
2019	5,000	6,057	11,057
2020	5,300	5,832	11,132
2021	5,500	5,594	11,094
2022	5,700	5,346	11,046
2023	6,000	5,090	11,090
2024	6,300	4,820	11,120
2025	6,500	4,536	11,036
2026	6,900	4,244	11,144
2027	7,100	3,933	11,033
2028	7,500	3,614	11,114
2029	7,800	3,276	11,076
2030	8,200	2,925	11,125
2031	8,500	2,556	11,056
2032	8,900	2,174	11,074
2033	9,300	1,773	11,073
2034	9,700	1,355	11,055
2035	10,200	918	11,118
2036	10,200	459	10,659
Totals	<u>\$ 174,300</u>	<u>\$ 135,549</u>	<u>\$ 309,849</u>

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2008

NOTE 4. BONDED DEBT - CONTINUED

Revenue Bonds and Covenants

The government issues revenue bonds to provide for the acquisition and construction of major capital facilities. The original amount of revenue bonds issued in prior years, for the items listed below, was \$1,933,000. No general obligation bonds were issued during the current year.

Revenue bonds are pledged by revenues and by the faith full faith and credit of the government. These bonds are issued as 10 to 40 year serial bonds with varying amounts of principal maturing each year. The bond covenants include the maintenance of sinking fund to set aside resources for the payment of future debt service obligations. Interest rates range from 4.5% to 5.0%.

Annual debt service requirements to maturity for the revenue bonds are as follows:

Year Ending June 30,	Principal	Interest
2009	41,200	73,093
2010	42,400	71,050
2011	45,500	68,947
2012	46,700	66,689
2013	49,900	64,373
2014 - 2018	288,000	282,245
2019 - 2023	301,500	208,019
2024 - 2028	363,300	128,947
2029 - 2033	270,700	41,804
2034 - 2036	30,100	2,732
Totals	<u>\$ 1,479,300</u>	<u>\$ 1,007,899</u>

Notes Payable

During the year, the city obtained a loan in the amount of \$1,170,000 through the Kentucky Rural Water Finance Corporation that will be repaid on July 1, 2009 through a bond issuance. The purpose of the loan is to provide interim financing to upgrade and improve the raw water intake and the water treatment plant as well as the construction of new water transmission mains.

The following is a summary of debt transactions of the City for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Revenue Bonds	\$ 1,517,400	\$ 0	\$ 38,100	\$ 1,479,300	\$ 41,200
Notes Payable	0	1,170,000	0	1,170,000	0
Total	<u>\$ 1,517,400</u>	<u>\$ 1,170,000</u>	<u>\$ 38,100</u>	<u>\$ 2,649,300</u>	<u>\$ 41,200</u>

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2008

NOTE 5. RETIREMENT PLANS

All of the City's full-time employees participate in the County Employees Retirement System (CERS). The CERS is a multiple employer cost sharing, defined benefit pension plan, which covers substantially all full-time employees of each county, school board, and any additional eligible local agencies electing to participate in the plan. The plan provides retirement, disability, and death benefits. Funding for the plan is provided through non-hazardous payroll withholdings of 5.00% and the City's contribution of 16.17% of the employee's total compensation subject to contribution. Funding for the plan is also provided through hazardous payroll withholdings of 8.00% and a City's contribution of 33.87% of the employee's total compensation subject to contribution.

Covered employees are required to contribute 5.00% and 8.00% of their compensation to the CERS. The City contributes an amount equal to 16.17% of non-hazardous compensation and 33.87% of hazardous compensation for the year ended June 30, 2008. Total contributions made during the fiscal year were as follows:

	June 30, 2008	June 30, 2007
City's total payroll per financial statements	724,391	628,902
Payroll for employees covered under CERS	612,479	616,223
CERS contributions:		
Employees	35,811	36,762
Employer	129,645	111,072

Vesting in a retirement benefit begins immediately upon entry into the system. CERS participants have a fully vested interest after completion of sixty (60) months of service, twelve (12) of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1981, and then 6% through June 30, 1986, and then 4% thereafter.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

Financial statements for CERS are present as stand alone financial statements. A complete copy of the annual report may be obtained by writing or calling:

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601 - 6124
(502) 564 - 4646

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2008

NOTE 6. CONTINGENCIES

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

As of June 30, 2008, the City is involved in a pending lawsuit. At this time the City's legal counsel has not determined any potential liability; therefore no loss has been recorded in the financial statements.

