

KLC Recommendations

August 2025

- Reestablish a Safety Committee
- Conduct Safety Reviews Regularly
- Complete Safe Driving Training
- Attend Safety Conference
- Incorporate Hold Harmless and Worker's Comp Terms in All Contracts
- Implement Employee Manual Updates
- Review Sports League Participation Wavier Form

These recommendations are tied to a point-based system for discounts on liability, property, and workers' compensation insurance.



**CITY OF MARION, KENTUCKY
ORDINANCE NO. 26-02**

**AN ORDINANCE OF THE CITY OF MARION, KENTUCKY, AMENDING CHAPTER 35:
PERSONNEL POLICIES TO AMEND THE EMPLOYEE HANDBOOK FOR EMPLOYEES OF
THE CITY TO ADD CYBERSECURITY**

WHEREAS, the City Council of the City of Marion, Kentucky, has authority pursuant to statute to enact Ordinances relating to the City, and

WHEREAS, the City of Marion, Kentucky has codified its Ordinances, and

WHEREAS, the City Council deems it necessary to revise, amend, and codify the Employee Handbook going forward,

NOW, THEREFORE, BE IT ORDAINED BY THE MARION CITY COUNCIL:

Section One: Chapter 35: PERSONNEL POLICIES of the Code of Ordinances of the City of Marion, Kentucky, Employee Handbook, Section 3 – General Employment Policies and Rules are hereby amended establish Cybersecurity Policy.

Section Two: City of Marion, Kentucky, Employee Handbook, Section 3 will now include the following additions:

Cybersecurity Policy

(1) Overview

Keeping up cybersecurity is essential for protecting city data. Without the proper measures and every member of staff taking up responsibility in securing their devices, services, and networks, data could become compromised and cause serious damage to the city and its reputation.

Our partners and residents trust us to keep their data safe, and this policy has been instituted to help employees understand their responsibilities and what is expected of them to keep our promise to our residents and partners.

(2) Purpose

The purpose of this policy is to clearly lay out what is expected from members of staff in helping secure the city's data, devices, and network. By agreeing to and following this policy, you are helping ensure that the city is doing everything it can to keep sensitive and personal data protected and maintain our reputation as a secure operator. This document will expand on Computer Use and Monitoring Policy.

(3) Scope

This policy applies to all employees, temporary workers, contractors, and agents acting on behalf of the city that use or have access to city devices, the city network, or any city data in digital form.

IT will refer to any employees with designated titles and job duties for the field of Information Technology or third-party consultants or firms managing information technology on the City's behalf.

Section Two: That this ordinance shall be in full force and effect upon its passage by law pursuant to Kentucky Revised Statues.

Section Three: All ordinances and parts thereof in conflict with this ordinance are hereby repealed to the extent of the conflict.

Section Four: If any section, provision, or part of this ordinance shall be adjudged invalid or unconstitutional such adjudication shall not affect the validity of the ordinance as a whole or any section, provision, or part thereof not adjudged invalid or unconstitutional.

COUNCIL MEMBERS	YES	NO
Randy Dunn	_____	_____
Wanda Olson	_____	_____
Taylor Davis	_____	_____
Dwight Sherer	_____	_____
Bobby Belt	_____	_____
Cutter Singleton	_____	_____

It appearing that _____ Council Members voted for the adoption of this ordinance, and _____ voted against, with _____ abstaining, the Mayor declared the ordinance adopted.

INTRODUCED AND GIVEN FIRST READING: _____

GIVEN SECOND READING AND PASSED: _____

PUBLISHED IN THE CRITTENDEN PRESS: _____

D'ANNA BROWNING, MAYOR

ATTEST: _____
CORTNY COSBY, CITY CLERK



City of Marion – Code of Ordinances

S 92.01 DEFINITIONS.

For the purpose of §§ [92.01](#) through [92.08](#) the following definitions shall apply unless the context clearly indicates or requires a different meaning.

"JUNKED MOTOR VEHICLES." Any contrivance, or parts thereof, propelled by power and used for transportation of persons or property on public streets and highways, the condition of which is one or more of the following:

- (1) Wrecked;
- (2) Dismantled;
- (3) Partially dismantled;
- (4) Inoperative;
- (5) Abandoned; or
- (6) Discarded.

"PERSON." Any individual, firm, partnership, association, corporation, company, or organization of any kind.

