

CRAWFORD & BAXTER, P.S.C.

ATTORNEYS AT LAW

523 Highland Avenue
P.O. Box 353
Carrollton, Kentucky 41008

RECEIVED

MAY 29 2014

Phone: (502) 732-6688

1-800-442-8680

PUBLIC SERVICE
COMMISSION

Fax: (502) 732-6920

Email: CBJ523@AOL.COM

James M. Crawford
Ruth H. Baxter

May 27, 2014

Mr. Jeff Derouen, Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RE: Carroll County Water District #1

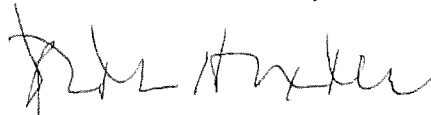
Dear Mr. Derouen:

Please find enclosed the original and eleven (11) copies of "Carroll Carroll Water District's Application for Approval of Interlocal Agreement and for Authority to Incur Debt". Please stamp date one copy of the Application and return to my office in the enclosed stamped self-addressed envelope.

Please contact me at (502) 732-6688 or Terry Roach at (502) 732-7055 with any questions regarding this filing. Thank you for your courtesy in this matter.

Sincerely,

CRAWFORD & BAXTER, P.S.C.



Ruth H. Baxter
Counsel for Carroll Carroll Water District #1

RHB/dmp

Enclosures

cc: Mr. Obe Cox, CCWD
Mr. Terry Roach, Carrollton Utilities

RECEIVED
MAY 29 2014
PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR APPROVAL OF)
INTERLOCAL AGREEMENTS,)
AND) CASE 2014-_____
FOR AUTHORITY TO INCUR DEBT)

Comes now Carroll County Water District #1, and requests the Public Service Commission of Kentucky ("PSC"):

1.) To approve the Intergovernmental Agreements between the City of Carrollton, Carrollton Utilities, and the Carroll County Water District #1, in conjunction with a regional project to be funded by the Kentucky Infrastructure Authority ("KIA")¹; and,

2.) For authority to incur indebtedness for its proportionate share of construction costs required for this project not to exceed \$224,685.00, and for its Application states as follows:

1. **APPLICANT:** The applicant is the Carroll County Water District No. 1 ("CCWD"). CCWD seeks approval of an Intergovernmental Agreement ("Agreement") between The City of Carrollton, Kentucky, a city of the fourth class ("City"), and the CCWD. The CCWD was organized pursuant to KRS Chapter 74, and the documentation relating to the organization of the CCWD has been previously furnished to the PSC.

2. **INTERESTED PARTIES:** The project for which CCWD seeks approval is a joint project between the City, by and through Carrollton Utilities ("CU"), the West Carroll Water District ("WCWD"), and CCWD. The City and CU are represented by the Honorable G.

¹The PSC has approved the Interlocal Cooperation Agreement by and between the City of Carrollton, Carrollton Utilities and West Carroll Water District, Case No. 2014-00053, which is for the same regional project.

Edward James, P.O. Box 373, Carrollton, Kentucky 41008. The Honorable Ruth H. Baxter, P.O. Box 353, Carrollton, Kentucky 41008, serves as counsel for both CCWD and WCWD.

3. **PROPOSED PROJECT:** The City/CU, WCWD, and CCWD submitted a regional project proposal for the improvement of their respective water systems to the Kentucky Infrastructure Authority (“KIA”) under the terms of the Safe Drinking Water Act Amendments of 1996 which authorizes KIA to render financial assistance to eligible project applicants by way of capitalization grants from the U.S. Environmental Protection Agency and state match funds comprising the federally Assisted Drinking Water Revolving Fund (“State Revolving Fund Program”). This project represents a regional solution to Carroll County’s source water, water treatment and distribution needs affecting over 5,650 customers in Carroll, Gallatin, Henry and Trimble Counties. Drinking water treatment facilities improvements will be designed by Dave Eberenz with Heritage Engineering, 642 S. Fourth Street, Suite 100, Louisville, Kentucky 40202, Phone No. (502) 562-1412, and the project divided into multiple construction contracts with each entity determining the nature and scope of the project as it affects their respective water system operations.

CCWD will be constructing two (2) emergency back up connections with CU, which will also be available to the Gallatin County Water District (“GCWD”) should it decide in the future to participate. CCWD’s existing pipeline along Kentucky Highway 1039 will be increased in size to upgraded to increase the flow capacity to sustain fire flow protection, and flow more water to GCWD when emergency connections are established between the two systems. Water quality will thus be improved, and in case of an emergency repair along CCWD’s existing water lines, the number of outages for existing customers will be decreased and less customers will have to adhere to water boil advisories.

It is anticipated that the City will advertise for bids for the Project on or about May 28, 2014, and award of bids shortly thereafter, with construction commencing thirty (30) days after bids are awarded.

To finance the Project, the City will utilize KIA funding on a thirty (30) year amortization at the rate of 0.75% interest with twenty-five percent (25%) principal forgiveness in the amount of \$1,538,817.00. The proposed Project budget is \$1,538,817.00 which includes construction, engineering, inspection, and geotechnical engineering for wells and contingency. Funding for the project will be allocated among the multiple construction contracts in accordance with actual expenses incurred for the construction on each contract pro rata, with a similar percentage assigned to each entity for the cost of engineering services which cost is also being allocated amongst the participants in a pro rata basis.

KIA has issued a Conditional Commitment Letter (F13-007), a copy of which is attached hereto filed as Exhibit 1, to the City which outlines the conditions for the project. The Office of the Attorney General for the Commonwealth of Kentucky ("OAG") has approved the Intergovernmental Agreement between the City and CCWD. A copy of said Agreement dated March 10, 2014, as approved by the OAG on March 20, 2014, is attached hereto filed as Exhibit 2.