NOTE 7. DEPRECIATION FUND - PROPRIETARY FUNDS

The bond ordinances state that the Enterprise Fund is to create a special fund designated as the "Depreciation Fund". All hookup fees, proceeds from property damage insurance, sale of surplus or worn-out equipment, and a sum equal to not less than one twelfth (1/12) of five percent (5%) of the annual gross income and revenue of the public water and sewer project of the previous fiscal year, should be deposited into the Depreciation Fund. The Water Company transferred its required amounts into all Depreciation Funds.

NOTE 8. RISK MANAGEMENT

The City is exposed to various forms of asset losses associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. As of June 30, 2008, the City was sufficiently insured.

NOTE 9. INTERFUND RECEIVABLE / PAYABLE AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Such interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Reallocation of resources between funds of the reporting entity are classified as interfund transfers. Such interfund transfers between funds are eliminated in the Statement of Activities.

Interfund transfers for the year ended June 30, 2008 consist of the following:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 24,605	\$ 43,931
Water & Sewer	5,727	0
Sanitation	13,009	0
Tourist Commission	1,385	795
	<u>\$ 44,726</u>	<u>\$ 44,726</u>

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2008

NOTE 10. SUMMARY OF CHANGES IN CAPITAL ASSETS

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Governmental activities:				
Land	\$ 130,319	\$ 0	\$ 0	\$ 130,319
Buildings	287,427	0	0	287,427
Machinery & Equipment	623,741	22,146	7,332	638,555
Furniture & Fixtures	60,137	0	0	60,137
Improvements	570,665	251,991	0	822,656
Construction in Progress	0	0	0	0
Infrastructure	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 1,672,289</u>	<u>\$ 274,137</u>	<u>\$ 7,332</u>	<u>\$ 1,939,094</u>
	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Accumulated Depreciation for Governmental activities:				
Land	\$ 0	\$ 0	\$ 0	\$ 0
Buildings	235,450	19,161	0	254,611
Machinery & Equipment	506,681	45,090	6,204	545,567
Furniture & Fixtures	60,045	92	0	60,137
Improvements	359,456	42,137	0	401,593
Construction in Progress	0	0	0	0
Infrastructure	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 1,161,632</u>	<u>\$ 106,480</u>	<u>\$ 6,204</u>	<u>\$ 1,261,908</u>
 Total Capital Assets, net of Accumulated Depreciation				 <u>\$ 677,186</u>

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2008

NOTE 10. SUMMARY OF CHANGE IN CAPITAL ASSETS - CONTINUED

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Business-Type Activities:				
Utility Plant in Service	\$ 1,723,388	\$ 0	\$ 0	\$ 1,723,388
Waste Treatment Facility	3,527,967	0	0	3,527,967
Sanitary Sewer Extension	159,108	0	0	159,108
Equipment	479,636	0	0	479,636
Buildings	33,754	3,500	0	37,254
Land	30,000	0	0	30,000
Construction in Progress	227,522	245,160	0	472,682
Total	<u>\$ 6,181,375</u>	<u>\$ 248,660</u>	<u>\$ 0</u>	<u>\$ 6,430,035</u>
	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Accumulated Depreciation for Business-Type Activities:				
Utility Plant in Service	\$ 1,211,602	\$ 33,668	\$ 0	\$ 1,245,270
Waste Treatment Facility	1,809,338	117,599	0	1,926,937
Sanitary Sewer Extension	131,546	5,612	0	137,158
Equipment	371,128	28,037	0	399,165
Buildings	15,009	2,320	0	17,329
Land	0	0	0	0
Construction in Progress	0	0	0	0
Total	<u>\$ 3,538,623</u>	<u>\$ 187,236</u>	<u>\$ 0</u>	<u>\$ 3,725,859</u>
Total Capital Assets, net of Accumulated Depreciation				<u>\$ 2,704,176</u>

TE 11. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2008, various adjustments were made with a net increase in net assets of \$1,128. This adjustment was due to combining the payroll account with the general fund.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2008

NOTE 12. RECLASSIFICATION AND RESTATEMENTS

Certain reclassifications have been made to the June 30, 2007 information to make them comparable to June 30, 2008.

