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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF MURRAY NO. 3 WATER DISTRICT FOR AN ORDER APPROVING A
TRANSFER OF OWNERSHIP AND CONTROL

JOINT RESPONSE TO PUBLIC SERVICE COMMISSION'S
FIRST REQUEST FOR INFORMATION

COMES now Murray No. 3 Water District and the City of Murray and for their Joint Response
To Public Service Commission's First Request For Information, hereby files herewith ten (10) originals.

Respectfully submitted,

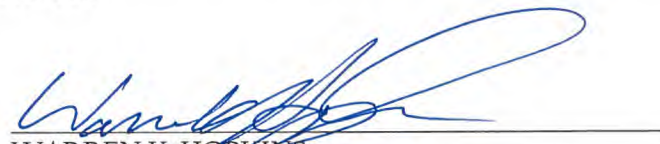

WARREN K. HOPKINS

Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071

Telephone: (270) 759-9504
Facsimile: (270) 759-9821

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that on the 10th day of November, 2014, a true and correct copy
of the foregoing Notice, along with attachments was forwarded via UPS to the Kentucky Public Service
Commission, 211 Sower Blvd., Frankfort, KY 40602-0615.


WARREN K. HOPKINS
Attorney for Murray No. 3 Water District and
City of Murray

RECEIVED

NOV 12 2014

PUBLIC SERVICE
COMMISSION

PUBLIC SERVICE COMMISSION
STAFF'S FIRST REQUEST FOR
INFORMATION FROM MURRAY NO. 3
WATER DISTRICT AND
CITY OF MURRAY.

TABLE OF CONTENTS

I.	Response Number 1	1
	a. Exhibit A	2-16
II.	Response Number 2	17
	a. Exhibit B	18-20
III.	Response Number 3	21-22
IV.	Response Number 4	23
	a. Exhibit C	24
V.	Response Number 5	25
	a. Exhibit D	26-42
VI.	Response Number 6	43-44
VII.	Response Number 7	45-46
VIII.	Response Number 8	47
	a. Exhibit E	48-50
IX.	Response Number 9	51
X.	Response Number 10	52-53
	a. Exhibit F	54
	b. Exhibit G	55
	c. Exhibit H	56
XI.	Response Number 11	57
XII.	Response Number 12	58
XIII.	Response Number 13	59
XIV.	Response Number 14	60
XV.	Response Number 15	61

TABLE OF CONTENTS (continue)

	a. Exhibit I	62
	b. Exhibit J	63-64
	c. Exhibit K	65-66
XVI.	Response Number 16	67-68
XVII.	Response Number 17	69
XVIII.	Response Number 18	70

RESPONSE NUMBER 1 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

Asset Acquisition Agreement, included as Exhibit A.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Max E. Morris Chairman, Murray No. 3 Water District 11/6/14
Signature Title Date

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Max E. Morris, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 6TH day of November, 2014.

Travis Brown
Notary Public State at Large

My Commission Expires: 8/11/18

J. L. Barnett Director of Public Works 11-5-14
Signature Title Date

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by J. L. Barnett, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannetta Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

Warren K. Hopkins
Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannetta Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

EXHIBIT A

ASSET ACQUISITION AGREEMENT

This Asset Acquisition Agreement, hereafter "Asset Acquisition Agreement" or "Agreement" is entered into this ____ day of _____, 20 __, by and between

WATER DISTRICT #3
Post Office Box 643.
Murray, Kentucky 42071

"WD3"

AND

CITY OF MURRAY

A Municipality
City Hall
104 North Fifth Street
Murray, Kentucky 42071,

"MURRAY"

RECITALS

WHEREAS WD3 executed a certain Resolution dated May 15, 2013 _____ governing MURRAY's proposed acquisition of WD3 water system (Exhibit "A" and "A1");

WHEREAS, WD3 and MURRAY have in place a Water Purchase Agreement (Exhibit "G") dated June 12, 1969, whereby MURRAY has sold water at wholesale to WD3;

WHEREAS, MURRAY has the managerial, technical and financial ability to support the acquisition as described herein and to provide reasonable utility service.

WHEREAS, WD3 and MURRAY now desire to enter into this Asset Acquisition Agreement anticipated by and described in the Resolution of WD3.

NOW, THEREFORE, the parties agree as follows:

SECTION ONE - DEFINITIONS FOR THIS ASSET ACQUISITION AGREEMENT

As used in this Asset Acquisition Agreement, the following terms have the following meanings:

"Assets" shall mean all of WD3's water system property, real and personal, tangible and intangible, including, but not limited to the distribution system, pump stations, storage tanks, equipment, materials, cellular communication leases, real and personal property, easements, lien rights, developer contracts, tapping fee contracts, leases, contracts, grants, pending grants, construction reserve funds, operating reserve

funds, all accounts, including, but not limited to accounts receivable, licenses, rights to serve, if any, and promissory notes to be owned by MURRAY in this Asset Acquisition Agreement, a complete inventory of which has been reviewed and agreed to by the parties and included at Exhibit "B" and incorporated herein by reference

"Excluded Assets" shall mean all of WD3's water system property, real and personal, tangible and intangible, including, but not limited to the distribution system, pump stations, storage tanks, equipment, materials, cellular communication leases, real and personal property, easements, lien rights, developer contracts, tapping fee contracts, leases, contracts, grants, pending grants, construction reserve funds, operating reserve funds, accounts receivable, licenses, rights to serve, if any, and promissory notes NOT to be owned by MURRAY in this Asset Acquisition Agreement, a complete list of which is included at Exhibit "BI" and incorporated herein by reference.

"Liabilities" shall mean all of WD3's water system liabilities, known, unknown or contingent, including but not limited to debt and the contractual obligations of WD3, to be assumed by MURRAY in this Asset Acquisition Agreement, a complete list of which known liabilities has been reviewed and agreed to by the parties and is included at Exhibit "C" and incorporated herein by reference.

"Closing Date" shall mean the date at which MURRAY takes possession of the assets and responsibility for operation of WD3's water system, no later than 60 calendar days after approved by the PSC of this Asset Acquisition Agreement, this Closing Date and the date of execution of the Asset Acquisition Agreement may be extended in writing by mutual agreement of the parties.

"Employees" shall mean those persons employed full-time at WD3 at the time of execution of the Resolution (Exhibit "A"), plus any additional person(s) hired after that date but before the Closing Date, if any such additional person(s) were hired with the approval of MURRAY; names of those employees are included at Exhibit "D" and incorporated herein by reference.

"Resolution" shall mean that document executed by WD3 on May 15, 2013 on the subject of acquisition of the assets of WD3's water system, and any amendments to that Resolution, which are

included in this Asset Acquisition Agreement at Exhibit "A" (Statement) and Exhibit "A1" (Amendments), respectively.

SECTION TWO – ASSET ACQUISITION

Upon the terms and conditions contained in this Asset Acquisition Agreement and for good and valuable consideration as outlined in this Asset Acquisition Agreement, the sufficiency of which is acknowledged by the parties through their assent to this Asset Acquisition Agreement and evidenced by their signatures hereinbelow, MURRAY and WD3 agree that MURRAY is to acquire the assets listed at Exhibit "B" (excluding the excluded assets listed at Exhibit "B1"), and the liabilities (including, but not limited to, the known liabilities listed at Exhibit "C") of the WD3 water system.

A. Terms.

This Asset Acquisition Agreement includes the conveyance to MURRAY of all assets owned by WD3, as the term "assets" is defined for this Asset Acquisition Agreement and as those assets are listed in Exhibit "B", excluding the "excluded assets" as that term is defined for this Asset Acquisition Agreement and as those assets are listed in Exhibit "B1", as well as the assumption of all liabilities from MURRAY as the term "liabilities" is defined for this Asset Acquisition Agreement and as those liabilities are listed in Exhibit "C". As a result of this acquisition and after the Closing Date, MURRAY shall be responsible for water service, management, administration and ownership of the following:

- WD3 water service areas, as shown in Exhibit "E";
- WD3 Assets including those Assets shown in Exhibit "B" and excluding those Excluded Assets shown in Exhibit "B1";
- WD3 customer accounts as shown in Exhibit "J"; and
- WD3 liabilities, including, but not limited to, those liabilities shown in Exhibit "C".

B. Consideration.

In consideration for the asset acquisition, MURRAY agrees to install, pursuant to the tentative schedule of system improvements and system development improvements, certain improvements within the WD3 water service area in Calloway County. The improvements shall be known collectively as the Water District #3 Improvement Program and shall include the following:

Exhibit "F": System Improvements and additional System Development Improvements. Exhibit "F" is incorporated by reference as if fully stated herein.

MURRAY agrees to install water system capital improvements in WD3's water system to bring that water system up to MURRAY's standards, as described in Exhibit "F".

MURRAY further agrees to provide water system development improvements as described in Exhibit "F", with those improvements to be funded by a system development charge to be assessed, collected and administered in a manner consistent with MURRAY's assessment, collection and administration of the system development charge in the rest of MURRAY's service area. The parties acknowledge that MURRAY reviews that system development charge from time to time for consistency and accuracy.

C. Employment of Personnel. Upon closing of this asset purchase agreement, the employees of WD3 shall not be retained as employees by MURRAY. However, this does not prevent the employees of WD3 from making application to the City of Murray when and if employment opportunities arise.

SECTION THREE - WD3s ASSETS AND LIABILITIES.

Pursuant to the terms of this Asset Acquisition Agreement, on the Closing Date, WD3 shall convey, assign and deliver to MURRAY and MURRAY agrees to accept from WD3 any and all assets including those listed in Exhibit "B" and excluding those listed as Excluded Assets in Exhibit "B1" and WD3 shall convey, assign and deliver to MURRAY and MURRAY agrees to accept any and all liabilities including those listed in Exhibit "C".

A. Title and Possession.

WD3 shall deliver title and possession of assets to MURRAY on the Closing Date. In addition, WD3 through its authorized representative(s) shall execute instruments of transfer of all or any portion of the assets, such as deeds, bills of sale, and other instruments in writing as may be reasonably requested by MURRAY and MURRAY to prepare said instruments of transfer of all or any portion of the assets.