4. **BASIS FOR REQUEST:** To participate in this project, CCWD seeks approval from the PSC of the Intergovernmental Agreement between the City and CCWD as it considers this project in the best interest of its existing users, as well as its potential users in the future, and for the overall enhancement and delivery of clean drinking water in the region. CCWD submits that a Certificate of Convenience and Necessity ("CON") will not be required for this project as it involves no 'new construction' as it only requires an increase in the size of existing

pipelines, and will result in no new users, but will create an emergency connection between the utilities. The proposed construction will not compete with any existing water utility as all construction is to CCWD's existing system, and within its territorial boundaries.

The City is responsible for obtaining all necessary permits for these projects, and Dave Eberenz with Heritage Engineering, 642 S. Fourth Street, Suite 100, Louisville, Kentucky 40202, Phone No. (502) 562-1412, will prepare any and all engineering plans, specifications and reports for this regional project. The City and CCWD have obtained Project permits that have been obtained from the Kentucky Department of Highways and the Kentucky Division of Water. Written authority to proceed with the right of way of Gallatin County on Gould Road and Knox Lillard Road has also been received from the Gallatin County Fiscal Court, a copy of which is attached as Exhibit 3. CCWD agrees to supplement this Application upon the request of the PSC with information regarding bidding on the project, the award of bids and the commencement of construction.

5. **FINANCING OF THE PROJECT:** By Intergovernmental Agreement attached hereto as Exhibit 2, the City has applied for and will be responsible to receive KIA funding on a thirty (30) year amortization at the rate of 0.75% interest with a twenty-five percent (25%) principal forgiveness in an amount estimated at \$1,538,817.00. Funding is being allocated between multiple construction contracts in accordance with actual expenses incurred for each contract pro rata. A similar percentage will be assigned to each entity for the cost of the engineering services which costs is also to be divided between them pro rata. The CCWD pro rata share is estimated to be \$224,685.00. In the event bids for the project exceed this sum, CCWD is allowed to reduce the scope of the project to achieve a pro rata share that is acceptable to CCWD.

CCWD will pay to the City a semi-annual payment for the period equal to the years of debt incurred by the City to cover its proportionate share of the final debt service for its portion

of the project with said payments to begin on the same year as City is required to pay the debt following completion of construction.

CCWD will not be seeking a rate increase for its portion of the project, but will utilize more efficient operations and continued aggressive reduction of water loss to cover any additional costs. For the year ending December 31, 2013, the CCWD had cash balances in excess of \$2.2 million, of which approximately \$950,000.00 were held in restricted accounts, predominately for depreciation, bond and interest. Because the Project includes a twenty-five percent (25%) debt forgiveness and a low interest rate, the CCWD determined it would be in the best interest of the District to participate in the loan. Further, CCWD will have less debt after February 1, 2015, as the \$10,000.00 balance on an outstanding bond issue will be fully repaid, and will eliminate annual payments for this debt of approximately \$115,000.00. CCWD will sign an unsecured promissory note to the City for payment of its proportionate share of the funding and expenses. No collateral is being required to secure payment of the note by the City.

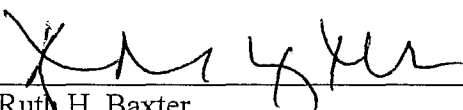
In support of this Application, there is attached hereto as additional exhibits the following:

- A. Financial exhibit as required by Section 13 of 807 KAR 5:001, Section 17 (f) (a) as Exhibit 4;
- B. Two (2) maps of the proposed construction plans for the Ladder Lane Interconnect, marked as Exhibit 5;
- C. Two (2) maps of the proposed construction plans for the U.S. Highway 42 and Kentucky Highway 2350 Interconnect, marked as Exhibit 6; and
- D. Two (2) maps of the proposed construction plans for the Kentucky Highway 1039 Waterline Improvements and Interconnect, marked as Exhibit 7.

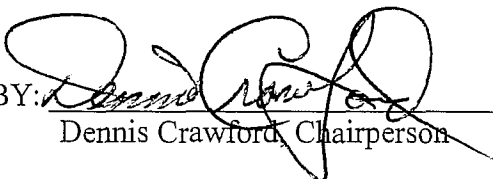
WHEREFORE, the Carroll County Water District No. 1 respectfully requests that the Kentucky Public Service Commission approve the Intergovernmental Agreement by and between The City of Carrollton, Carrollton Utilities, and the CCWD, and to authorize it to incur debt for its proportionate share of the Project as stated herein.

CRAWFORD & BAXTER, P.S.C.
ATTORNEYS AT LAW
523 Highland Avenue
P.O. Box 353
Carrollton, Kentucky 41008
Phone: (502) 732-6688
Fax: (502) 732-6920
Email Address: cbjruthbaxter@aol.com

Attorneys for Carroll County Water District
No. 1

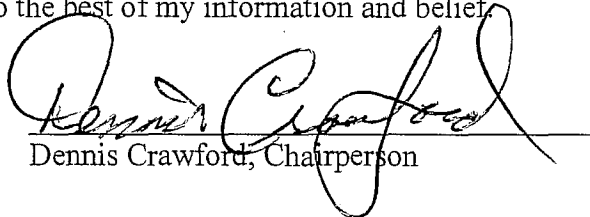
By: 
Ruth H. Baxter

CARROLL COUNTY WATER DISTRICT
NO. 1

BY: 
Dennis Crawford, Chairperson

VERIFICATION

I, Dennis Crawford, Chairperson of the Carroll County Water District, state that the statements contained in this Application are true to the best of my information and belief.


Dennis Crawford, Chairperson

STATE OF KENTUCKY)

COUNTY OF CARROLL)

Subscribed and sworn to before me by Dennis Crawford, Chairperson of the Carroll
County Water District, on this the 27th day of May, 2014.

My commission expires: 10-13-2017

Dickie M. Polley
Notary Public, Kentucky State at Large



KENTUCKY INFRASTRUCTURE AUTHORITY

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

Steven L. Beshear
Governor

John E. Covington III
Executive Director

May 2, 2013

RECEIVED
MAY 13 2013
CARROLLTON-UTILITIES

The Honorable Gene McMurry, Mayor
City of Carrollton
P.O. Box 269
Carrollton, KY 41008

**KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F13-007)**

Dear Mayor McMurry:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On May 2, 2013, the Authority approved your loan for the Carroll County Interconnect Project subject to the conditions stated below. The total cost of the project shall not exceed \$1,538,817 of which the Authority loan shall provide \$1,538,817 of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the City of Carrollton upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (5/6/2014) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$1,538,817.