NOTE 13. ALLOWANCE FOR DOUBTFUL AMOUNTS

At year end, the City analyzes the balance in billed receivables and utilizes prior history in determining the adequacy of the allowance for potential losses. At June 30, 2008 the allowance was at 12% of past due amounts.

	Total Billings	Bad Debts	Percentage of Bad Debts to Billings
June 30, 2008	\$ 760,537	\$ 3,802	1/2%

Based on the consistency of the amounts with prior years and no significant change in the customer base or local economic conditions, in my opinion, the allowance at year-end appears adequate for any potential losses.

NOTE 14. SUBSEQUENT EVENTS

Currently, the City of Burkesville is entered into a partnership with Cumberland County Water District in the development of a Shared Water Treatment Plant. The future cost of the new Water Treatment Plant is expected to be \$5,365,000. The City's contribution will be financed by grants from various federal and state programs.

NOTE 15. RESERVATION OF FUND BALANCE

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation of legally restricted for specified purposes. The General Fund reserve for restricted purposes includes net assets resulting from state aid exclusively restricted for the police and street funds.

NOTE 16. RESTRICTED ASSETS

Certain proprietary fund and similar component units assets are restricted for debt services and consist of cash and cash equivalents. This includes Municipal Road Aid Fund, LGEA Fund, and Police Cash Account.

NOTE 17. FAIR VALUES OF FINANCIAL INSTRUMENTS

The City has a number of financial instruments, none of which are held for trading purposes. The City estimates that the fair value of all financial instruments at June 30, 2008 does not differ materially from the carrying value of its financial instruments recorded in the accompanying balance sheet. The reported fair value amounts have been determined by the City using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of amounts that the City could realize in a current market exchange.

SAMMY K. LEE, P.S.C.
Certified Public Accountant

*501 Darby Creek, Unit 24
Lexington, Kentucky 40509
(859) 543-1587*

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

The Honorable Mayor and Members of the City Council
City of Burkesville, Kentucky
Burkesville, Kentucky 42717

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund of the City of Burkesville, Kentucky as of and for the year then ended June 30, 2008, which collectively comprise the City of Burkesville, Kentucky's basic financial statements and have issued my report thereon dated October 10, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to the 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 my audit, I considered the City of Burkesville's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the City of Burkesville, Kentucky's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Burkesville, Kentucky's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might constitute significant deficiencies or material weaknesses. However, as discussed below, I identified a certain deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Burkesville, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by the City of Burkesville, Kentucky's internal control. I consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

Due to the small number of administrative and clerical employees at the City, there is an inherent limitation in its ability to segregate cash receipts custodial duties and cash disbursement custodial duties from recordkeeping duties resulting in inadequate segregation of duties within the internal control process over cash receipts and cash disbursements and recordkeeping functions. Due to the cost vs. benefit analysis, it is currently economically unfeasible to rectify this condition.

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

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

Compliance and Other Matters

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

I noted certain other matters that I reported to the management of the City of Burkesville, Kentucky in a separate letter dated October 10, 2008.

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

Sammy K. Lee, P.S.C.

Franklin, Kentucky
October 10, 2008

SAMMY K. LEE, P.S.C.
Certified Public Accountant

501 Darby Creek Rd. #24
Lexington, Kentucky 40509
(859) 543-1587

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CERTIFICATION OF LOCAL GOVERNMENT ECONOMIC ASSISTANCE

The Honorable Mayor and Members of the City Council
City of Burkesville, Kentucky
Burkesville, Kentucky 42717

In accordance with KRS 42.450 – 42.495, I have examined all LGEA disbursements of the City of Burkesville, Kentucky for compliance with the Department of Local Government laws and regulations. Based upon the results of my audit, I certify that the City is in compliance with KRS 42.450 – 42.495.

Sammy K. Lee, P.S.C.