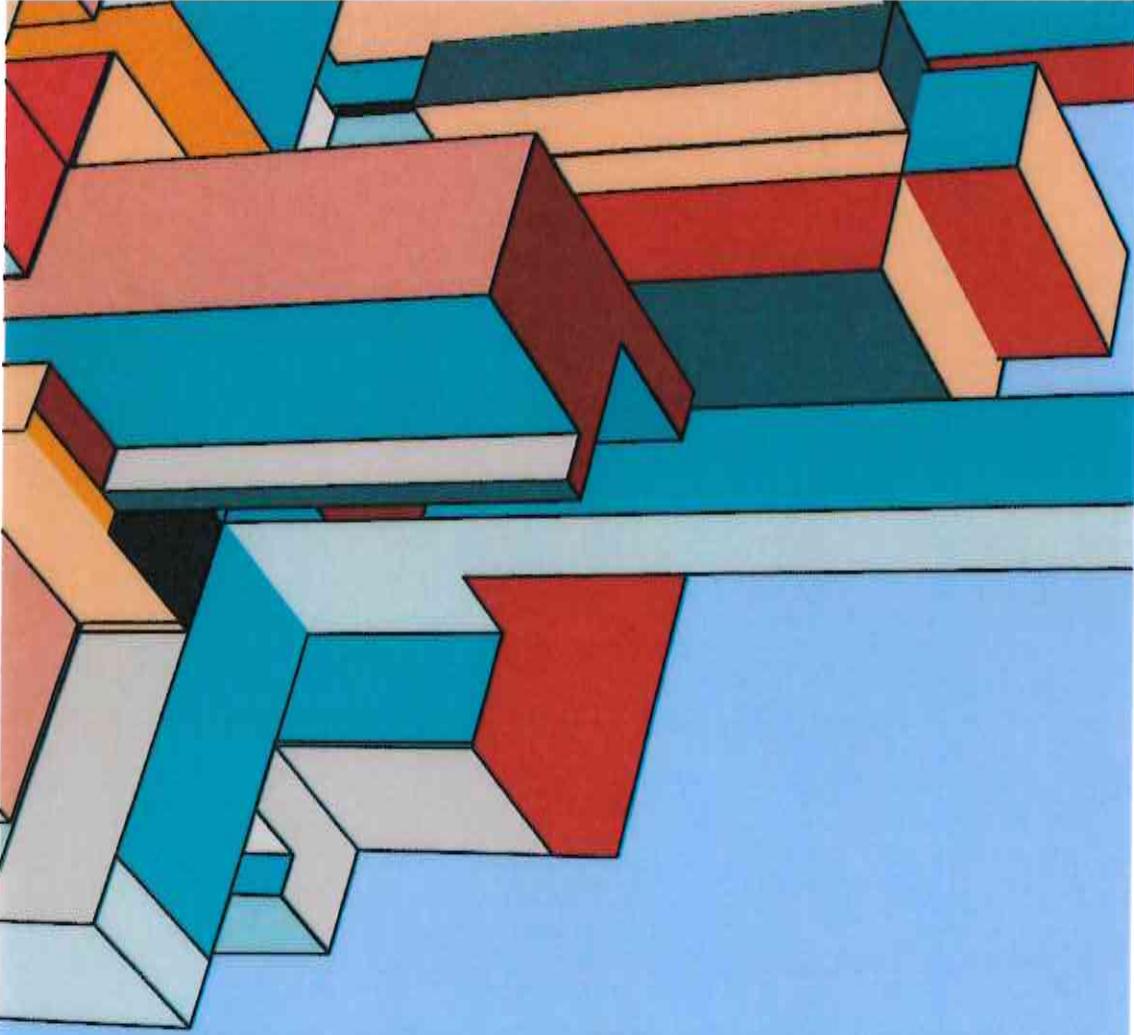
S 92.02 MAINTAINING PUBLIC NUISANCE.

(A) The presence of any junked motor vehicle or appliance on public property or on any private lot, tract, or parcel of land or portion thereof, occupied or unoccupied, improved or unimproved, within the city, shall be deemed a public nuisance. It shall be unlawful for any person to cause or maintain such a public nuisance by placing an appliance on, or by wrecking, dismantling, partially dismantling, rendering inoperable, abandoning, or discarding any motor vehicle on the real property of another, or to suffer, permit, or allow a junked motor vehicle or appliance to be parked, left, or maintained on his own real property, provided that this provision shall not apply with regard to:

- (1) Any motor vehicle or appliance in an enclosed building.
- (2) Any motor vehicle or appliance on property occupied and used for repair, reconditioning, and remodeling of motor vehicles, or appliances.
- (3) Any appliance, bedding, rugs, clothing, or other units of fabric, glass, crockery, ceramics, and other items or ornaments outside of an enclosed building displayed for the specific purpose of conducting a public auction, private sale, sidewalk sale, garage sale, or any other type of sale on a temporary basis not to exceed 48 hours, provided, that any person, firm, or corporation shall be limited to six such sales per year.