2. The loan shall contain principal forgiveness in the amount of 25%. Actual amortized loan and forgiveness amounts will be based on actual project costs drawn from the Authority.
3. The loan shall bear interest at the rate of 0.75% per annum commencing with the first draw of funds.
4. The loan shall be repaid over a period not to exceed 30 years from the date the loan is closed.
5. Interest shall be payable on the unforgiven amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
6. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
7. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "F" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be performed for the life of the loan.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. The Borrower must agree to expend all Authority loan funds within six months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.
8. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.

9. The Authority to Award Package documentation shall be submitted to and approved by DOW.
10. An environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds, within the term of this binding commitment and prior to project bid.
11. Technical plans and specifications and a complete DWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
12. A clear site certificate shall be obtained and DOW representatives shall be notified for attendance of the pre-construction conference.
13. Project changes or additions shall require a complete environmental and change order review before they can be included in the DWSRF loan project.

The following is a list of additional conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Borrower shall require all contractors to pay wages pursuant to applicable prevailing wage rates (federal or state) for all work relating to the subject Project. The Borrower shall, if applicable, comply with all Davis Bacon related monitoring and reporting.
2. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.
3. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.

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

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

Mayor McMurry
May 6, 2013
Page 5

RECEIVED
MAY 13 2013
CARROLLTON UTILITIES

Sincerely,

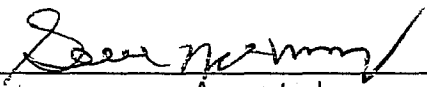


Sandy Williams
Financial Analyst

Attachments

cc: Chas Robbins, Carrollton Utilities
Terry Roach, P.E., Carrollton Utilities
Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State Local Debt Office, DLG
Borrower File - City of Carrollton - F13-007

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.



Accepted

5/14/13

Date

AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND F13-007)

Borrower Information:

Name: City of Carrollton / Carrollton Utilities

Address: P.O. Box 269

City: Carrollton State: KY Zip: 41008

Federal I.D. # [REDACTED]

Contact Name: Chastity Robbins Telephone: (502) 732-1214

Email: crobbinse@carrolltonutilities.com

Financial Institution Information:

Bank Name: First National Bank

Branch: 604 Highland Avenue Phone No: (502) 732-4406

City: Carrollton State: KY Zip: 41008

Transit / ABA No.: [REDACTED]

Account Name: Carrollton Utilities Interconnect Project

Account Number: [REDACTED]

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature: Chastity Robbins Date: 6/19/2013

Name Printed: Chastity Robbins Job Title: Dir. of Finance

Please return completed form to:

Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157

TRANSPARENCY ACT REPORTING INFORMATION FORM

CLEAN WATER STATE REVOLVING FUND AND DRINKING WATER STATE REVOLVING FUND

This form is required for projects funded in whole or in part from the Clean Water State Revolving Fund or the Drinking Water State Revolving Fund. This form is to be completed and returned with the signed Conditional Commitment Letter from the Kentucky Infrastructure Authority.

Borrower Information:

Name:	City of Carrollton f/b/o Carrollton Utilities
Data Universal Numbering system (DUNS) No.*:	F13-007 6272 38751
KIA Loan Number:	F13-007
Street Address	225 6th Street
City, State and Zip (Zip must include 4 digit extension)	Carrollton, KY 41008-1216
Federal Congressional District(s) of Borrower Utility Service Area:	4

*If the DUNS No. provided above is registered under a different name than the recipient of funding, please provide the registration name below:

DUNS Name	
-----------	--

*If the recipient has not yet obtained a DUNS Number, please do so no later than 30 days after the KIA Board approval date of your loan request and provide notification to KIA of the number once issued. For instructions on DUNS registration, please contact sandy.williams@ky.gov.

Physical Location of Project (Primary Place of Performance)

Street Address	225 6th Street
City, State and Zip (Zip must include 4 digit extension)	Carrollton, KY 41008-1216
Federal Congressional District(s) of Project Location	4

Reliance upon Federal Assistance (please answer the below questions Yes or No):

Did recipient receive 80% or more of its annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards) during the last fiscal year?	No
Did recipient receive \$25 million or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards) during the last fiscal year?	No
Does the public have access to compensation of senior executives of the recipient through periodic reports filed under Section 13A or 15D of the Securities Exchange Act of 1934 or Section 6104 of the Internal Revenue Code of 1986?	No

DUNS Registration Information: <http://fedgov.dnb.com/webform> OR 1-866-705-5711

Registration can be completed over the phone or via the web. Phone registration requests take approximately 10 minutes and are free. Internet requests are fulfilled within 24 hours.