WD3 further agrees to cooperate with preparation and execution of any additional written instruments of transfer as may be reasonably requested after the Closing Date with respect to specific assets being acquired by MURRAY hereunder, where the need for such instrument may later appear (for example,

an overlooked water line easement of record later discovered or an assignment of a specific contract right deemed desirable at a later date in order to enforce same.) WD3 and MURRAY agree that MURRAY will prepare any such additional written instruments of transfer and that WD3's authorized representative(s) shall sign any such additional instruments.

B. Audited Financial Statements.

WD3 has furnished, and MURRAY has reviewed and found satisfactory 2011-2012 Independent Accountants Review Audit for WD3 water system, prepared in conformity with generally accepted accounting principles. Copies of the 2011-2012 Independent Accountants Review Audit are Exhibit "I" and incorporated herein by reference; WD3 represents and warrants those 2011-2012 Independent Accountants Review Audit to be complete and prepared from WD3's water system books and records.

C. Schedule of Assets.

WD3 has furnished, and MURRAY has reviewed and found satisfactory a schedule of assets, a copy of which is Exhibit B and incorporated herein by reference. WD3 has also furnished, and MURRAY has reviewed and found satisfactory a schedule of excluded assets, a copy of which is Exhibit "B1" and incorporated herein by reference.

D. Liabilities.

WD3 has furnished, and MURRAY has reviewed and found satisfactory a list of known liabilities, which is Exhibit "C" and incorporated herein by reference as if fully stated herein.

E. Customer List.

WD3 has furnished, and MURRAY has reviewed the WD3 list of customers, which is Exhibit "J" and incorporated herein by reference.

SECTION FOUR-TAXES

Any federal, state or local taxes or assessments of any kind or description assessed against the assets or WD3's operation of those assets and attributable to the period prior to the Closing Date are and will remain the sole responsibility and obligation of WD3 to be paid out of the WD3 Water Reserve. Sales, use, transfer, purchase and documentary taxes, if any, payable by reason of the transactions required to fulfill the

terms of this Asset Acquisition Agreement and due at the Closing Date shall be the responsibility and obligation of WD3, to be paid out to the WD3 Water Reserve. Any and all taxes, sales, use or otherwise, assessed on the assets or the operation thereof, upon or after the Closing Date shall be the sole responsibility and obligation of WD3 to be paid out of the WD3 Water Reserve.

SECTION FIVE - EXECUTION OF THE ASSET ACQUISITION AGREEMENT AND CLOSING DATE

Execution of the Asset Acquisition Agreement shall take place on or before the _____ day of _____, _____. The Closing shall take place at _____ on a date fixed by agreement of the parties. The Closing Date may be extended in writing by mutual agreement of the parties.

SECTION SIX - WD3's REPRESENTATIONS AND WARRANTIES

A. Authority.

WD3 represents and warrants that it owns the municipal water system, validly existing and in good standing under the laws of the Commonwealth of Kentucky, having full power and authority to own the assets and to conduct the water distribution business as and where such business has and is now being conducted. WD3 must, at its sole cost and expense, seek fiscal court approval and PSC approval with MURRAY providing assistance when needed

B. Title and Authority to Convey.

WD3 represents and warrants that it has good and marketable title to all of its assets (listed at Exhibit "B" to this Asset Acquisition Agreement and incorporated herein by reference), and, upon conveyance of same to MURRAY, each of the assets listed at Exhibit "B" will be free and clear of all claims, mortgages, security interests, equities, restrictions, liens, encroachments, pledges, options, purchase rights, charges or encumbrances of any kind, except those already disclosed to MURRAY; that it has the right to sell and convey the assets, make any necessary assignments, and convey the right to deliver water in WD3 water system without referendum or further approval of any other governmental agency or entity; and that it has the full right, power, authority and capacity to execute, deliver and perform this Asset Acquisition Agreement in accord with its terms, which approval is evidenced by Resolution of WD3 at Exhibit "A" and incorporated

herein by reference. This Asset Acquisition Agreement constitutes a legal, valid and binding obligation on WD3.

C. Operating System.

WD3 represents and warrants that all the assets (listed at Exhibit "B" to this Asset Acquisition Agreement and incorporated herein by reference) are in working order, ordinary wear and tear excepted, sufficient to enable MURRAY to provide water service to WD3's customers without interruption in service.

D. Environmental Matters.

WD3 represents and warrants that to the best of its knowledge there are no toxic, hazardous or carcinogenic substances or wastes disposed, stored or present on, in or under any of the assets to be transferred to MURRAY under the terms of this Asset Acquisition Agreement. WD3 further represents that it has not arranged for the shipment of any toxic substances and/or wastes, hazardous substances and/or carcinogenic substances and/or wastes, other than those WD3 lists at Exhibit "L". WD3 also represents that it has not arranged for the processing, recycling, reclamation, reprocessing, storage or disposal at any site listed on the National Priorities List, any Kentucky State Superfund Site, or any facility not duly authorized and permitted to accept and treat, process, recycle, reclaim, reprocess, store or dispose of such substances and wastes.

E. Financial Statements.

WD3 has furnished, and MURRAY has reviewed and found satisfactory 2011-2012 Independent Accountant's review report for WD3 prepared in conformity with generally accepted accounting principles (GAAP), which Statements WD3 represents and warrants to be true, correct and complete and prepared from WD3's water system books and records all of which are Exhibit "I" and incorporated herein by reference.

F. Litigation (Pending and Anticipated)

WD3 represents and warrants that there are no claims, actions, suits, arbitrations, mediations, proceedings or investigations, administrative, judicial or otherwise, pending, or, to the best of WD3's knowledge, threatened, administrative, judicial or otherwise, affecting the WD3 water distribution system

operations or WD3's ownership or possession of the asset, that have not been disclosed to MURRAY. See Exhibit "O" as incorporated by reference.

G. Customer List and Metering.

WD3 represents and warrants that all users of water connected to the WD3 distribution system, are listed as WD3 customers on the customer list at Exhibit "J", incorporated herein by reference, and, further, that those customers, including all governmental facilities, are metered, with the exception of the list of unmetered customers, at Exhibit "M". After the Asset Acquisition Agreement is executed, MURRAY will install meters for water usage including, but not limited to, meters for fire services, for any unmetered customers.

SECTION SEVEN - MURRAY'S REPRESENTATIONS AND WARRANTIES

A. Valid Existence.

MURRAY represents and warrants that it is a municipality, city of the third class,

B. Authority.

MURRAY has full right, power and authority to execute this Asset Acquisition Agreement and to perform the terms and conditions contained herein without further approval of any governmental agency or entity, other than the approval of its own City Council, which approval is evidenced by Resolution at Exhibit "N" and incorporated herein by reference. This Asset Acquisition Agreement constitutes a legal, valid and binding obligation for MURRAY.

SECTION EIGHT - DUE AT CLOSING

A. Due from WD3 to MURRAY.

Unless MURRAY produces a written waiver of any item listed herein, WD3 shall deliver to MURRAY at closing the following:

1. A document evidencing in writing to MURRAY the exclusive authority if there be any such exclusive authority granted to WD3, to provide water service to the properties and residents of WD3.

2. A general warranty deed for any real property owned by WD3 (and listed in the schedule of assets at Exhibit B) to be prepared by MURRAY, said deed to be duly executed, acknowledged and delivered by WD3 conveying to MURRAY marketable fee simple title to such real property at the closing;

3. All of WD3's title and ownership interest (and any other interest in real property held by WD3 and listed in the schedule of assets at Exhibit B). The parties agree that any deed or deeds transferring to MURRAY all of WD3's title and ownership interest in and to easements of record, used and/or acquired by WD3 to install and/or maintain water distribution facilities (which facilities are among the assets transferred to MURRAY in this Asset Acquisition Agreement) shall be prepared by MURRAY and signed by WD3's authorized representative within thirty (30) days of the Closing Date;

4. All of WD3's title and ownership interest and any other interest in personal property, tangible or intangible. The parties agree that any bill of sale for personal property (tangible or intangible) which personal property is among the assets transferred to MURRAY shall be signed by WD3's authorized representative within forty-five (45) days of the Closing Date;

5. An inventory, taken by MURRAY in the presence of a WD3 representative no later than 30 days in advance of the Closing Date, detailing all materials and supplies on hand and to be included within the assets in the Schedule of Assets (except to the extent those materials and supplies on hand are installed or consumed in the ordinary course of WD3's business prior to the Closing Date) which is Exhibit "B" to this Asset Acquisition Agreement and incorporated herein by reference;

6. All customer records (including the customer list described in Section Three, Paragraph E and set out in Exhibit "J"), and engineering and supplier records relating to WD3 water system, including but not limited to a list of all WD3 customers, wholesale and retail, current as of the date of the closing and in a form satisfactory to MURRAY;

7. Possession of the assets detailed in the Schedule of Assets at Exhibit "B";

8. Written affirmation of WD3's representations and warranties;

9. A certified copy of WD3's resolution authorizing WD3 to enter into and perform the terms of this Asset Acquisition Agreement and further authorizing its authorized representative to execute this Asset Acquisition Agreement on behalf of WD3;

10. An opinion from WD3's counsel, satisfactory in form to MURRAY, as to matters set forth in Section Six of this Asset Acquisition Agreement - WD3's Representations and Warranties;

11. A list of all pending legal actions, including administrative, regulatory, civil, criminal and any other legal actions to which WD3's water system is a party (Exhibit "H"), as well as a list of all agreements, including but not limited to contracts, to which WD3's water system is a party;

12. Any such other documentation, at the closing or later if requested, as may be reasonably necessary to effect consummation of the transactions contemplated by and/or required by this Asset Acquisition Agreement, including, but not limited to, transfer from WD3 to MURRAY of title to and ownership of the water distribution facilities and appurtenances thereto.

B. Due from MURRAY to WD3.

Unless WD3 produces a written waiver of any item listed herein, MURRAY shall deliver to WD3 at closing the following:

1. A certified copy of MURRAY's resolution authorizing MURRAY's Mayor to enter into and perform the terms of this Asset Acquisition Agreement, including acceptance of assets and liabilities listed in Exhibits B and C, respectively, pursuant to the terms of this Asset Acquisition Agreement;

2. An opinion from MURRAY's counsel, satisfactory in form to WD3, as to matters set forth in Section Seven of this Asset Acquisition Agreement - MURRAY's Representations and Warranties.