Lexington, Kentucky
October 10, 2008

COPY

INTERLOCAL COOPERATION AGREEMENT
FOR THE DEVELOPMENT OF A
WATER TREATMENT PLANT AND RELATED INFRASTRUCTURE

THIS INTERLOCAL COOPERATION AGREEMENT (the "Agreement") is made and entered into and deemed effective as of the 17 day of November, 2003, by and between the Cumberland County Fiscal Court (referred to herein as "Fiscal Court"), the Cumberland County Water District (referred to herein as "District") and the City of Burkesville (referred to herein as "City"), each a "Party", (or collectively the "Parties") and each a political subdivision of the Commonwealth of Kentucky.

WHEREAS, under the Interlocal Cooperation Act, Sections 65.210 to 65.300, inclusive, of the Kentucky Revised Statutes ("KRS"), as amended, any power or powers, privileges or authority exercised or capable of exercise by a public agency (including a city, a county or any other political subdivision of the Commonwealth) may be exercised jointly with another public agency under an agreement (an "interlocal cooperation agreement") for joint or cooperative action pursuant to the provisions of the Act, and such public agencies may acquire, construct, maintain, add to and improve the necessary property, real and personal, which is required in order to accomplish the public purposes set forth in such interlocal cooperation agreement; and

WHEREAS, the District, a special district established pursuant to KRS 74 and regulated by the Kentucky Public Service Commission (pursuant to KRS 278), presently owns and operates a water treatment plant and distribution system, seeks to secure a reliable source of treated water to meet the demands of its present and future customers; and

WHEREAS, the City, a municipal corporation duly established pursuant to Kentucky statutes, owns and operates a water treatment plant and distribution system providing service to its customers and, through a water purchase agreement, provides water to the District, seeks to renovate and expand its water treatment plant to meet new water quality regulations and to meet the water demand of its customers and those of the District; and

WHEREAS, the Fiscal Court encourages the development of water service for all residents of the County and is an eligible applicant for the Kentucky Community Development Block Grant Program, and

WHEREAS, the Parties are in agreement that it is in their mutual interest to pursue cooperatively the public purpose of providing safe drinking water to the citizenry within their respective jurisdictions, and to this end seek to formalize by this Agreement an arrangement to share the costs and related benefits available through the cooperative development and use of one water treatment plant and extension to a transmission main (herein also referred to as "project"); and acknowledge that this

action is consistent with the objectives of the Lake Cumberland Area Water Management Planning Council, established pursuant to KRS 224A and KRS 151.

NOW THEREFORE, it is mutually acknowledged and agreed by and between the Parties hereto and so ordered as follows:

1. The Parties hereto agree that the foregoing statements are not mere recitals, but represent findings of fact by the respective bodies, and as such represent statements of public interest affecting all Parties hereto, including their respective constituencies.
2. Obligations and Responsibilities of the District:
 - A. The District hereby invites and encourages the City to take all steps necessary and appropriate to construct the project to meet the service needs of both the District and the City. The District will continue to encourage and support the City in this project and will actively participate in securing the necessary funding for the project.
 - B. The District will actively monitor the processes as the City procures all project related professional services and construction contractor(s) necessary for the appropriate and timely development of the project.
 - C. The District will continue to operate its water treatment plant until the new, shared plant comes on line, at which time the District will discontinue the use of its plant.
 - D. The District will continue to purchase water from the City of Albany according to its approved water purchase agreement with Albany until the new, shared plant comes on line, at which time the District, with appropriate notice to Albany, shall reduce the amount of water it purchases from Albany to a minimum amount and continue to purchase that amount for the term of that water purchase agreement. If emergencies warrant increasing the amount, the District may do so subject to timely notice to Burkesville, Albany and the Kentucky Public Service Commission at each such instance.
 - E. The District will retain full ownership of and responsibility for its water distribution system, remaining an autonomous legal entity, expanding to meet the needs of its service area to the extent feasible.
 - F. The District shall rely upon the expanded water treatment plant as its primary source of treated water and shall enter into a water purchase agreement with the City, which shall include the elements of this Agreement. The initial term of the water purchase agreement shall be forty (40) years, and shall include an option for additional terms.