ATTACHMENT A

**City of Carrollton
F13-007**

EXECUTIVE SUMMARY		Reviewer	Sandy Williams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	May 2, 2013	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number	F13-007	
REVOLVING LOAN FUND		WRIS Number	WX21041001	
BORROWER	CITY OF CARROLLTON CARROLL COUNTY			
BRIEF DESCRIPTION				
<p>This project will provide interconnections and infrastructure additions for three public water systems in Carroll County. The project will provide two interconnections between Carrollton Utilities (CU) and the Carroll County Water District (CCWD), an interconnection between the CCWD and Gallatin County Water District, and will close a gap between a portion of the West Carroll Water District (WCWD) that is currently served by the City of Milton and the rest of the WCWD system.</p> <p>Infrastructure components that are specific to each utility include: CCWD - 150,000 gallon elevated water tank to support an underserved area and replacement of 2,300 linear feet (LF) of asbestos cement water line; WCWD - booster pump station and 1,700 LF of water line to tie discrete sections of the system together; CU - new groundwater well and associated piping, emergency generator to support the water treatment plant and interconnections discussed above.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$1,538,817	RD Fee %	Actual %	
				Administrative Expenses \$12,000
				Legal Expenses 2,500
				Planning 20,000
		8.5%	7.7%	Eng - Design 100,557
		5.3%	4.8%	Eng - Constr / Insp 63,177
				Eng - Other 29,700
				Construction 1,191,712
				Contingency 119,171
TOTAL	\$1,538,817	TOTAL		\$1,538,817
REPAYMENT	Rate	0.75%	Est. Annual Payment	\$45,918
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Carrollton Utilities		
	Bond Counsel	Peck, Shaffer, & Williams		
PROJECT SCHEDULE	Bid Opening	Jul-13		
	Construction Start	Aug-13		
	Construction Stop	Dec-13		
DEBT PER CUSTOMER	Existing	\$3,642		
	Proposed	\$4,587		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		Users	Avg. Bill	
	Current	1,611	\$23.33 (for 4,000 gallons)	
	Additional	0	\$23.33 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2010	1,913,649	757,768	1,155,881	2.5
Audited 2011	1,887,173	707,851	1,179,322	2.7
Audited 2012	2,235,919	657,573	1,578,346	3.4
Projected 2013	2,230,466	553,249	1,677,217	4.0
Projected 2014	2,177,567	606,140	1,571,427	3.6
Projected 2015	2,140,019	608,694	1,531,325	3.5
Projected 2016	2,077,744	541,832	1,535,912	3.8
Projected 2017	2,013,600	541,831	1,471,769	3.7

Reviewer: Sandy Williams
Date: May 2, 2013
Loan Number: F13-007

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND "F")
CITY OF CARROLLTON, CARROLL COUNTY PROJECT REVIEW
WX21041001**

I. PROJECT DESCRIPTION

The City of Carrollton for the benefit of Carrollton Utilities is requesting a Fund F loan in the amount of \$1,538,817 for the Carroll County Interconnect project. This regional solution to Carroll County's source water, water treatment, and distribution needs involves various construction components that that will benefit Carrollton Utilities (CU), the Carroll County Water District #1 (CCWD) and the West Carroll Water District (WCWD) affecting over 5,650 customers. CU will have the debt associated with the project and each of the other participants will reimburse CU for the debt service that is associated with their portions of the project. CU, CCWD and WCWD will enter into Interlocal Agreements defining the portion of the debt that will be the financial responsibility of each party. As defined in the agreement, each entity will be responsible for the respective maintenance on their system's construction items.

The project will provide two interconnections between CU and the CCWD, an interconnection between the CCWD and Gallatin County Water District, and will close a gap between a portion of the WCWD that is currently served by the City of Milton and the rest of the WCWD system. Infrastructure components that are specific to each utility include:

CCWD – Construct an emergency interconnect with the Gallatin County Water District near Old KY1130, also known as the Highway 1130 Spur. Additionally 2,300 linear feet (LF) of asbestos cement water line will be replaced along KY 467 near Worthville.

WCWD – Construct a booster pump station and install 1,700 LF of water line to tie discrete sections of the system together.

CU – 1) Construct new groundwater well and associated piping and purchase an emergency generator to support the water treatment plant and interconnections discussed above; 2) Highland Ave. (U.S. 42) Waterline Replacement: replace approximately 4,200 LF and will replace the 4" to 6" cast iron, lead-joint waterline installed nearly 100 years ago. Since the existing waterline now sits in the traffic lane of one of the busiest roads in Carrollton, the new line will be moved outside the curb line. This new waterline will allow CU to abandon the line and remove a potential source of lead in the drinking water; and 3) General Butler Transmission Line: The existing 10" transmission line to the CU General Butler water storage tanks was installed around 1960. CU is looking for some redundancy and potentially additional volume available to fill the General Butler tanks. Final route selection will either be a parallel line or a different route utilizing the new Schuerman Road right-of-way and the electric easement to the tank.

The three utilities serve approximately 5,650 customers in Carroll, Gallatin, Trimble and Henry counties. The CCWD and WCWD are subject to PSC jurisdiction. Carrollton Utilities sells between 55 and 65 million gallons of treated water to the WCWD.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 12,000
Legal Expenses	2,500
Planning	20,000
Engineering Fees - Design	100,557
Engineering Fees - Const / Inspection	63,177
Engineering Fees - Other	29,700
Construction	1,191,712
Contingency	119,171
Total	\$ 1,538,817

III. PROJECT FUNDING

	Amount	%
Fund F Loan	\$ 1,538,817	100%
Total	\$ 1,538,817	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,538,817
Less: Principal Forgiveness (25%)	384,704
Amortized Loan Amount	\$ 1,154,113
Interest Rate	0.75%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 43,032
Administrative Fee (0.25%)	2,885
Total Estimated Annual Debt Service	\$ 45,918

25% forgiveness
8/14/2013 for 2 weeks
9-1-13
12-1-13
3-1-13
3-20-13
4-1-13
5-1-13
Environmental 11-1-13

V. PROJECT SCHEDULE

Bid Opening	July 2013	4-1-2014
Construction Start	August 2013	5-1-2014
Construction Stop	December 2013	4-1-2015

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

<u>Customers</u>	<u>Current</u>
Residential	1,345
Commercial	260
Industrial	6
Total	1,611

B) Rates

	In Town		Out of Town		General Butler Extension	
	Current	Prior	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/2012		07/01/2012		07/01/2012	
Minimum (1,000 gallons)	\$11.15	\$10.93	\$14.11	\$13.83	\$14.80	\$14.80
Next 4,000 Gallons	4.06	3.98	5.13	5.03	6.00	6.00
Next 20,000 Gallons	3.64	3.57	4.62	4.53	5.50	5.50
Next 35,000 Gallons	3.24	3.18	4.10	4.02	4.99	4.99
Next 40,000 Gallons	2.83	2.77	3.57	3.50	4.47	4.47
Over 100,000 Gallons	2.66	2.61	3.36	3.29	4.26	4.26
Cost for 4,000 gallons	\$23.33	\$22.87	\$29.50	\$28.92	\$32.80	\$32.80
Increase %	2.0%		2.0%		0.0%	
Affordability Index (Rate/MHI)	1.0%		1.2%		1.3%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2006-2010, the City's population was 3,918 with a Median Household Income (MHI) of \$29,458. The median household income for the Commonwealth is \$41,576. The project will qualify for a .75% interest rate.