3. Written affirmation of MURRAY's representations and warranties.

SECTION NINE - DEFAULTS

A. Default by Either MURRAY or WD3 or Both.

If the Asset Acquisition Agreement is not executed at the request of either of the parties or by mutual agreement of the parties, each party shall be solely responsible for its own expenses.

SECTION TEN - MISCELLANEOUS MATTERS

A. Risk of Loss.

After the Closing Date when MURRAY receives the assets and accepts any and all liabilities described at Exhibits B and C, the risk of loss shall shift from WD3 to MURRAY; WD3 having borne exclusively the risk of loss during negotiation of the Asset Acquisition Agreement.

B. Transfer of Customer Accounts.

WD3 shall conduct its final reading of all of its customers' meters prior to closing on the terms of the Asset Acquisition Agreement; MURRAY agrees to accept WD3's final reading on the consumption of each account as MURRAY's beginning reading. The parties agree to work together on meter reading to assure a smooth transition of this process. Any payment for service rendered prior to the Closing Date and received after the Closing Date shall be deposited with MURRAY.

C. Applications for Service Connections.

MURRAY will effect any water service connections after the Closing Date which WD3 has approved in the ordinary course of business and for which WD3 has been paid its usual and customary fees and/or deposits prior to the Closing Date; WD3 agrees to surrender to MURRAY any deposit paid by the customer, and MURRAY agrees to make no further charge to the customer therefor.

D. Other Payments to WD3 and Invoices Owed by WD3

Any other payments due to WD3 prior to the Closing Date and received after the Closing Date shall be deposited with MURRAY; any invoices owed by WD3 in the ordinary and regular course of its business prior to the Closing Date and received within 120 days after the Closing Date shall be paid by the City of Murray

E. Notices.

Any notices, requests, waivers or other communications required or permitted to be given under this Asset Acquisition Agreement shall be in writing, and shall be delivered by hand or courier or US mail, postage pre-paid, and addressed to each party as set forth in this Asset Acquisition Agreement with copies to parties' counsels at their then-current addresses

F. Entire Agreement.

This Asset Acquisition Agreement, including the Resolution previously incorporated herein by reference, supersedes all prior discussions and agreements between WD3 and MURRAY, with respect to this asset acquisition. All promises, inducements, offers, solicitations, agreements, commitments, representations, and warranties heretofore made between the parties are merged into this Asset Acquisition Agreement. This Asset Acquisition Agreement shall not be modified or amended except in a writing executed by both parties. Covenants, representations and warranties made in this Asset Acquisition Agreement remain in full force and effect, surviving the closing

G. Headings and Captions.

All headings, captions, sections and section numbers and letters are solely for the purpose of facilitating reference to this Asset Acquisition Agreement and shall not supplement, limit, or otherwise vary in any respect the text of this Asset Acquisition Agreement.

H. Successors and Assigns.

This Asset Acquisition Agreement shall be binding on and shall inure to the benefit of the parties hereto and their respective successors and assigns. Nothing in this Asset Acquisition Agreement shall be construed to create any rights or obligations except among and between the parties thereto, and no person or entity shall be regarded as a third party beneficiary of this Asset Acquisition Agreement.

I. Indemnifications.

Each party agrees to indemnify and hold the other party harmless from claims made against it and expenses incurred in defense of same, resulting from one or more breaches of the representations, warranties, and covenants contained in this Asset Acquisition Agreement. The parties agree that the indemnifications by WD3 under the terms of this Asset Acquisition Agreement, including the cost of legal representation, shall be drawn from the WD3 Water Reserve if such costs are occasioned by WD3's breach(es) of the representations, warranties and covenants contained in this Asset Acquisition Agreement. The parties acknowledge that WD3's actions and decisions regarding indemnifications will be made on behalf of the WD3 ratepayers and with the best interest of those ratepayers in mind

J. Defense of Territory.

To the extent that, at the time of execution of this Asset Acquisition Agreement, there exists any exclusive authority granted to WD3 to provide water service to the properties and residents of WD3 water system, MURRAY agrees to take reasonable steps necessary to preserve that exclusive authority, in MURRAY's discretion.

K. Rates for former WD3 Customers.

MURRAY shall charge rates for the former WD3 customers as set out in the schedule of rates at Exhibit "P" (the parties acknowledge that MURRAY shall charge its fees, and not the fees set out in the WD3 rate schedule, from the date of closing on this Agreement); rate equalizations with other MURRAY customers shall occur when the conditions listed in this Asset Acquisition Agreement are finalized.

L. Service to Former WD3 Customers.

MURRAY reaffirms and reiterates its commitment to serve customers of the former WD3 water system equally with similarly situated MURRAY customers under MURRAY Service Rules and Regulations except that customers of the former WD3 water system will be subject to the rates and fees set out in this Asset Acquisition Agreement and the Resolution.

M. Rate Equalization and Water Rates.

WD3 and MURRAY reiterate and reaffirm their agreement on water rates and their commitment to rate equalization, the parties acknowledge that after rate equalization occurs, customers of the former WD3 water system will be billed at the then-current MURRAY rates.

N. Funding and Interim Funding for WD3.

In addition to provisions of Section Ten paragraphs B and D, WD3 and MURRAY agree that any balances in any WD3 accounts at the Closing Date shall be transferred to the MURRAY accounts at the Closing Date.

O. Supplemental Representations.

The parties agree that both parties may supplement their representations and warranties and exhibits to this Asset Acquisition Agreement, during the time period between execution of this Asset Acquisition Agreement and the Closing Date.

P. Notice of Significant Actions During Interim Period.

The parties acknowledge that there may be a period of time between the execution of this Asset Acquisition Agreement and the Closing Date, and both parties agree to provide notice to the other party of any action or event which may impair the value of any asset (by \$10,000.00 or more) or increase a liability (by \$10,000.00 or more) subject to this Asset Acquisition Agreement, including but not limited to those assets and liabilities listed at Exhibits B and C. The parties agree that any such notice shall be provided within forty-eight (48) hours of the party's knowledge of that action or event.

Q. Cooperation for Preparation of Consumer Confidence Report.

The parties recognize that after the closing on this Agreement, MURRAY will become responsible for preparation and dissemination of the WD3 water system's Consumer Confidence Report (CCR) for the year 20__, and that the WD3 has within its possession and/or within its care, custody and control the data necessary for preparation of the CCR. WD3 agrees to provide all of that data to MURRAY within thirty (30) days after the execution and closing on this Agreement.

WHEREFORE, the parties to this Asset Acquisition Agreement affix their signatures as of the date first hereinabove written.

WATER DISTRICT #3

CITY OF MURRAY

Ma E. Mand

J. Baer

COMMONWEALTH OF KENTUCKY
COUNTY OF CALLOWAY

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly subscribed, acknowledged and sworn to before me by Max E. Morris as authorized agent for WD3 Water District, who is personally known to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this the 6TH day of November, 2014.

Travis Brown
NOTARY PUBLIC State at Large

MY COMMISSION EXPIRES: 8/11/18

COMMONWEALTH OF KENTUCKY
COUNTY OF CALLOWAY

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly subscribed, acknowledged and sworn to before me by J.L. Barnett as authorized agent for the CITY OF MURRAY, KENTUCKY, who is personally known to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this the 5th day of November, 2014.

Dannette Clayton Ky
NOTARY PUBLIC State at Large

MY COMMISSION EXPIRES: 01-31-16

RESPONSE NUMBER 2 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

Murray No. 3 Water District's Resolution of Existence by the Calloway County Fiscal Court included as Exhibit B.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Max E. Maul
Signature Chairman, Murray No. 3 Water District Title 11/6/14
Date

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Max E. Morris, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 6TH day of November, 2014.

Travis Brom
Notary Public State at Large

My Commission Expires: 8/11/18

Warren K. Hopkins
Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Laurentha Clayton
Notary Public Ky
State at Large

My Commission Expires: 01-31-16

EXHIBIT B

11:43:42 a.m. 10-27-2014 2 2707599611

10/27/2014 10:46 2707599611

PAGE 02/04

Special Term, First Day, 17th Day of Feby 1965

*Order
BK 7
pg. 159-170*

FORM O-7-F

IN THE MATTER OF APPOINTING AN EXECUTRIX OF THE ESTATE OF C A CHAMBERS, D

This day came C A Chambers, the Executrix named in the last will and ment of C A Chambers, Deceased, late of this county, who took oath accord to law, and execution of said will is granted her by the court. Whereupon executed bond as required by law in the sum of \$5,000.00 the amount fixed the Court herein with Allen Rose, as her surety thereon, which is appro by the Court.

IN THE MATTER OF APPOINTING APPRAISERS OF THE ESTATE OF C A CHAMBERS, DEC

It is the further orders of this court that Buford H. Hitt and T. S. Coel be and they are hereby appointed appraisers of the estate of C A Chambe Dec'd, they are to first be duly sworn by the court, and then make their r back to this court as to their findings.

IN THE MATTER OF APPOINTING APPRAISERS OF THE ESTATE OF MARY JANE PASCHALI DEC'D

It is the further orders of this court that James H Blalock and Clyc be and they are hereby appointed anpraisers of the estate of Mary Jane P Dec'd, they are to first be duly sworn by the court, and then make their report back to this court as to their findings.

SPECIAL TERM, FIRST DAY; Feby 18th 1965

IN THE MATTER OF THE FORMATION OF MURRAY NO 3 Water District.

Calloway County Court

IN THE MATTER OF

THE FORMATION OF MURRAY NO 3 Water District.

ORDER ESTABLISHING MURRAY NO 3, Water District.