3. Obligations and Responsibilities of the City:

A. The City hereby accepts the invitation of the District and commits to exercise all due and appropriate diligence to construct and bring on line its expanded water treatment plant envisioned by this Agreement, and to cooperate with the District and the Fiscal Court in securing the necessary funding for the project.

B. The City agrees to itemize, account for and report the total costs associated with all improvements and expansion to the water treatment plant and transmission main separately and distinctly from the City's costs related to its water distribution system and all other services provided by the City.

C. The City agrees to provide the District full and routine communication regarding all significant events related to the planning, development, and subsequent operation and management of the facilities envisioned herein and will take all reasonable effort to encourage routine observation of and participation in such significant events by the District's *contact person*, as set out in Section 5 A, below.

D. The City agrees to accept and give full consideration to applications for employment from individuals who are employed by the District at the time when the new, shared plant comes on line, who are qualified to fill a vacant position at the plant, and whose employment with the District may be terminated as a direct result of the District participating in this Agreement.

E. The City shall guarantee to the District delivery of up to one million gallons per day (1mgd) of treated water from the expanded plant at necessary and mutually agreed upon metering points. This volume amount and all related considerations shall be set out in a water purchase agreement with the District, which shall include the elements contained in this Agreement and which shall have an initial term of forty (40) years, with an option to extend the agreement for additional terms.

4. Obligations and Responsibilities of the Fiscal Court

The Fiscal Court agrees to assist in the overall project development as set out in this Agreement by serving as a joint applicant with the City in seeking grant assistance from the Kentucky Community Development Program.

Additionally, the Fiscal Court shall authorize the County Judge Executive to execute all required documentation to expedite the application process.

5. Parties agree as to Method for Determination of Rates:

Rates charged to each Party will be comprised of: a) that share of capital costs related to the design capacity purchased by the respective Party; plus b) the actual cost of water production (O&M) associated with the amount

purchased. Production cost shall be determined via a cost of service analysis and a management analysis to be conducted on the water treatment plant every two years by an independent entity(ies) procured by both Parties jointly. More specifically:

A. Share of Design Capacity And Related Capital Cost: Based on an assessment of each system's respective need and subject to negotiation, an overall design capacity for the new facility shall be determined by the project engineer. A percentage of the total design capacity shall be dedicated to and purchased by the City and a percentage of plant capacity shall be dedicated to and purchased by the District. Each Party shall be assured of receiving up to that percentage of plant design capacity over the life of the plant. Consequently, each system shall bear the responsibility for the total capital cost of this facility in that same percentage at a fixed rate over the life of the plant.

During emergencies, when typical operating capacity may be significantly reduced, each Party shall receive a percentage of the daily production based on its percentage of the purchased design capacity.

The percentage of capacity dedicated to and acquired by each of the Parties may be altered by mutual agreement of the Parties.

B. Cost of Production: The cost of water production shall be established by a thorough analysis of all anticipated operation and maintenance costs on an annual basis, and these costs shall be fully disclosed to both systems which are Parties to this Agreement. These costs shall be incorporated into a unit cost per one thousand gallons, which shall be borne by the Parties based on their respective metered usage.

C. Rates: The actual rate per thousand gallons of water to be charged to the Party is comprised of the fixed capital amount based on that Party's percentage of dedicated design capacity plus the cost of production based on metered usage by that Party.

6. Parties further acknowledge and agree:

A. Each Party to this Agreement acknowledges the critical importance of open and continuing communication to assure the longterm benefit of this Agreement to their respective consumers. To this end, on the effective date of this Agreement and thereafter annually until its termination, each Party shall designate a principal *contact person* and it shall be the charge and obligation of these individuals to arrange for and actively engage in open communication on a routine basis, regarding any and all matters cited in or envisioned by this Agreement. Further, each designated *contact person* shall report on any issues and activities relating to this Agreement at regular or

special meetings of the Parties, in a manner as directed by the respective Party.

B. The Parties agree to work cooperatively in developing the water treatment plant, which shall include but not be limited to participation in planning and development activities, the securing or acceptance of funds, including participation in joint funding activities, the granting or securing of plan approvals and permits, encroachment permits, easements, rights of way, or other similar permits or authorizations as may be required.