VIII. 2012 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - The 2012 Drinking Water capitalization grant does not contain a "green" requirement.
- 2) Additional Subsidization – This project qualifies for additional subsidization in the amount of \$384,704.

IX. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the audited financial statements for the years ended June 30, 2010 through 2012. The Carrollton Utilities fund includes activities for water, wastewater and gas services. The focus of the discussion below is water and wastewater services.

HISTORY

Combined water and wastewater revenues increased 15% from \$2.382 million in 2010 to \$2.738 million in 2012 while combined expenses increased 6.6% from \$1.59 million to \$1.69 million. Cash flow available for debt service was approximately \$1.9 million in 2010, 2011, and \$2.2 million in 2012. Gas operations contributed about 50% of cash flow each after debt service each year. The debt coverage ratio was 2.5, 2.7, and 3.4 in 2010, 2011 and 2012, respectively.

The balance sheet reflects a current ratio of 2.7 and a debt to equity ratio of 0.2 at the end of 2012. Months of operating expenses in unrestricted cash is 2.0. Reserve obligations for existing KIA loans are properly funded

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues for 2013 reflect approved water and sewer rate increases of 2%. Revenues are flat thereafter.
- 2) Water and sewer expenses will increase 3% annually
- 3) Gas and contract services will be flat to 2012 reflecting no change in the amount of contributed cash flow amounts.
- 4) Debt service on the proposed loan is estimated at \$45,918 annually
- 5) Debt service coverage is 3.5 in 2015 when principal and interest repayments begin.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund F loan.

REPLACEMENT RESERVE

The annual replacement cost is \$3,800. This amount should be added to the replacement account each December 1 until the balance reaches \$38,000 and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KIA (B99-03)	\$ 80,578	Jun-32
KIA (A01-03)	1,434,008	Dec-22
KIA (A05-01)	3,222,247	Dec-26
KIA (B08-06, \$900K)	761,200	Dec-22
Kentucky League of Cities Funding Trust	369,259	Oct-14
KIA (F11-15, i/a/o \$1,202,676)	0	TBD
Total	\$ 5,867,292	

XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

Project Title	Funding Source	Amount	Type
Happy Hollow Project	HB380	500,000	Grant
Happy Hollow Project	HB267	250,000	Grant
Eagle Creek Wastewater Project	HB608	400,000	Grant
Eagle Creek Wastewater Project	KIA	750,000	Grant
CARED Project	KIA	3,433,000	Grant

XII. CONTACTS

Legal Applicant	
Name	City of Carrollton
Address	P.O. Box 269 Carrollton, KY 41008
County	Carroll
Authorized Official	Gene McMurry (Mayor)
Phone	(502) 732-7051

Project Contact - Applicant	Chas Robbins
Name	Carrollton Utilities
Representing	P.O. Box 269
Address	Carrollton, KY 41008 (502) 732-1216
Phone	crobbins@carrolltonutilities.com
Email	Chas Robbins

Consulting Engineer	Engineer has not been selected.
Name	Terry Roach, P.E.
Firm	Carrollton Utilities
Address	P.O. Box 269 Carrollton, KY 41008
Phone	(502) 732-1216
Email	troach@carrolltonutilities.com

XIII. RECOMMENDATIONS

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

CITY OF CARROLLTON
BALANCE SHEETS (JUNE YEAR END)