It appearing to the court that more than seventy five (75) citizens w the following described area, same being freeholders, have petitioned th for the formation of a water district to be known as the Murray No 3 Wat which district is described as followst-

Beginning at a point 2,000 feet east of the inter section of the centerline of the Johnnie Robinson road with the centerline of Kentucky Highway No 94, thence 2,000 feet in a southerly direction parallel to the center line of the Johnnie Robinson Road to a point, thence turning and running in a westerly direction parallel to Kentucky Highway No 94, to a point, said point being 2,000 feet east of the Lynn Grove, Harris Grove Road, thence turning and running in a southerly direction parallel to said road for a distance of 2,000 feet to a point, thence turning and running perpendicular to said road in a westerly direction for a distance of 4,000 feet to a point, thence turning add . .

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back to this court as to their findings.

PAGE 03/04

IN THE MATTER OF APPOINTING APPRAISERS OF THE ESTATE OF MARY JANE PASCHALL,
DEC'D.

It is the further orders of this court that James H Blalock and Clyde Steele be and they are hereby appointed appraisers of the estate of Mary Jane Paschall Dec'd, they are to first be duly sworn by the court, and then make their report back to this court as to their findings.

SPECIAL TERM, FIRST DAY, Feby 18th 1965

IN THE MATTER OF THE FORMATION OF MURRAY NO 3 Water District.

Calloway County Court

IN THE MATTER OF

THE FORMATION OF MURRAY NO 3 Water District.

ORDER ESTABLISHING MURRAY NO 3, Water District.

It appearing to the court that more than seventy five (75) citizens within the following described area, some being fresholders, have petitioned the court for the formation of a water district to be known as the Murray No 3 Water District which district is described as follows:-

Beginning at a point 2,000 feet east of the inter section of the centerline of the Johnnie Robinson road with the centerline of Kentucky Highway No 94, thence 2,000 feet in a southerly direction parallel to the center line of the Johnnie Robinson Road to a point, thence turning and running in a westerly direction parallel to Kentucky Highway No 94, to a point, said point being 2,000 feet east of the LynaGrove, Harris Grove Road, thence turning and running in a southerly direction parallel to said road for a distance of 2,000 feet to a point, thence turning and running perpendicular to said road in a westerly direction for a distance of 4,000 feet to a point, thence turning and running in a northerly direction parallel to said road to a point, said point being 2,000 feet south of the center line of Kentucky Highway No 94, thence turning and running in a westerly direction parallel to the centerline of Kentucky Highway No 94, to a point 2,000 feet south of the intersection of the centerline of said Highway with the Graves County, Calloway County line, thence turning and running in a northerly direction with said county line to a point, said point being 2,000 feet north of the inter section of said county line, with the centerline of Kentucky Highway No 121, thence turning and running in a easterly direction and parallel to Kentucky Highway

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alTorn, First Day, 18th

Day of

PAGE 04/04

No 121 to a point 2,000 feet west of the centerline of Kentucky Highway No 299, said point being near the intersection of Kentucky Highway No 299 with Kentucky Highway No 121 at Stella, thence turning and running in a northerly direction parallel to and 2,000 feet west of Kentucky Highway No 299, for a distance of approximately 26,000 feet to a point, said point being 2,000 feet north of the centerline of Hickory Grove, Locust Grove Church Road, if extended, thence turning and running in an easterly direction parallel to and 2,000 feet north of said road to a point 2,000 feet east of the centerline of the Penny Wadesboro road, thence turning and running in a southerly direction parallel to and 2,000 feet east of said road to a point 2,000 feet north of Kentucky Highway No 121, thence turning and running in an easterly direction parallel to and 2,000 feet north of the centerline of Kentucky Highway No 121 to a point, said point being 2,000 feet east of the centerline of the Johnnie Robinson Road, if extended, thence turning and running in a southerly direction parallel to and 2,000 feet east of said Johnnie Robinson road to the point of beginning.

And it further appearing that said petition has been duly advertised and conformly with the provisions of Chapter 74 of the Kentucky Revised Statutes, and that same has laid over for a period of thirty (30) days, and that no objections have been filed thereto, and that the establishment of such a district is reasonably necessary for the public health, convenience, fire protection, and comfort of the residents, the court doth order and direct as follows:-

THE The above described area be, and it is hereby declared a water district under the provisions of the Kentucky Revised Statutes aforesaid, and that said district shall be hereafter designated and known as the Murray No 3 Water District and said district is hereby vested with such powers as may accrue to it under the provisions of Chapter 74 of the Kentucky Revised Statutes. Given under my hand as Judge of the Calloway County Court, on this the 30th day of January 1965.,

ROBERT O MILLER, JUDGE CALLOWAY COUNTY COURT, MURRAY
KENTUCKY.

CALLOWAY COUNTY COURT

IN THE MATTER OF

MURRAY NO 3 Water District

ORDER APPOINTING WATER DISTRICT
COMMISSIONERS AND FIXING THEIR TERMS

The courts having heretofore entered an order establishing the Murray No 3 Water District, the Court doth now order and direct as follows:-

(1) That the following named persons be, and they are hereby designated as Water District Commissioners for the Murray No 3 Water District and their respective terms of appointment shall be as follows, subject to the pleasure of the court, to wit:-

- (a) William E Dodson, for a period of four (4) years,
- (b) William E Bazzell, for a period of three (3) years,
- (c) Noble H Cox, for a period of two (2) years.

(2) That such of said commissioners shall appear before this court and each shall execute bond in the amount of One Hundred (\$100.00) dollars each of said bonds to be increased or decreased at the discretion of the court.

Given under my hand, this, the 16th day of February 1965
ROBERT O MILLER, JUDGE
CALLOWAY COUNTY COURT, Murray, Kentucky

RESPONSE NUMBER 3 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

List of all certified distribution operators employed by the City of Murray

Name	Job Title	Specific Operation Classification	Qualifications	License Number
Brad Jackson	Water Field Operator II	Class II	5 Years Experience	26307
Jeff Kirks	Equipment Operator II	Class II	7 Years Experience	26321
Shane Knight	Field Operations Supervisor	Class III	17 Years Experience	26791
Eric Knott	Crew Chief	Class II	17 Years Experience	26306
Freddie O'Bryan	Chief Water Plant Operator	Class III	22 Years Experience	2439
Monte Stalls	Equipment Operator III	Class II	3 Years Experience	26481
Mike Watson	Crew Chief	Class II	25 Years Experience	24997
Paul Wood	Water Field Operator	Class III	8 Years Experience	26791

List of all certified water system operators employed by the City of Murray

Name	Job Title	Specific Operation Classification	Qualifications	License Number
David Boyd	Water Treatment Plant Operator	IVA	21 Years Experience	1539
Freddie O'Bryan	Chief Treatment Plant Operator	IVA	18 Years Experience	595
Greg Roberts	Water Treatment Plant Operator	IVA	9 Years Experience	20879
Lawrence Webb	Water Treatment Plant Operator	IVA	11 Years Experience	19824

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Signature J.L. Barnett

Director of Public Works & Utilities
Title

Date 11-4-16 11-5-14

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by J.L. Barnett, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Janetta Clayton Notary Public Ky State at Large

My Commission Expires: 01-31-16



Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.



Notary Public

Ky

State at Large

My Commission Expires: 01-31-16

RESPONSE NUMBER 4 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

Notice of rate changes was mailed by US Postal Service general delivery to all Murray No. 3 Water District customers, dated March 19, 2014, included as Exhibit C.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

J.L. Barnett Director of Public Works 11-5-14
Signature Title Date

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by J.L. Barnett, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannetta Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

Warren K. Hopkins
Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannetta Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

EXHIBIT C

104 N. 5th Street, Suite C
P.O. Box 1236
Murray, Kentucky 42071

CITY OF MURRAY PLANNING & ENGINEERING

Phone 270-762-0330
Fax 270-762-0331

March 19, 2014

RE: Murray Water District #3 Meeting and Upcoming Transfer

Dear Property Owner and/or Tennant:

Murray Water District #3 will hold its regularly scheduled meeting on Tuesday, April 1, 2014 at 5:30 p.m. in the Council Chambers of City Hall, located at 104 N. 5th Street, Murray, KY. At this meeting, a public hearing will be held to discuss the pending transfer of Water District #3's system and assets to the City of Murray for perpetual maintenance, oversight, and ownership. You are openly invited to attend and participate in the public hearing.

Water rates will be adjusted as of result of this transfer. Here are the rates for customers outside the corporate city limits:

	Gallons per Month Per M Gallons	Rate	Charge
Minimum Bill			\$12.76
For the First	2,000 Gallons	\$6.38	\$12.76
For the Next	4,000 Gallons	\$3.59	\$27.12
For the Next	4,000 Gallons	\$3.03	\$39.24
For the Next	50,000 Gallons	\$2.50	\$164.24
All Over	60,000 Gallons	\$2.33	

The intent following the Public Hearing is to pass a resolution authorizing said transfer. Not long thereafter a formal submission package to the Public Service Commission will be filed to that effect.

If you have any questions, do not hesitate to contact J.L. Barnett, Director of Public Works, at 270-762-0336.

Sincerely,



L. Peyton Mastera
Projects Administrator
City of Murray
Website: www.murrayky.gov

RESPONSE NUMBER 5 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

Murray No. 3 Water District does not have a Comprehensive Annual Financial Report. Included as Exhibit D, is Murray No. 3 Water District's 2012-2013 Reviewed Financial Statements Report prepared by Alexander Thompson Arnold, Certified Public Accountants.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Max E. Morris Chairman, Murray No. 3 Water District 11/6/14
Signature Title Date

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Max E. Morris, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 6TH day of November, 2014.

Tavis Broom
Notary Public State at Large

My Commission Expires: 8/11/18

Warren K. Hopkins
Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5TH day of November, 2014.