(B) The owner, occupant or agent of any owner or occupant of lots, parcels or areas within the city limits permitting pools of water to accumulate and remain on the premises and be come stagnant and foul.

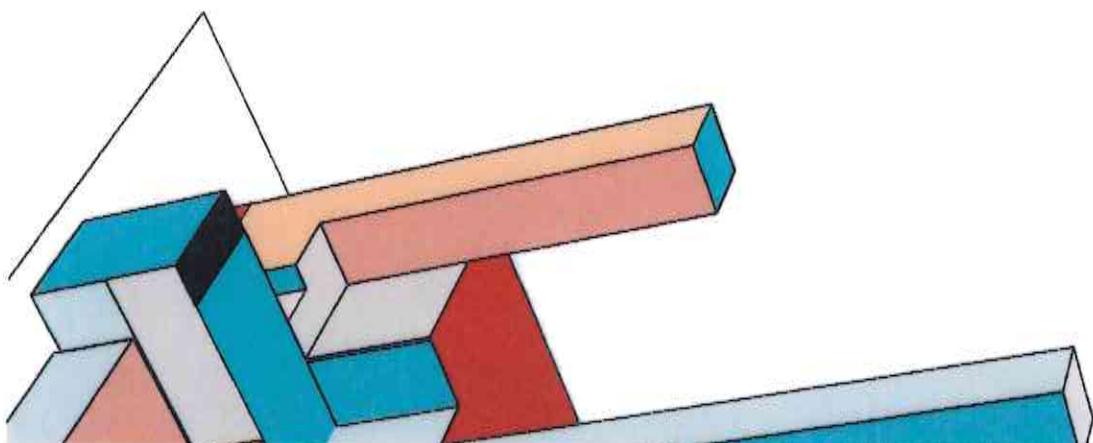
(C) Nothing in this section shall authorize the maintenance of a public or private nuisance as defined under other provisions of law.



**CITY OF MARION
2025-2026
MID-YEAR FINANCIAL
EVALUATION**

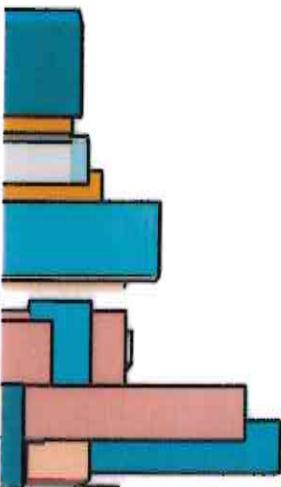
HIGHLIGHTS

1. Purpose
2. Projections
3. Errors & Omissions
4. Council Adjustments
5. Solutions



PURPOSE

- The city establishes a budget in May/June of every year after several months of development in compliance with state law and standard financial practices.
- The budget:
 - Runs July 1 until June 30 of the following years
 - Evaluates both revenue and expenses projected over a 12-month period
 - Breaks the city down by programs recognized under state and accounting principals
 - Is considered an ordinance (law) and must be modified in the same manner
 - Must be monitored monthly as a necessary safeguard from errors and omissions
- January 1 represents the halfway mark in the annual financial year. A milestone to assure accuracy.