	↓	↓	↓		↓
ASSETS	Audited 2010	Audited 2011	Audited 2012	Projected 2013	Upon Completion 2014
Current Assets					
Cash	4,538,959	5,861,622	5,932,290	6,109,507	6,180,934
Accounts Receivable	3,577,441	3,838,629	2,808,164	2,812,100	2,812,100
Dther Receivables	1,966,730	1,100,343	1,040,541	1,040,000	1,040,000
Due from Dther Funds	0	0	0	0	0
Prepaid	36,713	36,299	36,413	37,500	40,000
Total Current Assets	10,139,843	10,636,893	9,817,408	9,999,107	10,073,034
Restricted Assets					
KIA Loan Reserves	484,131	492,899	507,020	515,492	518,182
Rural Development Bond and Interest	24,056	0	0	0	0
Rural Development Depreciation Fund	39,929	0	0	0	0
Customer Deposits	108,524	148,889	197,351	200,000	200,000
Construction Accounts	71,063	191,523	0	0	0
Construction Grants Receivable	1,809,241	167,731	0	0	0
Total Restricted Assets	2,336,944	1,020,842	704,371	715,492	718,162
Utility Plant					
Land, System, Building and Equipment	47,644,389	59,402,353	81,556,247	81,556,247	81,556,247
Construction In Progress	3,389,909	158,238	87,195	1,705,995	6,595,082
Total	51,034,298	59,560,591	81,643,442	83,262,242	88,151,329
Less Accumulated Depreciation ()	(18,967,359)	(20,867,949)	(22,762,609)	(24,412,809)	(26,087,809)
Net Fixed Assets	32,066,939	38,692,642	38,880,833	38,849,833	42,063,720
Other Assets					
Unamortized Bond Costs and Discount, Net	9,984	7,750	5,538	3,322	1,108
Total Other Assets	9,984	7,750	5,538	3,322	1,108
Total Assets	44,553,690	50,358,127	49,388,148	49,567,554	52,856,024
LIABILITIES					
Current Liabilities					
Accounts Payable	4,328,847	3,786,969	2,438,678	2,450,000	2,450,000
Due to Dther Funds	1,078,391	1,101,235	1,029,799	1,030,000	1,030,000
Accrued Expenses	55,882	60,488	41,981	42,000	42,000
Capital Lease Obligations	249,404	220,091	146,386	154,550	66,324
Total Current Liabilities	5,712,524	5,168,783	3,659,044	3,676,550	3,588,324
Liabilities Payable - Restricted Assets					
Construction Accounts Payable	583,885	83,002	0	0	0
Construction Retainage Payable	271,968	50,719	0	0	0
Accrued Interest Payable	10,435	6,148	5,733	5,000	5,000
Revenue Bonds Payable	3,100	0	0	0	0
Notes Payable	327,650	331,928	336,267	340,669	345,131
Customer Deposits	108,524	148,889	197,352	200,000	200,000
Total Liabilities Payable - Restricted Assets	1,305,542	620,486	539,352	545,669	550,131
Long Term Liabilities					
Accrued Compensated Absences	13,737	8,081	10,849	12,500	13,000
Revenue Bonds Payable	169,200	0	0	0	0
Capital Lease Obligations	589,351	389,280	220,873	72,487	6,163
Notes Payable	5,068,762	5,459,089	5,161,766	4,959,897	4,614,766
Deferred Loss - Early Debt Retirement	(8,646)	(3,185)	0	0	0
KIA (F11-15)	0	0	0	0	1,202,676
Proposed KIA Loan	0	0	0	0	1,154,113
Total Long Term Liabilities	5,832,404	5,833,245	5,393,488	5,044,884	6,990,718
Total Liabilities	12,850,470	11,622,514	9,591,884	9,267,103	11,129,173
Retained Earnings:					
Invested in Capital Assets Net of Related Debt	24,822,249	32,323,209	32,999,078	33,325,352	37,032,444
Restricted for Capital Projects	1,680,304	379,254	0	0	0
Restricted for Debt Service	537,681	486,751	501,291	500,000	500,000
Unrestricted	4,662,986	5,546,399	6,295,897	6,475,099	4,194,407
Total Retained Earnings	31,703,220	38,735,613	39,796,264	40,300,451	41,726,851
Total Liabilities and Equities	44,553,690	50,358,127	49,388,146	49,567,554	52,856,024
Balance Sheet Analysis					
Current Ratio	1.8	2.1	2.7	2.7	2.8
Debt to Equity	0.4	0.3	0.2	0.2	0.3
Days Sales in Accounts Receivable	27.4	30.1	26.5	28.5	26.5
Months Operating Expenses in Unrestricted Cash	1.2	1.6	2.0	2.1	2.1

EXHIBIT 1
CITY OF CARROLLTON
CASH FLOW ANALYSIS (JUNE YEAR END)

	Audited 2010	% Change	Audited 2011	% Change	Audited 2012	% Change	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
Operating Revenues											
Gas	45,179,631	-3%	43,797,499	-18%	35,718,768	0%	35,718,768	35,718,768	35,718,768	35,718,768	35,718,768
Water	899,739	7%	962,355	6%	1,016,823	2%	1,037,159	1,037,159	1,037,159	1,037,159	1,037,159
Sewer	1,482,636	8%	1,594,231	8%	1,721,008	2%	1,755,428	1,755,428	1,755,428	1,755,428	1,755,428
Contractual Services	174,811	6%	185,300	5%	194,565	0%	194,565	194,565	194,565	194,565	194,565
Total Revenues	47,736,817	-3%	46,539,385	-17%	38,651,164	0%	38,705,920	38,705,920	38,705,920	38,705,920	38,705,920
Operating Expenses											
Gas	44,102,819	-3%	42,807,979	-19%	34,525,279	0%	34,525,279	34,525,279	34,525,279	34,525,279	34,525,279
Water	729,349	4%	758,743	0%	758,355	3%	781,106	804,539	828,675	853,535	879,141
Sewer	860,251	9%	937,086	0%	936,232	3%	964,319	993,249	1,023,046	1,053,737	1,085,349
Contractual Services	161,050	7%	172,475	19%	205,124	3%	211,278	217,616	224,144	230,868	237,794
Depreciation	1,331,339	11%	1,476,534	10%	1,630,202	1%	1,650,000	1,675,000	1,700,000	1,700,000	1,700,000
Replacement Reserve	8,472		8,472		8,472		8,472	2,670	10,680	10,680	10,680
Total Expenses	47,193,280	-2%	46,161,289	-18%	38,063,664	0%	38,140,454	38,218,353	38,311,824	38,374,099	38,438,243
Net Operating Income	543,537	-30%	378,096	55%	587,500	-4%	565,466	487,567	394,096	331,821	267,677
Non-Operating Income and Expenses											
Interest Income	32,613	-29%	23,255	-22%	18,217	-18%	15,000	15,000	15,000	15,000	15,000
West Carroll Water District Payments (F11-15)	0		0		0		0	0	21,941	21,941	21,941
West Carroll Water District Payments (F13-007)	0		0		0		0	0	2,277	2,277	2,277
Carroll County Water District (F13-007)	0		0		0		0	0	6,705	6,705	6,705
Other	6,160		9,288		0		0	0	0	0	0
Total Non-Operating Income & Expenses	38,773	-16%	32,543	-44%	18,217	-18%	15,000	15,000	45,923	45,923	45,923
Add Non-Cash Expenses											
Depreciation	1,331,339	11%	1,476,534	10%	1,630,202	1%	1,650,000	1,675,000	1,700,000	1,700,000	1,700,000
Cash Available for Debt Service	1,913,649	-1%	1,887,173	18%	2,235,919	0%	2,230,466	2,177,567	2,140,019	2,077,744	2,013,600
Debt Service											
Existing Principal	575,888		580,154		552,021		484,653	495,219	411,455	349,659	354,250
Existing Interest	181,880		127,697		105,552		68,596	59,015	49,906	44,840	40,248
KIA (B08-06)	0		0		0		0	51,906	51,906	51,906	51,906
KIA (F11-15)	0		0		0		0	0	49,509	49,509	49,509
Proposed KIA Loan	0		0		0		0	0	45,918	45,918	45,918
Total Debt Service	757,768		707,851		657,573		553,249	606,140	608,694	541,832	541,831
Income After Debt Service	1,155,881		1,179,322		1,578,346		1,677,217	1,571,427	1,531,325	1,535,912	1,471,769
Debt Coverage Ratio	2.5		2.7		3.4		4.0	3.6	3.5	3.8	3.7