Dannetta Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

EXHIBIT D

MURRAY NO. 3 WATER DISTRICT
REVIEWED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

**MURRAY NO. 3 WATER DISTRICT
TABLE OF CONTENTS**

Introductory Section

Board of Trustees

Financial Section

Independent Accountant's Review Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9

INTRODUCTORY SECTION

MURRAY NO. 3 WATER DISTRICT

December 31, 2013

BOARD OF TRUSTEES

Max Morris, Chairman

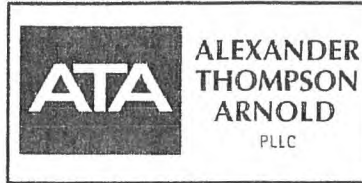
Max Rogers, Secretary

Darrell Beane, Treasurer

FINANCIAL SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants
Offices in Tennessee & Kentucky

301 Maple St.
Murray, KY 42071

Phone 270.753.2424
Fax 270.753.3878
www.atacpa.net

Independent Accountant's Review Report

Board of Trustees
Murray No. 3 Water District
Murray, Kentucky

We have reviewed the accompanying financial statements of the business-type activities of Murray No. 3 Water District as of and for the years ended December 31, 2013 and 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of Murray No. 3 Water District. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of the Murray No. 3 Water District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information was not audited, reviewed, or compiled by us, and we do not express an opinion or provide any assurance on it.

Alexander Thompson Arnold PLLC

Murray, Kentucky
March 17, 2014

MURRAY NO. 3 WATER DISTRICT
P.O. BOX 643
MURRAY, KY 42071

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the Murray No. 3 Water District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Water District for the years ended December 31, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balances for 2013 and 2012, for the Water District were \$4,255 and \$6,618, respectively, in the operating account and \$16,599 and \$22,589, respectively, in certificates of deposit.
- The Water District's revenues are derived from water purchased by commercial and residential customers. There was no significant change in water revenue during the years ended December 31, 2013 and 2012 as the Water District has not increased its rates in several years.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Water District's basic financial statements. The Water District's basic financial statements are comprised of 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to Financial Statements. This report also contains an introductory section and in addition to the basic financial statements themselves.

The statement of net position presents information on all of the Water District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Water District is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how the Water District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The statement of cash flows presents the changes in cash and the events giving rise to the changes during the year.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

THE WATER DISTRICT AS A WHOLE

The Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of financial position. In the case of the Water District, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$93,225 as of December 31, 2013.

A portion of the District's net position reflects its unrestricted net position. The unrestricted portion can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2013 and 2012, the District had \$233,746 invested in land, buildings, and equipment. Capital assets (net of depreciation) for 2013 and 2012 were \$49,595 and \$54,144 respectively.

FINANCIAL ANALYSIS

Net Position as of December 31,

	<u>2013</u>	<u>2012</u>
Assets		
Current assets	\$ 46,575	\$ 55,270
Capital assets	<u>49,595</u>	<u>54,144</u>
Total assets	<u>96,170</u>	<u>109,414</u>
Liabilities and Net Position		
Current liabilities	<u>2,945</u>	<u>3,250</u>
Net investment in capital assets	49,595	54,144
Unrestricted	<u>43,630</u>	<u>52,020</u>
Total net position	<u>\$ 93,225</u>	<u>\$ 106,164</u>

Revenues and Expenses for the period ending December 31,

	<u>2013</u>	<u>2012</u>
Revenues		
Operating Revenues:		
Charges for services	\$ 70,552	\$ 71,872
Non Operating Revenues:		
Grant funds	-	25,728
Interest income	<u>23</u>	<u>35</u>
Total revenues	<u>70,575</u>	<u>97,635</u>
Expenses		
Operating Expenses:		
Water purchases	32,902	37,248
Salaries	26,321	25,554
Office Supplies	3,358	3,036
Insurance	4,656	4,438
Sales tax	193	186
School tax	2,063	2,151
Miscellaneous	582	250
Legal and accounting	2,324	2,700
Repairs and maintenance	2,030	980
Contract labor	1,525	1,775
Water testing	572	38
Payroll tax	2,186	1,985
Depreciation	4,549	4,549
Other tax and licenses	<u>253</u>	<u>125</u>
Total operating expenses	<u>83,514</u>	<u>85,015</u>
Net income (loss)	(12,939)	12,620
Net position, beginning of year	<u>106,164</u>	<u>93,544</u>
Net position, end of year	<u>\$ 93,225</u>	<u>\$ 106,164</u>

BUDGETS

No budgetary information is presented in this report as the Water District is not legally required to adopt a budget.

Questions regarding this report should be directed to Darrell Beane, Treasurer (270) 435-4420 or to Dana Beane, Office Manager, (270) 435-4420 or by mail at P.O. Box 643, Murray, Kentucky, 42071

BASIC FINANCIAL STATEMENTS

MURRAY NO. 3 WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2013 and 2012

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 3,746	\$ 4,255
Certificates of deposit	7,480	16,599
Accounts receivable	7,194	6,473
Material and supplies	25,728	25,728
Prepaid expenses	2,427	2,215
Total current assets	46,575	55,270
Noncurrent assets		
Water plant in service	229,083	229,083
Land and land rights	4,663	4,663
Accumulated depreciation	(184,151)	(179,602)
Total noncurrent assets	49,595	54,144
Total assets	96,170	109,414
Liabilities		
Current liabilities		
Accounts payable	2,521	2,476
Accrued liabilities	424	774
Total current liabilities	2,945	3,250
Total liabilities	2,945	3,250
Net Position		
Net investment in capital assets	49,595	54,144
Unrestricted	43,630	52,020
Total net position	\$ 93,225	\$ 106,164

See accompanying notes and accountant's review report.

MURRAY NO. 3 WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Charges for services	\$ 70,552	\$ 71,872
Operating Expenses		
Water purchased	32,902	37,248
Salaries	26,321	25,554
Office supplies	3,358	3,036
Insurance	4,656	4,438
Sales tax	193	186
School tax	2,063	2,151
Miscellaneous	582	250
Legal and accounting	2,324	2,700
Repairs and maintenance	2,030	980
Contract labor	1,525	1,775
Water testing	572	38
Payroll tax	2,186	1,985
Depreciation	4,549	4,549
Other tax and license	253	125
Total operating expenses	<u>83,514</u>	<u>85,015</u>
Operating loss	<u>(12,962)</u>	<u>(13,143)</u>
Non-Operating Revenues		
Interest income	<u>23</u>	<u>35</u>
Capital Contributions		
Grant funds	<u>-</u>	<u>25,728</u>
Change in net position	(12,939)	12,620
Total net position, beginning of year	<u>106,164</u>	<u>93,544</u>
Total net position, end of year	<u>\$ 93,225</u>	<u>\$ 106,164</u>

See accompanying notes and accountant's review report.

MURRAY NO. 3 WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Cash received from customers	\$ 67,573	\$ 69,827
Cash paid to suppliers	(48,320)	(76,296)
Cash paid to employees	(28,854)	(27,622)
Net cash used by operating activities	(9,601)	(34,091)
Cash Flows from Investing Activities		
Proceeds from maturities of certificates of deposit	9,092	6,000
Cash Flows from Noncapital Financing Activities		
Grant funds received	-	25,728
Net decrease in cash and cash equivalents	(509)	(2,363)
Cash and cash equivalents, beginning of year	4,255	6,618
Cash and cash equivalents, end of year	\$ 3,746	\$ 4,255
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss	\$ (12,962)	\$ (13,143)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	4,549	4,549
Noncash penalty	50	25
(Increase) decrease in certain assets:		
Accounts receivable	(721)	305
Materials and supplies	-	(25,728)
Prepaid expenses	(212)	(6)
Increase (decrease) in certain liabilities:		
Accounts payable	45	2
Accrued expenses	(350)	(95)
Net cash used by operating activities	\$ (9,601)	\$ (34,091)

DISCLOSURE OF ACCOUNTING POLICY

For purposes of the statement of cash flows, the Water District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

See accompanying notes and accountant's review report.

NOTES TO FINANCIAL STATEMENTS

**MURRAY NO. 3 WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Murray No. 3 Water District was created in 1965 under the provision of Chapter 74 of the Kentucky Revised Statutes for the purpose of providing water services to the general public on a continuing basis with operations being financed primarily through user charges. The District is governed by a Board of Commissioners who are appointed by the Calloway County Fiscal Court and reports to the Public Service Commission of the Commonwealth of Kentucky. The District is exempt from Federal income taxes under Internal Revenue Code Section 115.

B. Basis of Accounting

The District is presented as an enterprise fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for water services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Use of Restricted/Unrestricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the District's policy is to apply restricted resources first. The District had no restricted balances at December 31, 2013 and 2012.

D. Material and Supplies

Inventories consist of materials and supplies and are stated at cost which is determined by the first-in, first-out method. Inventory at December 31, 2013 and 2012 totaled \$25,728 and \$25,728, respectively.

E. Water Plant in Service

Water plant in service is stated on the basis of cost. The District maintains a capitalization threshold of \$1,000. The provision for depreciation is computed by the straight-line method, using the

**MURRAY NO. 3 WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

applicable useful life. The cost of maintenance and repairs is charged to income as incurred; significant betterments are capitalized.

Capital assets are depreciated over the following useful lives:

Buildings	50 years
Furniture and equipment	5 to 10 years

F. Land and Land Rights

Land and land rights are stated on the basis of cost.

G. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Impact of Recently Issued Accounting Pronouncements

During the year ended December 31, 2013, the District adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement is effective for financial statements for periods beginning after December 15, 2012. The objective of the statement is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The District has no deferred outflows or inflows of resources at December 31, 2013

I. Subsequent Events

Management has evaluated subsequent events through March 17, 2014, the date on which the financial statements were available to be issued.

NOTE 2 – DETAILED NOTES ON ACCOUNTS

A. Capital Assets

Capital assets are summarized below:

Asset Description	Balance December 31, 2013	Balance December 31, 2012
Non-depreciable:		
Land and land rights	\$ <u>4,663</u>	\$ <u>4,663</u>
Depreciable:		
Structures and improvement	6,633	6,633
Pumping equipment	8,485	8,485
Distribution reservoirs and standpipes	47,837	47,837
Transmission and distribution mains	138,622	138,622

**MURRAY NO. 3 WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

Asset Description	Balance December 31, 2013	Balance December 31, 2011
Services	7,447	7,447
Meter and meter installations	14,917	14,917
Hydrants	3,507	3,507
Other plant and miscellaneous equipment	<u>1,635</u>	<u>1,635</u>
Total	229,083	229,083
Less allowance for depreciation	<u>184,151</u>	<u>179,602</u>
Total	<u>49,595</u>	<u>49,481</u>
Capital Assets, net	\$ <u>45,595</u>	\$ <u>54,144</u>

There were no additions or retirements for 2013 and 2012, respectively. Depreciation charged to income was \$4,549 at December 31, 2013 and 2012.