PROJECTIONS – REVENUES

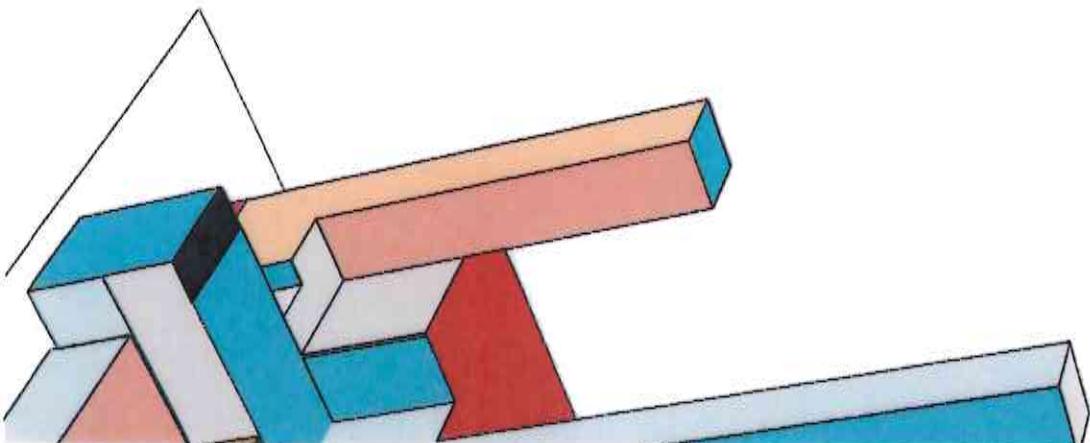
- Revenue (General) 80% of plan
 - Occupational Tax is a 2nd half revenue. It is not uncommon for it to be underperforming during the 1st 6-month cycle.
- Insurance Tax historical & current data indicates projections were under anticipated revenue 10-15%
- Rent Income was over projected against known changes and historical data 20-25%
- Revenue (ABC) 45% of plan
 - Alcohol Beverage Fee historical & current data indicates projections were over anticipating revenue 5-12%
- Revenue (Restaurant/Lodging) 55% of plan
 - Restaurant Taxes historical & current data indicates projections were under anticipating revenue 2-5%
- Revenue (Water) 23% of plan
 - Other Water Revenue includes grant funds which are tied to direct expenses which have not yet occurred.
- Revenue (Sewer) 33% of plan
 - Sewer Sales was over projected against known changes and historical data 30-35%*
 - Environmental Assessment over projected against known changes and historical data 7-10%*

PROJECTIONS – EXPENSES

- General
 - Administration – 165% of plan*
 - Appropriations – 61% of plan*
 - Parks & Lighting – 68% of plan*
 - Police – 51% of plan
 - Streets – 32% of plan
 - Fire – 178% of plan*
 - Planning & Zoning /Code Enforcement – 70% of plan*
- Water
 - Maintenance – 854% of plan*
- Municipal Aid – 123% of plan*
- Restaurant & Lodging – 55% of plan*
- ABC Fund – 48% of plan

ERRORS & OMISSIONS

- General Fund City Hall Principal & Interest Payment – This annual payment of roughly \$65,000 was left out of the administration budget.
- Insurance payments for Liability and Property were partially or fully omitted in the administration, police, water plant, sewer plant budgets. In the case of sewer, the city paid the 2024-25 insurance for the facility in the current fiscal year after the city failed to add coverage during the prior fiscal year.
- Staff cost were partially omitted in the planning & zoning/code enforcement budget.
- Sewer sales erroneously incorporated a rate adjustment never presented or approved by council.
- The sewer plant, new sewer plant line item continues to represent expenses for a project completed almost 24 months ago. This has compounded the above-mentioned rate adjustment issue.
- Local government economic assistance (LGEA) included expenses not financial supported by revenue or reserve funds.





COUNCIL ADJUSTMENTS

- Fire - \$95,000 for new fire truck
- Administration - \$3,077 + benefits for compensation adjustment for City Treasurer
- Miscellaneous Income (Revenue) - \$596,403 passthrough per the auditor
- Administration (Expense) - \$596,403 passthrough per the auditor

SOLUTIONS

- Budget Amendment
 - Ordinance 26-1 incorporates:
 - ✓ Updated projections based on current and historical data
 - ✓ Corrections for the Errors & Omissions
 - ✓ Council action
 - Notify the Auditor of the Errors & Omissions
 - Action taken in December of 2025
- Update Financial Management Standards
 - Monthly review of actual data to plan
 - Reestablish a 5-year capital plan
 - Adjust budget system to distinguish between capital, operating or maintenance expenses