INTERGOVERNMENTAL AGREEMENT BETWEEN
THE CITY OF CARROLLTON, KENTUCKY,
A CITY OF THE FOURTH CLASS,
AND THE CARROLL COUNTY WATER DISTRICT
AMENDED AND RESTATED

INTERCONNECT PROJECT

WHEREAS, the City of Carrollton, Kentucky, by and through Carrollton Utilities (“CU”), is a public utility that provides water to customers in Carroll County, Kentucky; and,

WHEREAS, the Carroll County Water District is organized under the provisions of KRS Chapter 74, as a provider of water to customers within its service territory in Carroll, Gallatin and Owen Counties.

WHEREAS, for the benefit of customers served by the City of Carrollton, the West Carroll Water District (“WCWD”) and the Carroll County Water District (“CCWD”), these public water systems are undertaking projects for the improvements to their respective water systems which are warranted; and,

WHEREAS, the City of Carrollton, Kentucky, and CCWD have previously entered into an interlocal agreement for the Interconnect Project dated May 14, 2013 and now desire to amend said interlocal agreement;

NOW THEREFORE, it is hereby agreed between the City of Carrollton, Kentucky, hereinafter referred to as "City", and the CCWD that the interlocal agreement dated May 14, 2013 is amended and restated as follows:

1. The City and CCWD shall proceed to apply for the regional project with funding through KIA, and shall cooperate to provide all information required for said application;

2. The construction of the project shall likely be divided into multiple contracts

with the City, the WCWD and the CCWD each determining the nature and scope of the project as it affects their respective water system operations. Engineering for the project shall be handled by one engineering firm to be selected jointly by the City, WCWD, and the CCWD.

3. To finance the project, the City shall be responsible to apply for and receive the KIA funding on a thirty (30) year amortization at the rate of 0.75% interest with twenty-five percent (25%) principal forgiveness in an amount estimated at \$1,538,817 including construction, engineering, inspection, geotechnical engineering for wells and contingency. Funding obtained by the City shall be utilized to fund the project, with the funding being allocated between multiple construction contracts in accordance with actual expenses incurred for construction on each contract pro rata, with a similar percentage assigned to each entity for the cost of engineering services which cost is also to be divided between them pro rata. The pro rata share of each public water system is estimated as follows:

City	\$ 1,237,830
WCWD	\$ 76,302
CCWD	\$ 224,685

The above amount shall not be exceeded without approval of the affected system. If bids for the project result in a pro rata in excess of the amount stated above, the affected public water system may reduce the scope of project to achieve a pro rata share that is acceptable to the affected public water system. Nothing shall restrict the public water system from utilizing other funding sources to meet shortfall in KIA funding or to reduce the KIA pro rata share.

4. CCWD will pay to the City a semi-annual payment for a period equal to the years of the debt incurred by the City to cover its proportionate share of the final debt service for its portion of the project with said payments to begin on the same year as the City is required to

begin paying the debt following construction of the project. CU shall provide CCWD a notice of payment due semiannually 30 days prior to due date.

5. CCWD will retain sole authority to identify the nature and scope of its portion of the project, and shall be allowed to reject any contract proposals, and/or resubmit the project for bid and/or restructure the project as it sees fit.

6. The City will retain sole authority to identify the nature and scope of its portion of the project, and shall be allowed to reject any contract proposals, and/or resubmit the project for bid and/or restructure the project as it sees fit.

7. Both parties acknowledge that in the event either party withdraws from the project, then it understands that KIA may withdraw its funding of the project;

8. This Intergovernmental Agreement is subject to the review and approval of the Kentucky Public Service Commission, and its approval of the project and debt service obligation to the city, and if required by PSC a certificate of convenience and necessity to go forward with the project.

9. The City and CCWD agree to sign such documents as may be required to effectuate the terms and conditions of this Agreement.

10. In the event that funding from KIA is not received on the rates and terms set forth herein, then this Agreement will be rendered null and void.

11. The parties hereto will not own any property jointly and no provision need be made for disposition of property upon termination hereof.

12. The term of this agreement is thirty years or until the CCWD portion of the indebtedness is paid in full, whichever is sooner. CCWD may pay CU their portion of the debt in full at any time without any penalties.

DONE THIS THE 10TH DAY OF March 2014.

Deane Manning
MAYOR
CITY OF CARROLLTON, KENTUCKY

ATTEST:

Leatha A. Burrell
CITY CLERK

CARROLL COUNTY WATER DISTRICT

BY: *Robert M. Coffey*
CHAIRPERSON

ATTEST:

Shirley D. King
Secretary
Approved by the Office of Attorney General

By: *Nylon Holloran, Assistant Attorney General*

Date: *March 20, 2014*

Approved by the Kentucky Public Service Commission

By: _____

Date:

RESOLUTION 2014-07

**A RESOLUTION AMENDING AND RESTATING AN INTERGOVERNMENTAL
AGREEMENT BETWEEN
THE CITY OF CARROLLTON, KENTUCKY,
A CITY OF THE FOURTH CLASS,
AND THE CARROLL COUNTY WATER DISTRICT**

INTERCONNECT PROJECT

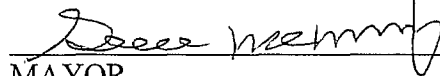
WHEREAS, the City of Carrollton, Kentucky, by and through Carrollton Utilities ("CU"), is a public utility that provides water to customers in Carroll County, Kentucky; and,

WHEREAS, for the benefit of customers served by the City of Carrollton, the West Carroll Water District ("WCWD") and the Carroll County Water District ("CCWD"), these public water systems are undertaking projects for the improvements to their respective water systems which are warranted; and,

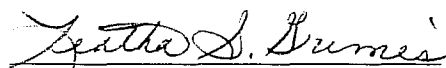
WHEREAS, the City of Carrollton, Kentucky, and CCWD have previously entered into an interlocal agreement for the Interconnect Project dated May 14, 2013 and now desire to amend said interlocal agreement;

NOW THEREFORE, BE IT RESOLVED by the City of Carrollton that the amended and restated interlocal agreement with CCWD is unanimously approved on motion by MR. LOUDEN and seconded by MR. GORDON .