B. Concentrations of Credit Risk

Financial instruments that potentially subject the District to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivables.

The District maintains its cash balances in one financial institution located in Kentucky. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2013 and 2012, the District had no uninsured cash balances.

Concentrations of credit with respect to trade receivables are limited due to the large number of customers comprising the District's customer base and their dispersion across different industries and geographic locations. As of December 31, 2013 and 2012 the District had no significant concentrations of credit risk with respect to trade receivables.

C. Water Purchases

The District purchases all of its water from Murray Municipal Utilities, a component of the City of Murray, Kentucky. The District pays Murray Municipal Utilities a rate based on water usage each month.

D. Budget

The District is not legally required to adopt a budget. Consequently, no budgetary information is presented.

E. Risk Management

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty and accident coverage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

RESPONSE NUMBER 6 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

The City of Murray will not be charging the Murray No. 3 Water District for system development improvements.

System Improvements that have already been implemented are stated in Exhibit F (p) 1 of the Asset Acquisition Agreement.

Murray Water System will continue to seek funding sources to provide system improvements and expansion to the Murray No. 3 Water District, as stated in Exhibit F (p) 3 of the Asset Acquisition Agreement.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Max E. Morris Chairman, Murray No. 3 Water District 11/6/14
Signature Title Date

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Max E. Morris, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 6TH day of November, 2014.

Travis Brown
Notary Public State at Large

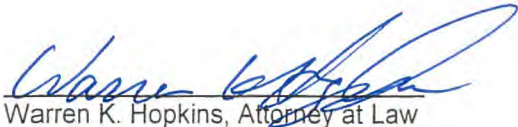
My Commission Expires: 8/11/18

J. L. Barnett Director of Public Works 11-5-14
Signature Title Date

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly subscribed, acknowledged and sworn to before me by J. L. Barnett, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.


Dannette Clayton Key
Notary Public State at Large

My Commission Expires: 01-31-16



Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

 Key
Notary Public State at Large

My Commission Expires: 01-31-16

RESPONSE NUMBER 7 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

Murray No. 3 Water District shall convey, assign and deliver to the City of Murray and the City of Murray agrees to accept from Murray No. 3 Water District all assets. No assets shall be excluded.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Max E. Mend Chairman, Murray No. 3 Water District 11/6/14
Signature Title Date

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Max E. Morris, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 6th day of November, 2014.

Travis Brown
Notary Public State at Large

My Commission Expires: 8/11/18

J. L. Barnett Director of Public Works 11-5-14
Signature Title Date

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by J. L. Barnett, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannetta Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

Warren K. Hopkins

Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannette Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

RESPONSE NUMBER 8 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

The rates and charges for water service to be provided by the City of Murray to Murray No. 3 Water District's customers that will be in effect at the time of transfer are the same as listed in Exhibit P of the Asset Acquisition Agreement.

City of Murray Ordinance Number 2005-1378, Section 2 states the City of Murray water rate schedule for outside city customers is included as Exhibit E.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Signature J.L. Barnett Director of Public Works Title Date 11-5-14

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by J.L. Barnett, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannette Clayton Notary Public Ky State at Large

My Commission Expires: 01-31-16

Warren K. Hopkins
Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannette Clayton Notary Public Ky State at Large

My Commission Expires: 01-31-16

ORDINANCE NUMBER 2005-1378

**AN ORDINANCE AMENDING SECTION 52.09 AND SECTION 53.02 OF
THE CITY OF MURRAY CODE OF ORDINANCES AS IT RELATES TO
CERTAIN WATER AND SEWER RATES.**

Whereas, the Finance Committee has recommended certain changes in monthly charges and sewer and water tap on fees; and

Whereas, the City Council concurs that said changes are appropriate; and

Now Therefore, be it Ordained by the City Council of the City of Murray, Kentucky that:

Section 1. Section 52.09 RATES AND CHARGES shall be amended to read as follows:

(B)(1) Sewer rate schedule for inside city customers:

SEWER RATE SCHEDULE/INSIDE CITY CUSTOMERS

Gallons Per Month	Rate per Thousand Gallons	
Minimum rate	\$6.00	\$6.90
For the first 2,000 gallons	\$3.00	\$3.45
For the next 2,000 4,000 gallons	\$2.19	\$2.43
For the next 2,000 4,000 gallons	\$1.98	\$2.03
For the next 2,000 gallons	\$1.78	
For the next 2,000 gallons	\$1.59	
For the next 50,000 gallons	\$1.50	\$1.69
All over 60,000 gallons	\$1.45	\$1.66

(B)(2) Sewer rate schedule for outside city customers:

SEWER RATE SCHEDULE/OUTSIDE CITY CUSTOMERS

Gallons Per Month	Rate per Thousand Gallons	
Minimum rate	\$10.50	\$12.76
For the first 2,000 gallons	\$5.25	\$6.38
For the next 2,000 4,000 gallons	\$3.83	\$4.49
For the next 2,000 4,000 gallons	\$3.46	\$3.75
For the next 2,000 gallons	\$3.11	
For the next 2,000 gallons	\$2.76	
For the next 50,000 gallons	\$2.63	\$3.12
All over 60,000 gallons	\$2.54	\$3.07

Section 52.09(D)

Each customer applying for a sanitary sewerage connection to the Murray Water and Sewerage System shall pay the fee set by the following sewer tap-on schedule:

- (1) Sewer tap-on, inside city, family residence
 - (a) ~~\$650~~ ~~\$500~~ for each single-family residence.
 - (b) ~~\$250~~ ~~\$200~~ for each additional unit located within the same structure.
- (2) Sewer tap-on, outside city, family residence
 - (a) ~~\$900~~ ~~\$750~~ for each single-family residence.
 - (b) ~~\$350~~ ~~\$300~~ for each additional unit located within the same structure.

Section 2. Section 53.02 **WATER RATES AND TAP-ON FEES** shall be amended to read as follows:

- (A) A rate of ~~\$1.26~~ ~~\$1.10~~ per 1,000 gallons shall be charged for water used by the city for commercial purposes. "Commercial Purposes" is defined as all water used by the city other than water used through fire hydrants. In all bill charges the amount of such charges shall be subject to a minimum charge of ~~\$6.90~~ ~~\$6.00~~ for the first 2,000 gallons of water used or supplied.
- (C) All other water customers of the City water and sewer systems shall pay for water according to the following schedule:

WATER RATE SCHEDULE/INSIDE CITY CUSTOMERS

Gallons Per Month	Rate per Thousand Gallons	
Minimum rate	\$6.00	\$6.90
For the first 2,000 gallons	\$3.00	\$3.45
For the next 2,000 4,000 gallons	\$1.75	\$1.94
For the next 2,000 4,000 gallons	\$1.60	\$1.64
For the next 2,000 gallons	\$1.45	
For the next 2,000 gallons	\$1.30	
For the next 50,000 gallons	\$1.20	\$1.35
All over 60,000 gallons	\$1.10	\$1.26

WATER RATE SCHEDULE/OUTSIDE CITY CUSTOMERS

Gallons Per Month	Rate per Thousand Gallons	
Minimum rate	\$10.50	\$12.76
For the first 2,000 gallons	\$5.25	\$6.38
For the next 2,000 4,000 gallons	\$3.06	\$3.59

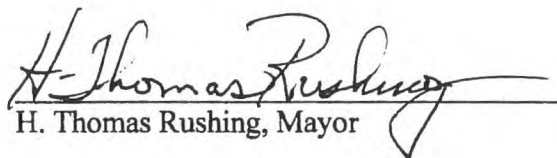
For the next 2,000 4,000 gallons	\$2.80	\$3.03
For the next 2,000 gallons	\$2.54	
For the next 2,000 gallons	\$2.27	
For the next 50,000 gallons	\$2.10	\$2.50
All over 60,000 gallons	\$1.93	\$2.33

- (D) Water district customers shall be charged at a rate of \$1.66 ~~\$1.45~~ per 1,000 gallons of water.
- (E) Each Customer applying for new water connection to the Murray Public Works and Utilities shall pay the fee set by the following water tap-on schedule:

TAP SIZE	INSIDE CITY	OUTSIDE CITY
¾ inch	\$500.00 \$350.00	\$650.00 \$500.00
1 inch	\$600.00 \$450.00	\$850.00 \$700.00
1 ½ inch	\$1000.00 \$850.00	\$1400.00 \$1250.00
2 inch	\$1350.00 \$1200.00	\$2000.00 \$1850.00
All over 2 inches	Cost	cost

Section 3. This ordinance shall become effective with the first bill received after July 1, 2005.

Section 4. All ordinances or portions of ordinances of the City of Murray, Kentucky, in conflict herewith are hereby repealed to the extent of such conflict and to such extent only. In all other respects, Sections 52.09 and 53.02 of the City of Murray Code of Ordinances are hereby reaffirmed.


H. Thomas Rushing, Mayor

ATTEST:

Harla McClure, City Clerk

Introduced by the city council on May 26, 2005
Adopted by the city council on June 9, 2005.
Published in the Murray Ledger and Times on June _____, 2005.

RESPONSE NUMBER 9 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

The City of Murray wishes to remove the statement in Exhibit P (c) which states the City shall be permitted to surcharge the customers for any extra ordinary cost and expenses it may be required to incur within one year of the date of the Public Service Commission approved transfer of the District customers. The City of Murray will not surcharge the customers of Murray No. 3 Water District.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Signature J.L. Barnett Director of Public Works Title Date 11-5-14

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by J. L. Barnett, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannetta Clayton Notary Public State at Large Ky

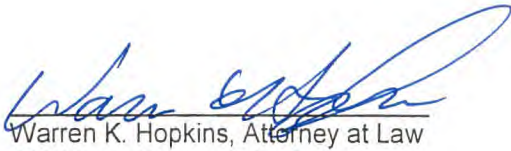
My Commission Expires: 01-31-16

Warren Hopkins
Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannetta Clayton Notary Public State at Large Ky

My Commission Expires: 01-31-16



Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

 Ky
Notary Public State at Large

My Commission Expires: 01-31-16

EXHIBIT F

RESOLUTION 2014-0622-A

A RESOLUTION AUTHORIZING THE JUDGE EXECUTIVE, ON BEHALF OF THE CALLOWAY FISCAL COURT, TO EXECUTE ANY AND ALL NECESSARY DOCUMENTS TO APPROVE THE CITY OF MURRAY'S ACQUISITION OF THE WD3 WATER SYSTEM.