Revenue Projections Highlights

Errors & Omissions

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2025-26
General Fund - Administration															
Principal Payment City Hall	\$ 35,000	\$ 35,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 45,000	\$ 45,000	\$ 45,000
Interest Payment City Hall	\$ 15,595	\$ 14,261	\$ 13,481	\$ 12,689	\$ 14,839	\$ 18,440	\$ 20,084	\$ 18,762	\$ 10,056	\$ 10,655	\$ 13,822	\$ 23,241	\$ 19,125	\$ 19,125	\$ 7,642
Insurance	\$ 35,971	\$ 43,077	\$ 29,021	\$ 76,529	\$ 54,792	\$ 71,856	\$ 57,925	\$ 62,495	\$ 85,293	\$ 85,788	\$ 70,030	\$ 81,861	\$ 77,799	\$ 91,391	\$ 56,798
General Fund - Police															
Insurance	\$ 72,325	\$ 90,121	\$ 79,369	\$ 69,211	\$ 66,760	\$ 104,165	\$ 73,330	\$ 113,591	\$ 121,335	\$ 113,849	\$ 81,354	\$ 81,226	\$ 76,529	\$ 99,812	\$ 72,381
Water Fund - Water Plant															
Insurance	\$ 17,170	\$ 31,443	\$ 28,317	\$ 31,916	\$ 33,285	\$ 39,488	\$ 44,703	\$ 52,229	\$ 46,672	\$ 35,952	\$ 29,350	\$ 45,042	\$ 50,063	\$ 65,577	\$ 32,935
Sewer Fund - Sewer Plant															
Insurance	\$ 16,316	\$ 38,279	\$ 31,835	\$ 36,911	\$ 36,113	\$ 40,070	\$ 52,182	\$ 62,800	\$ 61,985	\$ 52,206	\$ 45,996	\$ 50,758	\$ 58,165	\$ 38,347	\$ 54,770
General Fund - P&Z/Code Enforcement															
Payroll - P&Z	\$ 28,496	\$ 28,496	\$ 29,401	\$ 29,562	\$ 27,869	\$ 32,681	\$ 30,297	\$ 17,748	\$ -	\$ 20,748	\$ 27,899	\$ -	\$ 9,168	\$ 20,000	\$ 15,751
Attorney Retainer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97	\$ -	\$ -	\$ -	\$ 1,684	\$ -	\$ -	\$ -	\$ -
Payroll - Commissioners	\$ 5,987	\$ 5,987	\$ 5,987	\$ 5,405	\$ 5,571	\$ 5,987	\$ 5,987	\$ 5,405	\$ 5,987	\$ 5,987	\$ 5,987	\$ 5,987	\$ 5,654	\$ 5,552	\$ 5,904
Payroll - BOA	\$ 3,908	\$ 2,328	\$ 1,956	\$ 1,912	\$ 1,330	\$ 998	\$ 1,829	\$ 2,162	\$ 2,983	\$ 2,993	\$ 2,993	\$ 2,993	\$ 2,993	\$ 2,994	\$ 2,984
Code Enforcement Board	\$ 4,740	\$ 4,740	\$ 4,823	\$ 4,407	\$ 4,573	\$ 4,899	\$ 4,989	\$ 4,490	\$ 2,993	\$ 2,993	\$ 2,328	\$ 2,611	\$ 3,492	\$ 2,994	\$ 1,494
FICA Tax	\$ 3,054	\$ 2,960	\$ 3,014	\$ 2,936	\$ 2,845	\$ 3,145	\$ 3,200	\$ 2,282	\$ 97	\$ 2,504	\$ 2,973	\$ 879	\$ 1,650	\$ 2,446	\$ 1,727
Retirement	\$ 6,404	\$ 5,949	\$ 5,709	\$ 5,669	\$ 5,718	\$ 6,498	\$ 7,151	\$ 4,310	\$ 240	\$ 269	\$ 267	\$ 233	\$ 197	\$ 92	\$ 60%
Unemployment	\$ -	\$ 173	\$ 487	\$ 354	\$ 195	\$ 57	\$ -	\$ -	\$ 6	\$ 32	\$ 74	\$ 82	\$ 39	\$ -	\$ 21
Insurance	\$ 8,323	\$ 8,676	\$ 9,423	\$ 9,032	\$ 9,114	\$ 11,989	\$ 11,208	\$ 5,695	\$ -	\$ 5,659	\$ 6,293	\$ -	\$ -	\$ 8,604	
Sewer Fund - Revenue															
Sewer Sales	\$ 445,460	\$ 440,309	\$ 432,980	\$ 432,189	\$ 392,632	\$ 434,704	\$ 430,689	\$ 429,083	\$ 419,567	\$ 422,359	\$ 425,767	\$ 426,547	\$ 404,854	\$ 624,718	\$ 206,715
Loan Proceeds - Phase I													\$ (1,023,216)	\$ 5,000,000	\$ -
Sewer Fund - New Sewer Plant															
New Sewer Plant															
LGEA Fund - Audit Fee															
Audit Fee															
	\$ 90	\$ 11,610	\$ 441	\$ 40	\$ -	\$ 5,000,000	\$ 20								0.00%

Actual

General Fund - Water Plant

Insurance

Sewer Fund - Sewer Plant

Insurance

New Sewer Plant

LGEA Fund - Audit Fee

Audit Fee

General Fund - Police

Insurance

Water Fund - Water Plant

Insurance

General Fund - P&Z/Code Enforcement

Payroll - P&Z

Attorney Retainer

Payroll - Commissioners

Payroll - BOA

Code Enforcement Board

FICA Tax

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New Sewer Plant

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Audit Fee

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Sewer Fund - Revenue

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General Fund - P&Z/Code Enforcement