DONE THIS THE 10TH DAY OF MARCH, 2014.


MAYOR
CITY OF CARROLLTON, KENTUCKY

ATTEST:


CITY CLERK



Carroll County Water District

REGULAR MEETING OF THE BOARD

A regular meeting of the Commissioner of the Carroll County Water District, was held on Thursday, March 13, 2014¹⁴ at 3:00 p.m. in Ghent, Kentucky. 8 - Commissioners Present

1 - Commissioners Absent

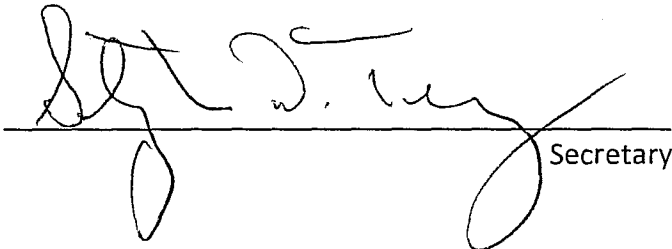
which constitute a quorum.

Upon Motion duly made and carried, following discussion among the Board members, the following resolutions were adopted unanimously:

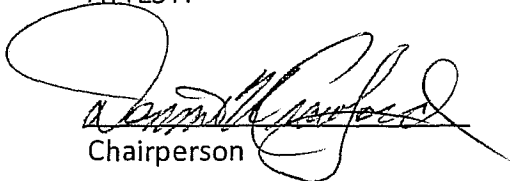
RESOLVED, that the Carroll County Water District ("District") sign the revised Interlocal Agreement ("Agreement") to indicate the correct term of 30 years with the City of Carrollton, Kentucky, with the terms contained therein, as reviewed by the District and to submit the signed Agreement to the Kentucky Public Service Commission ("PSC") with all necessary documentation on behalf of the District, for approval; and,

RESOLVED FURTHER, that **Chairperson, Dennis Crawford** is hereby authorized to execute and deliver the Interlocal Agreement, on behalf of the District, and such documents as may be required by the PSC for its approval of said Agreement.

There being no further business, the meeting was adjourned.


Secretary

ATTEST:


Chairperson

CCWD

Carroll County Water District
P.O. Box 350, 205 Main Cross Street, Ghent, Kentucky 41045 Phone: 502-347-9500 Fax: 502-347-9333

February 25, 2014

Honorable Ken McFarland
Gallatin County Judge Executive
PO Box 144
200 Washington Street
Warsaw, KY 41095

RE: Use of County ROW for Water Line Construction
Gould Road and Knox Lillard Road

Dear Judge/Executive McFarland:

Carroll County Water District #1 (CCWD) will be constructing an 8 inch water line along Gould Road from Knox-Lillard Road to KY Hwy 1039 as shown on the attached drawing. We will also be constructing the water line on Knox Lillard Road at the intersection with Gould Road to make the connection to the existing water line.

CCWD request your permission to construct this water line on the County Right of Way. After construction of the water line is complete, the disturbed area will be regraded to the current condition and seeded and mulched. There will be a one year warranty on this work from our Contractor in case there is settlement, erosion or inadequate grass coverage.

If you are in agreement, please send us a letter giving us permission to use the County ROW or sign at the bottom of a copy of this letter. If you have any questions, please call me.

Thank you for your consideration in this manner.

Sincerely,



Obe Cox, Manager

Approved: Ken McFarland

Date: 4-30-14

cc: CMW, Inc.
File

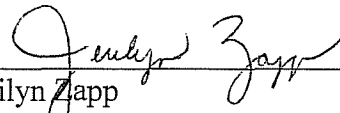
AFFIDAVIT OF JERILYN ZAPP,
CERTIFIED PUBLIC ACCOUNTANT
FOR THE
CARROLL COUNTY WATER DISTRICT NO. 1

The affiant, Jerilyn Zapp, after first having been duly sworn, states and deposes as follows:

1. I obtained my certified public accountant license in 1981, and practice with the firm of Raisor, Zapp & Woods, P.S.C., in Carrollton, Kentucky;
2. I am familiar with the finances of the Carroll County Water District No. 1 ("District"), having provided the District with accounting services for in excess of twenty (20) years;
3. I have reviewed the proposed loan for the District with the City of Carrollton / Carrollton Utilities which would result in the District paying its proportionate share of the debt being incurred by the City with the Kentucky Infrastructure Authority (KIA) not to exceed \$224,685.00, and am of the opinion that this loan will not affect the District adversely and will not require an increase in rates charged by the District for water usage;
4. As reported in the our accounting firm's audit of financial statements for the year ended December 31, 2013, the District had cash balances in excess of \$2.2 million of which approximately \$950,000.00 were held in restricted accounts, primarily for depreciation, bond payments and interest on the bonds;
5. In addition, the District has an outstanding bond issue, 2005C, which will be fully repaid on February 1, 2015. The current principal balance owed is \$10,000.00; however, the District has been making annual payments of \$115,000.00 since the inception of the bond.
6. I will be glad to discuss the finances of the District in further detail with the Kentucky Public Service Commission upon request.



This the 16 day of May, 2014.



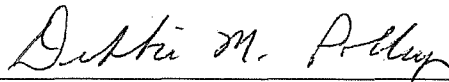
Jerilyn Zapp

STATE OF KENTUCKY)

COUNTY OF CARROLL)

Subscribed and sworn to before me by Jerilyn Zapp, on this the 16th day of May,
2014.

My commission expires: 10-13-2017



NOTARY PUBLIC, KY. STATE AT LARGE