WHEREAS, the Calloway County Fiscal Court met on the 17 day of June 2014 to discuss the City of Murray's acquisition of the WD3 Water System;

WHEREAS, the City of Murray has agreed to acquire the assets of WD3 pursuant to an Asset Acquisition Agreement, a copy of which is attached hereto and incorporated by reference as if fully stated herein and marked Exhibit "A"

WHEREAS, WD3 has agreed to convey to the City of Murray all assets owned by WD3, pursuant to the Asset Acquisition Agreement referenced above.

NOW THEREFORE, Be it hereby resolved, the Fiscal Court of Calloway County approves the acquisition of WD3 by the City of Murray pursuant to the terms and conditions of the Asset Purchase Agreement as attached hereto and further empowers the Judge Executive, on behalf of the Calloway County Fiscal Court, to execute any and all necessary documents to further the transfer of all assets of WD3 to the City of Murray, including, but not limited to the Asset Acquisition Agreement referenced above.

ADOPTED by the Fiscal Court on this the 17 day of June, 2014.

CALLOWAY COUNTY FISCAL COURT



LARRY ELKINS, JUDGE EXECUTIVE

ATTEST:

Antonia D. Faulkner

EXHIBIT G

RESOLUTION 2014-005

A RESOLUTION AUTHORIZING THE MAYOR OF THE CITY OF MURRAY, KENTUCKY TO EXECUTE ANY AND ALL NECESSARY DOCUMENTS TO COMPLETE MURRAY'S ACQUISITION OF THE WD3 WATER SYSTEM.

WHEREAS, the Public Works Committee met on April 10, 2014 to discuss the City's acquisition of the WD3 Water System,

WHEREAS, the City of Murray has agreed to acquire the assets of WD3 pursuant to an Asset Purchase Agreement, which is attached and incorporated by reference as if fully stated herein.

WHEREAS, WD3 has agreed to convey to the City of Murray all assets owned by WD3, pursuant to the Asset Purchase Agreement referenced above.

NOW THEREFORE, Be it hereby resolved, that the Murray City Council does hereby authorize the Mayor of the City of Murray, Kentucky to execute any and all necessary documents to further the transfer of all assets of WD3 to the City of Murray, Kentucky, including, but not limited to, the Asset Purchase Agreement referenced above.

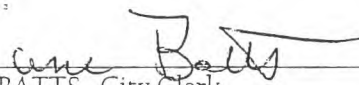
ADOPTED by the City Council on this the 10 day of April, 2014.

CITY OF MURRAY, KENTUCKY



BILL WELLS, MAYOR

ATTEST:

:


JUNE BATTIS, City Clerk

EXHIBIT H

RESOLUTION 2014-_____

A RESOLUTION OF WATER DISTRICT #3 TO APPROVE AND EXECUTE THE APPLICATION TO THE PUBLIC SERVICE COMMISSION AND THE ASSET ACQUISITION AGREEMENT WITH THE CITY OF MURRAY.

WHEREAS, WD3 has been in the business of providing potable water to its customers for several years;

WHEREAS, since the establishment of WD3, numerous changes have occurred, which have benefitted the customers of WD3 and it is recognized that future improvements will be necessary to maintain said benefits to WD3's customers;

WHEREAS, the aforementioned improvements will be necessary for WD3 in the future to maintain its present state, which costs may be problematic for WD3 to cover alone;

WHEREAS, as an alternative to WD3 undertaking future costly improvements, it is in the best interest of WD3 and the customers of WD3 to be acquired by the City of Murray, who currently provides WD3 with its potable water;

WHEREAS, a Public Hearing was held on the 1st day of April, 2014 for the purpose of discussing the acquisition of WD3 by the City of Murray.

NOW THEREFORE, Be it hereby resolved, that WD3 has reviewed the Application to the Public Service Commission (attached hereto and incorporated by reference as if fully stated herein and marked Exhibit "A") and the Asset Acquisition Agreement (attached hereto and incorporated by reference as if fully stated herein and marked Exhibit "B") and does hereby approve same, subject to the approval of the Calloway Fiscal Court, and further authorizes the Chairman of WD3 to execute any and all necessary documents to further the transfer of all assets of WD3 to the City of Murray, Kentucky.

ADOPTED by Water District #3 on this the 1st day of April, 2014.

WATER DISTRICT #3



MAX MORRIS, CHAIRMAN

ATTEST:



RESPONSE NUMBER 11 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

Murray No. 3 Water District does not hold any amounts required to be deposited by patrons to secure utility service. (Item No. 17 of the Application)

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Max E. Morris
Signature

Chairman, Murray No. 3 Water District
Title

11/6/14
Date

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Max E. Morris, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 6TH day of November, 2014.

Travis Broom
Notary Public State at Large

My Commission Expires: 8/11/18

Warren K. Hopkins
Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5TH day of November, 2014.

Dannetta Clayton
Notary Public State at Large Ky

My Commission Expires: 01-31-16

RESPONSE NUMBER 12 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

The City of Murray currently provides water service to 9,147 customers.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Signature J.L. Barnett Title Director of Public Works Date 11-5-14

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by J.L. Barnett, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannetta Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

Warren K. Hopkins

Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannetta Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

RESPONSE NUMBER 13 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

The Murray No. 3 Water District currently provides water service to 354 customers.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Max E. Maul Chairman, Murray No. 3 Water District 11/6/14
Signature Title Date

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Max E. Morris, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 6TH day of November, 2014.

Traut B...
Notary Public State at Large

My Commission Expires: 8/11/18

Warren K. Hopkins
Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannetta Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

RESPONSE NUMBER 14 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

No appraisals of assets have been performed for Murray No. 3 Water District.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Max E. Morris Chairman, Murray No. 3 Water District 11/6/14
Signature Title Date

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Max E. Morris, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 6TH day of November, 2014.

Travis Brown
Notary Public State at Large

My Commission Expires: 8/11/18

Warren K. Hopkins
Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannetta Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

RESPONSE NUMBER 15 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

A certified letter from the Property Valuation Administrator stating the value of assesses Murray No. 3 Water District will transfer to the City of Murray is included as Exhibit I.

A deed (Book 143, Page 101) and a map (PVA Map # 032-0-0059-A) which identifies the property of Murray No. 3 Water District to be transferred to the City of Murray is included as Exhibit J.

A deed (Book 143, Page 102) and a map (PVA Map # 015-0-0091-A) which identifies the property of Murray No. 3 Water District to be transferred to the City of Murray is included as Exhibit K.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Signature J.L. Barnett Title Director of Public Works Date 11-5-14

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by J.L. Barnett, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannetta Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

Warren Hopkins
Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

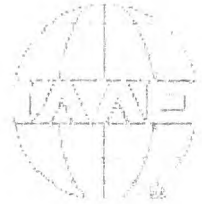
I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannetta Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16



EXHIBIT I
RONNIE JACKSON
CALLOWAY COUNTY
PROPERTY VALUATION ADMINISTRATOR
PO BOX 547
MURRAY KY 42071
PHONE 270-753-3482
FAX 270-753-0648



OCTOBER 30, 2014

PUBLIC SERVICE COMMISSION
DISTRICT THREE WATER WORKS

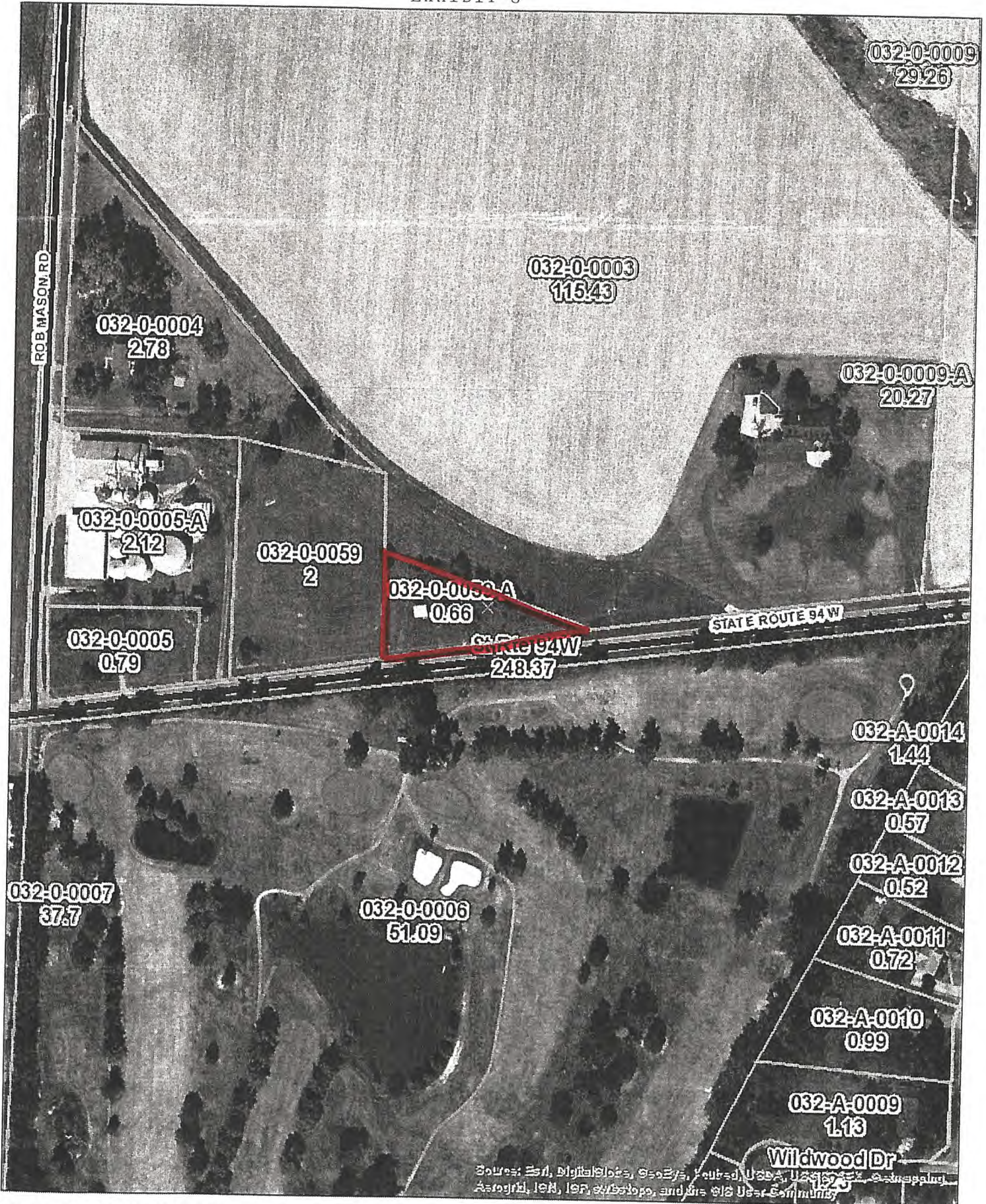
PARCEL # 032-0-0059-A
STATE ROUTE 94 WEST