Payroll - P&Z

Attorney Retainer

Payroll - Commissioners</

Council Adjustments

CITY OF MARION, KENTUCKY

ORDINANCE NO. 26-01

**AN ORDINANCE AMENDING ORDINANCE #25-9 ADOPTING THE CITY OF MARION, KENTUCKY ANNUAL BUDGET
FOR FISCAL YEAR 07/01/2025 THROUGH 06/30/2026 BY ESTIMATING REVENUES AND RESOURCES AND
APPROPRIATING FUNDS FOR THE
OPERATION OF CITY GOVERNMENT**

WHEREAS, an annual budget proposal and message have been prepared and delivered to the Marion City Council as required by KRS 83 A; and

WHEREAS, the Council has reviewed said budget proposal and message and made necessary modifications;

NOW, THEREFORE, BE IT ORDAINED BY THE MARION CITY COUNCIL:

Section One: That the annual budget for the fiscal year beginning July 1, 2025, and ending June 30, 2026, is hereby adopted as follows:

	General Fund	Water Fund	Sewer Fund	ABC Fund	Municipal Aid	LGEA Fund	Rest./Motel	Total
Revenues								
Property Tax	417,155						301,600	718,755
							296,600	713,755
Payroll/Net Profits	995,300							995,300
	990,300							990,300
Intergovernmental Payments		1,894,467	600,000					2,668,338
	69,900				103,971			173,871
Interests & Miscellaneous	827,045	8,700		98,600				938,408
	239,275	1,899,167	3,500	100,100	500	3	60	2,242,605
Insurance Tax	250,000							250,000
	225,000							225,000
Water Sales		900,600						900,600
		845,833						845,833
Sewer Sales			425,600					425,600
			624,718					624,718
Service Charges		7,000						7,000
Penalties		15,000						15,000
Environmental fee			696,000					696,000
			737,000					737,000
Loan Proceeds			100,000					100,000
			5,000,000					5,000,000
Franchise Fees	127,000							127,000
	117,000							117,000
TOTAL REVENUE	2,686,400	2,825,767	1,825,100	98,600			301,660	7,842,001
	2,058,630	2,767,000	6,365,218	100,100	104,471	3	296,660	11,692,082

<i>Expenditures</i>							
Administration	1,278,583	112,046	600,400	100,988		227	2,092,244
	545,381	67,542	208,550	100,006			921,479
Appropriations	6,551						6,551
Police Dept.	604,164						604,164
	590,764						590,764
E911 Dept.							
Fire Dept.	163,994						163,994
	67,494						67,494
Street Dept.	263,207						263,207
	124,826						124,826
Lights	82,500						82,500
	60,000						60,000
Planning/Zoning	98,073						98,073
	48,572						48,572
Building Fund							
Water Plant	1,019,043						1,019,043
	2,329,240						2,329,240
Sewer Plant		450,819					450,819
		5,322,193					5,322,193
System Maint./Debt	1,628,113	766,282					2,394,395
	232,846	831,269					1,064,115
Public Transp.			158,275		0		158,275
			104,425		2,000		106,425
Tourism							301,600
							295,000
							301,600
							295,000
TOTAL EXP.	\$2,497,072	\$2,759,202	\$1,817,501	100,988	\$158,275	227	301,600
	\$1,443,588	\$2,629,628	\$6,362,012	\$100,006	\$104,425	\$2,000	\$295,000
Projected Net Increase (Decrease):	189,328	66,565	7,599	(2,388)	(53,804)	(224)	60
	615,042	137,372	3,206	\$94	\$46	(\$1,997)	207,136
							\$1,660
							755,423

Section Two: That this ordinance shall be in full force and effect upon its passage by law pursuant to Kentucky Revised Statutes.

Section Three: All ordinances and parts thereof in conflict with this ordinance are hereby repealed to the extent of the conflict.

Section Four: If any section, provision, or part of this ordinance shall be adjudged invalid or unconstitutional such adjudication shall not affect the validity of the ordinance as a whole or any section, provision, or part thereof not adjudged invalid or unconstitutional.

COUNCIL MEMBERS	YES	NO
Randy Dunn	_____	_____
Wanda Olson	_____	_____
Taylor Davis	_____	_____
Dwight Sherer	_____	_____
Bobby Belt	_____	_____
Cutter Singleton	_____	_____

It appearing that _____ Council Members voted for the adoption of this ordinance, and _____ voted against, with _____ abstaining, the Mayor declared the ordinance adopted.