C. The duration of this Agreement shall extend to and include the time by which all those activities and actions, as set out herein, relating to each Party, shall have been completed. The date of completion of the facilities and the signing of a water purchase agreement envisioned in this Agreement is anticipated to be not later than July 1, 2005

D. The acceptance of the completed facilities and the signing of a water purchase agreement between the Parties, subject to Kentucky Public Service Commission approval, shall together constitute the permissible method of complete termination of this Agreement.

E. The District operates under the jurisdiction of the Kentucky Public Service Commission. Consequently, the roles of the District as set out herein as well as the water purchase agreement to be entered into by the Parties of this Agreement are subject to the review and approval of the Commission. Every effort shall be made by both Parties to facilitate the appropriate review and implement the directives of the Commission in a timely and expeditious manner.

F. The Parties to this Agreement hereby designate the Lake Cumberland Area Development District to be the "administrator" of this Agreement. The responsibility of the administrator shall be limited to reporting the progress of implementation of the Agreement, to the Parties annually, on or near the anniversary of its effective date.

G. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky. If any provision of this Agreement is held to be in conflict with any applicable statute or rule of law, or is otherwise held to be unenforceable, the invalidity of such portion shall not affect any or all of the remaining portions of this Agreement.

H. The principal purpose of the actions called for in this Agreement is to secure and take best advantage of the economies of scale in developing a single water treatment plant to secure lower costs per capita for the consumers of the District and City rather than to build two plants and incur higher costs for these same consumers.

I. The activities envisioned in this Agreement shall be financed by a combination of federal and state funding, including Rural Utility Services, Appalachian Regional Commission, Community Development Block Grant, 2020 Program Funds and Tobacco Development Program Funds, (made available by the 2003 Kentucky General Assembly).

J. All real and personal property to be acquired in the course of the project envisioned by this Agreement shall be properly procured pursuant to KRS 45A, used and held as public property and disposed of pursuant to statute.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by designated officers or officials as duly authorized by the respective legislative or managing body, effective as of the date first written above.

**APPROVED AS TO FORM AND COMPLIANCE
WITH APPROPRIATE KENTUCKY STATUTES**

Attorney General Albert B. Chandler III
Commonwealth of Kentucky

BY: *Robert W. Bull* 11/10/2003
Assistant Attorney General

CUMBERLAND COUNTY WATER DISTRICT

Stephenson D. Cooper
Chair, Cumberland County Water District

Attest: *Gary R. Lee*
Secretary

CITY OF BURKESVILLE

M. H. [Signature]
Mayor, City of Burkesville

Attest: *Starr A. [Signature]*
City Clerk

CUMBERLAND COUNTY FISCAL COURT

[Signature]
Judge Executive, Cumberland County

Attest: *Lynn W. Cooper*
County Court Clerk

CUMBERLAND COUNTY WATER DISTRICT

1236 COLUMBIA ROAD, BURKESVILLE KY 42717-9123

PHONE: 270/864-3133~FAX: 270/864-3865

WATER TREATMENT PLANT~210 LESLIE ROAD, BURKESVILLE, KY 42717

e-mail: ccwd@vol.com

February 9, 2004

Ms. Peggy Satterly
Appalachian Regional Commission
1024 Capital Center Drive
Frankfort, KY 40601

RE: Cumberland County Water District
ARC Grant \$300,000

Dear Ms Satterly:

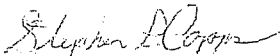
The Cumberland County Water District requests that the above referenced grant be transferred from the Water District to the City of Burkesville.

This grant is for a water treatment expansion project. The Water District, along with Cumberland County and the City of Burkesville, have entered into an Interlocal Cooperation Agreement by which the City of Burkesville will be expanding their water treatment plant and therefore will supply the Water District needs. A copy of this agreement is attached for your files.

If you have any questions, please contact Judy Keltner at Lake Cumberland Area Development District, 270/866-4200.

I look forward to hearing from you.

Sincerely,



Stephen Capps
Chairman

cc: Mayor Mike Irby
Judge Tim Hicks
Judy Keltner

COPY