PARCEL # 015-0-0091-A
RAYBURN ROAD

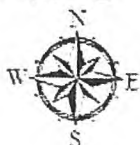
THE FAIR CASH VALUE OF DISTRICT THREE WATER WORKS, PARCEL #
032-0-0059-A \$10,000 AND PARCEL # 015-0-0091-A \$1,500, IS \$11,500 AS OF
JANUARY 1, 2014.

THANK YOU,

RONNIE JACKSON
CALLOWAY COUNTY PVA



Rebecca Andrews, Mapping
 101 S 5th St
 P.O. Box 547
 Murray, KY 42071
 270-753-3482



Calloway County
Property Valuation Administrator

Print Date: 10/27/2014
 World Imagery Basemap. November 2011

-63-
 1 inch = 201 feet

Maps are to be used
 for identification only.
 NOT for conveyance.

EXHIBIT J

GENERAL WARRANTY DEED

THIS INDENTURE, this day made and entered into by and between Thurston Furches and wife Elizabeth Furches, Grantors and Murra. No 3 Water District, an Independent Water District and agency organized and existing under Chapter 74 of the Kentucky Revised Statutes, Grantee.

THURSTON
FURCHES
ET UX
TO DEED
MURRAY NO 3
District

Witnesseth: That for and in consideration of Three Thousand Five Hundred (\$3,500.00) dollars, cash in hand paid, the receipt of which is hereby acknowledged, Grantors have this day bargained, sold and herein convey unto the said Grantee, the following described tract or parcel of land lying and being in Calloway County, Kentucky, to wit:-

Beginning at an iron pipe in the northern right of way line of Kentucky Highway No 94, said point being the southeastern most property corner of Reginald Butterworth thence, from the point of beginning N 3° 00' W for a distance of 165.00' to an iron pipe in the Eastern property line of Reginald Butterworth, thence, S 75° 30' E and with the Thurston Furches south line for a distance of 362.28' to an iron pipe in the northern right of way line of Kentucky Highway 94, thence, S 77° 47' W and with the northern right of way line of Kentucky Highway 94 for a distance of 350.00' to the point of beginning.

2

TO HAVE AND TO HOLD unto the said Grantee, Murray No 3 Water District to it, its assigns or successors in office, by deed with "Covenants of General Warranty" This is a part of the same property which Grantors obtained title to by deed as shown in deed book 110 page 413 in the office of the Clerk of the Calloway County Court.

Thurston Furches and wife, Elizabeth Furches, each join the other herein relinquishing their respective rights to homestead, dower and curtesy in and to the land herein conveyed.

IN WITNESS of all of which Grantors have hereunto set their hands on this

28th day of Jan 1970
STATE OF KENTUCKY SCT COUNTY OF CALLOWAY
I Fred C Wilhite, Notary Public of the State and county aforesaid, do hereby certify that the above and foregoing deed was duly acknowledged before me in said county by Thurston Furches and wife Elizabeth Furches, to be their act and deed all of which is certified to the proper office for record. Given under my hand this the 28th day of January 1970
STATE OF KENTUCKY
SCT
COUNTY OF CALLOWAY

THURSTON FURCHES
ELIZABETH FURCHES

FRED C WILHITE, NOTARY PUBLIC
STATE AT LARGE
(NOTARIAL SEAL) MY COM EXPIRES Mar 2 1970

I Marvin Harris, Clerk of the Court of the County aforesaid, do hereby certify that the above and foregoing deed was on the 3rd day of Febry 1970, lodged in my office for record, whereupon the same, the foregoing and this certificate have duly been recorded in this office.

Given under my hand, this the 3rd day of Febry 1970

Marvin Harris Clerk

Prepared by Wm Donald Overbey, Atty at law,
Murray, Kentucky
Stamped \$3.50

EXHIBIT K
THIS INDENTURE

MRS GRACE COOK
TO DEED
WATER DIST MO 3

this day made and entered into by and between Mrs. Grace Cook, a widow, Grantor and, Murray No 3, Water District an Independent Water District and Agency organized and existing under Chapter 74 of the Kentucky Revised Statutes, Grantee.

WITNESSETH: That for and in consideration of Five Hundred (\$500.00) dollars cash in hand paid, the receipt of which is hereby acknowledged, Grantor has this day bargained, sold and herein conveys unto the said Grantee the following described tract or parcel of land lying and being in Calloway County, Kentucky to wit:-

Beginning at an iron pipe in the Western Right of way line of Kentucky Highway 893 said point being the southeastern most corner of the James Fain property, thence, with the James Fain south line S 88° 20' W for a distance of 506.72' to an iron pipe, said point being the northeastern most corner of the Max Boyd property, thence S 01° 40' E with the Max Boyd East line for a distance of 165.00' to an iron pipe thence, N 88° 20' E for a distance of 170.00' to an iron pipe in the west line of the Grace Cook property, thence, N 01° 40' W for a distance of 145.00' to an iron pipe, said point being the Northwestern most corner of the Grace Cook Property thence N 88° 20' E for a distance of 408.80' to an iron pipe in the Western right of way line of Kentucky Highway 893 said point also being the Northeastern most corner of the Grace Cook property thence N 82° 25' W along the Western Right of way line of Kentucky Highway 893 for a distance of 21.61' to the point of beginning.

TO HAVE AND TO HOLD unto the said Grantee, Murray No 3 Water District to it, its assigns or successors in office, forever, by deed with "Covenants of General Warranty. This is a part of the same property which Grantor obtained title to by deed as shown indeed book 111 page 261 262 in the office of the Clerk of the Calloway County Court.

INWITNESS of all of which Grantor has hereunto set her hand on this 28th day of July 1970

MRS GRACE COOK
A WIDOW

STATE OF KENTUCKY
SCT
COUNTY OF CALLOWAY

I, Fred C Wilhite, Notary Public of the State and County aforesaid, do hereby certify that the above and foregoing deed was duly acknowledged before me in said county by Mrs Grace Cooks widow, to be her act and deed, all of which is certified to the proper office for record.

Given under my hand, this the 28th day of January 1970.
FRED C WILHITE, NOTARY PUBLIC, STATE OF KY
(NOTARIAL SEAL) COUNTY OF CALLOWAY, KY COM EXPIRES March 4 1970

State of Kentucky
SCT
County of Calloway

I, Margin Harris, Clerk of the Court of the County aforesaid, do hereby certify that the above and foregoing deed was on the 3rd day of Feb'y 1970; lodged in my office for record, whereupon the same, the foregoing and this certificate have been duly recorded in this office.
Given under my hand, this the 3rd day of Feb'y 1970.

Margin Harris Clk

Stamped 5.50 cents
Prepared by Wm Donald Overbey, Atty at law,

3
Del.
2-12-70

RESPONSE NUMBER 16 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

The legal name for Water District #3 is Murray No. 3 Water District.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Max E. Morris Chairman, Murray No. 3 Water District 11/6/14
Signature Title Date

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Max E. Morris, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 6TH day of November, 2014.

Travis Brown
Notary Public State at Large

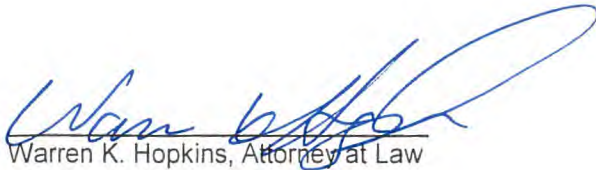
My Commission Expires: 8/11/18

J. L. Barnett Director of Public Works 11-5-14
Signature Title Date

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by J. L. Barnett, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannette Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16



Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071

Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannetta Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

RESPONSE NUMBER 17 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

The City of Murray is not a party of any legal actions involving its water operations.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Signature J. L. Barnett Title Director of Public Works Date 11-5-14

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by J. L. Barnett, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannette Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

Warren K. Hopkins

Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannette Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

RESPONSE NUMBER 18 TO REQUESTED INFORMATION FROM THE PUBLIC SERVICE COMMISSION

There is no correspondence between the City of Murray and the Kentucky Division of Water regarding Murray's proposed acquisition of Murray No. 3 Water District.

I certify that this response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Signature J. L. Barnett Title Director of Public Works Date 11-5-14

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by J. L. Barnett, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannette Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16

Warren K. Hopkins
Warren K. Hopkins, Attorney at Law
405 Maple Street, Suite B
Murray, KY 42071
Attorney for Joint Applicants (Murray No. 3 Water District and City of Murray)

I, the undersigned Notary Public, do hereby certify that the foregoing instrument was duly, subscribed, acknowledged and sworn to before me by Warren K. Hopkins, who is personally know to me (or proved to me on the basis of satisfactory evidence), as his duly authorized act, on this 5th day of November, 2014.

Dannette Clayton Ky
Notary Public State at Large

My Commission Expires: 01-31-16