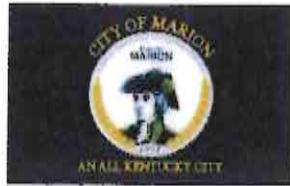
INTRODUCED AND GIVEN FIRST READING: _____

GIVEN SECOND READING AND PASSED: _____

PUBLISHED IN THE CRITTENDEN PRESS: _____

D'ANNA BROWNING, MAYOR

ATTEST: _____
CORTNY COSBY, CITY CLERK



RESOLUTION 25-07

A RESOLUTION OF THE CITY OF MARION, KENTUCKY, TO ENTER INTO AN AGREEMENT WITH
CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT FOR WATER

WHEREAS, the Marion City Council recognizes the need contract for water.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Marion, Kentucky, as follows:

Section 1. That the Mayor, and Successors-in-Title are hereby authorized to enter into an Agreement with Crittenden-Livingston County Water District for the purchase of Water.

Section 2. All resolutions or parts of resolutions in conflict herewith are hereby repealed to the extent of such conflict.

Passed and approved this _____ of ___, 202__.

Mayor

Attest

City Clerk

WATER PURCHASE CONTRACT

THIS CONTRACT, made and entered into this ____ day of December, 2025, by and between the CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT, a municipal corporation organized as a water district under Chapter 74 of the Kentucky Revised Statutes, a party of the first party, hereinafter referred to as the "Seller", and THE CITY OF MARION, KENTUCKY, a City of the Home Rule Class, organized and existing under the laws of the State of Kentucky, with offices at 217 South Main Street, Marion, Kentucky 42064, party of the second part, hereinafter referred to as the "Purchaser",

W I T N E S S E T H:

WHEREAS, the Seller is a water district organized under KRS Chapter 74; and .

WHEREAS, the Purchaser is a municipality of the Home Rule Class in need of a supplemental source of water to serve the citizens and residents of its service area, and

WHEREAS, the Seller is willing to sell the Purchaser a sufficient supply of available water which is reasonably expected to be available to Seller after providing for the anticipated water service obligations of the Seller to its own customers, and

WHEREAS, the governing bodies of the Purchaser and of the Seller have duly authorized the execution of this Contract,

NOW, THEREFORE, in consideration of the premises, of the mutual covenants and agreements herein contained, of the prompt payment of the rates as herein agreed to and set out, and of the prompt delivery of the water supply as herein agreed to and set out, the parties hereto have agreed as follows:

1. The Seller agrees to sell and deliver to the Purchaser, and the Purchaser agrees to purchase and receive from the Seller on an as-needed basis water, for whatever purposes desired by the Purchaser and for such others as the Purchaser may contract with for the furnishing of water, subject to the terms and conditions set out herein.
2. This Contract shall become effective upon ratification by the parties and shall continue for a period of 5 years certain thereafter.
3. This Contract is also subject to the approval of the Kentucky Public Service Commission.
4. The quality of water delivered by the Seller to the Purchaser hereunder shall meet the standards of the United States Environmental Protection Agency/Kentucky Division of Water regulations for drinking water.
5. The Seller shall maintain water pressure sufficient to Purchaser at the Connection Point at all times, except in cases of unavoidable casualty, acts of God, strikes, or other instances beyond the reasonable control of the Seller.
6. The water supplied by the Seller shall be supplemental to the Purchaser's own supply of water. As such there is no minimum purchase amount, Seller shall use reasonable diligence and care to provide a supply of water to the Purchaser and to avoid any shortage or interruption of service

thereof when requested. However, the Seller shall not be liable for any failure, interruption, or shortage of water or any loss or damage resulting therefrom, occasioned in whole or in part by any cause beyond the reasonable control of the Seller and given the demands upon its system by its regular customers.

7. That the Seller 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 Purchaser with quantities of water required by the Purchaser.

8. A master meter or meters (the "Master Meter") shall be furnished and installed at the expense of the Seller and shall be located within the boundaries of the Purchaser at the Connection Point. Such Master Meter shall be equipped (also at the expense of the Seller) with a check valve and valves which shall be located at a reasonable place or places at or near the Connection Point, as shall be mutually agreed upon by the parties. Such Master Meter and check valve(s) shall measure the quantity of water furnished by the Seller and used by the Purchaser, on a monthly basis, and will determine the monthly amounts to be paid by the Purchaser to the Seller for such water, subject to all applicable conditions and limitations specified herein.

9. The Master Meter shall be checked by both the Seller and the Purchaser through their authorized agent(s) or employee(s), and said Master Meter shall be maintained and tested according to any applicable rules and regulations of the Public Service Commission of Kentucky, and if found to be inaccurate, shall be corrected as soon as practicable (and adjustments based on

such meter testings shall be made in previous payments to conform to the results of such tests).

10. The Master Meter shall measure the water furnished by the Seller and used by the Purchaser on a daily basis, and will determine the monthly amounts to be paid by the Purchaser to the Seller for such water. Said Master Meter shall be read periodically, at least once each ten days, by an officially designated employee of the Seller and such Master Meter shall be accessible at all reasonable times to an officially designated employee of the Purchaser for the purpose of reading and checking same. The official readings, which will determine the basis of the charges rendered to the Purchaser, will be the readings made by the Seller.

11. The Purchaser agrees to pay for the water so sold and delivered to the Connection Point, at the rate of \$3.78 per 1,000 gallons; provided however, in any year thereafter for the extent of this Contract, such rate may be adjusted for the extent of this Contract, such rate may be adjusted by the Seller upon 90 days' notice from the Seller to the Purchaser, as follows:

Upon written request of either party, made at least ninety (90) days in advance of the proposed effective date of such adjustment, which requests shall not be made more frequently than once a year, such rates shall be adjusted based on any increase or decrease in the costs borne by the Seller since the beginning of the initial effective period of such rates, or since the last adjustment in rates between the parties, whichever is later, the costs increases so taken into account being the costs of producing and delivering water to the Master Meter of

the Purchaser, such costs to be determined based upon the certified audit of the records of the Seller by a certified public accountant, a copy of which audit shall be furnished to the Purchaser. Any adjustment in rates shall be subject to review and final approval by the Public Service Commission of Kentucky. Such costs per 1,000 gallons of producing water shall be based on the total number of gallon of water produced by the Seller, regardless of the amount of water sold by the Seller to the Purchaser.

As set out above, any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs or performance hereunder, but such costs shall not included increased capitalization (being defined as "increased valuation without capital expenditure") of the Seller's system. All provisions of this contract may be modified or altered by mutual agreement.

Payment to Seller shall be made monthly for the water consumed by Purchaser for the prior month.

12. The Purchaser agrees to maintain and repair, and keep all of its mains, pipes, services, and facilities in reasonably good condition to enable it to continue purchasing water from the Seller.

13. The Purchaser assumes all responsibility for its own billing and for maintenance of its own system, the responsibility of the Seller being solely to deliver water to the Purchaser at the Connection Point. The Purchaser will assume the burden and cost of distribution of the water to its customers from the point of the Master Meter, including the cost of all electric power, insurance, pumping, storage, and related expense. If any booster pumping station is

required by the Purchaser in order to effect the distribution of water purchased from the Seller from the point of the Master Meter to the customers of the Purchaser, the entire cost of such booster pumping station will be borne by the Purchaser, provided, however, that is and to the extent that any such booster pumping station shall be required in order to enable the Seller to deliver water at the Connection Point, the cost thereof will be borne by the Seller.

14. Nothing contained in this Contract is to be construed or intended by the parties as divesting the Public Service Commission of Kentucky of any of its authority, jurisdiction, control, and prerogatives in connection with either of the parties.

15. That in the event of any occurrence rendering the Purchaser incapable of performing under this Contract, any successor of the Purchaser, whether the successor of the Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Purchaser hereunder.

19. When the Purchaser expands its sewage treatment to residences served their water by Seller, Seller agrees to cooperate in a reasonable manner with Purchaser in providing such sewer service and assist the Purchaser in billing those residences for such sewer service.

20. If any section, paragraph, or clause of this Contract be held invalid, the invalidity of such section, paragraph, or clause shall not effect any of the remaining provisions of this Contract.

IN WITNESS WHEREOF, the Seller, by resolution duly adopted by its Board of Commissioners, authorizing its Chairman and its Secretary, and the Purchaser, by Ordinance duly enacted by its City Council, authorizing its Mayor and its City Clerk to affix their respective signatures, together with the seals of said respective parties, have hereunto executed this Contract, as of the date first hereinabove written.

(Seal of District)

CRITTENDEN-LIVINGSTON COUNTY
WATER DISTRICT

T.L. MADDUX, CHAIRMAN

ATTEST:

SECRETARY

(Seal of City)

CITY OF MARION, KENTUCKY

MAYOR D'ANNA BROWNING

ATTEST:

CORTNY COSBY, CITY CLERK