

CASE

NUMBER:

99-036

INDEX FOR CASE: 99-036
SOUTH WOODFORD WATER DISTRICT
Construct, Finance, Rates; 278.023

IN THE MATTER OF THE APPLICATION OF SOUTH WOODFORD COUNTY
WATER DISTRICT, WOODFORD COUNTY, KENTUCKY, (1) FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING
CONSTRUCTION OF MAJOR WATER SERVICE IMPROVEMENTS AND
ADDITIONS TO ITS WATER DISTRIBUTION SYSTEM, AND (2) SEEKING
APPROVAL OF THE ISSUANCE OF CERTAIN SECURITIES

SEQ NBR	ENTRY DATE	REMARKS
0001	02/02/99	Application.
0002	02/03/99	Acknowledgement letter.
0003	02/16/99	Def. letter, info due 3/3
M0001	02/17/99	GEORGE WITHERS SOUTH WOODFORD CO WD-FIRST AMENDMENT TO APPLICATION
0004	03/05/99	Final Order granting a Certificate to construct & approving financing & rates.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 99-036
SOUTH WOODFORD WATER DISTRICT

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on March 5, 1999.

Parties of Record:

Honorable Joseph M. Hoffman
Attorney at Law
Combs & Hoffman
Suite 5B, United Bank Square
Versailles, KY. 40383 0129

Honorable William W. Davis
Attorney at Law
Harper, Ferguson & Davis
1730 Meidinger Tower
Louisville, KY. 40202

Stephanie Bell

Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTH WOODFORD)
COUNTY WATER DISTRICT, WOODFORD)
COUNTY, KENTUCKY, (1) FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY)
AUTHORIZING CONSTRUCTION OF MAJOR) CASE NO. 99-036
WATER SERVICE IMPROVEMENTS AND)
ADDITIONS TO ITS WATER DISTRIBUTION)
SYSTEM, AND (2) SEEKING APPROVAL OF THE)
ISSUANCE OF CERTAIN SECURITIES)

O R D E R

On February 17, 1999, South Woodford County Water District ("South Woodford District") submitted an application for a Certificate of Public Convenience and Necessity to construct a \$1,106,500 waterworks improvement project, for approval of its plan of financing for this project, and for adjustments to its water service rates. This project will provide new service to 109 additional customers. Project funding is a \$346,000 bond issue to be purchased pursuant to an agreement with the U. S. Department of Agriculture's Rural Development ("RD"), a \$333,000 grant from the RD, a \$289,600 Community Development Block Grant ("CDBG") grant, a \$107,800 contribution from the Woodford County Fiscal Court, and a \$30,100 contribution from the Applicant.

South Woodford District's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the U. S. Department of Agriculture or the U. S. Department of Housing and Urban Development and

to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum filing requirements were met in this case on November 18, 1998, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. South Woodford District is hereby granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. South Woodford District's proposed plan of financing with RD is accepted.
3. South Woodford District is authorized to issue bonds not to exceed \$346,000.
4. South Woodford District shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.
5. The rates set out in Appendix A, which is attached hereto and incorporated herein, are the rates approved for service rendered on and after the date of this Order.
6. South Woodford District shall submit its revised tariff setting out the rates in Appendix A within 30 days of the date of this Order.
7. South Woodford District shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer falls outside the requirements of 807 KAR 5:066, Section

5(1), South Woodford District shall take immediate action to bring the system into compliance with Commission regulations.

8. Three years from the effective date of this Order the South Woodford District shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 5th day of March, 1999.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 99-036 DATED MARCH 5, 1999

The following rates and charges are prescribed for the customers in the area served by South Woodford Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

First	2,000 gallons	\$18.42	Minimum bill
Next	2,000 gallons	3.96	per 1,000 gallons
Next	6,000 gallons	3.75	per 1,000 gallons
Next	90,000 gallons	3.42	per 1,000 gallons
All Over	100,000 gallons	3.02	per 1,000 gallons

All Phase III Customers will pay an additional \$2.00/month surcharge in addition to the above rates.

Paul Curry

RECEIVED

FEB 17 1999

PUBLIC SERVICE
COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of

THE APPLICATION OF SOUTH WOODFORD COUNTY WATER)	
DISTRICT, WOODFORD COUNTY, KENTUCKY, (1) FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY)	
AUTHORIZING CONSTRUCTION OF MAJOR WATER SERVICE)	
IMPROVEMENTS AND ADDITIONS TO ITS WATER)	CASE NO.
DISTRIBUTION SYSTEM, AND (2) SEEKING APPROVAL)	99-036
OF THE ISSUANCE OF CERTAIN SECURITIES.)	

FIRST AMENDMENT TO APPLICATION


The Applicant, South Woodford County Water District (the "District"), acting by and through its Commission, respectfully tenders this First Amendment to Application amending its Application filed on February 2, 1999, in Case No. 99-036 (the "Original Application"). The District hereby amends the second paragraph of Section 5 of the Original Application to read as follows:


"The District hereby states, through its undersigned Chairman, that the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066, Section 4(3) and (4), Section 5 (1), Sections 6 and 7, Section 8(1) through (3), Section 9 (1) and Section 10; that all other state approvals or permits for the Project have been obtained; that the existing water rates of the District will produce total revenue requirements as set out in Exhibits A and B; and that construction of the Project is expected to begin on or about March 15, 1999, and to end on or about September 15, 1999."


WHEREFORE, the Applicant, South Woodford County Water District, respectfully requests that the Order requested in Section 9 of the Original Application be issued.

Respectfully submitted,

SOUTH WOODFORD COUNTY
WATER DISTRICT

By 
George Withers
Chairman of the Commission


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Combs & Hoffman
Suite 5B, United Bank Square
Versailles, Kentucky 40383-0129
Telephone: (606) 873-5427
Counsel for the District


William W. Davis
Harper, Ferguson & Davis
1730 Meidinger Tower
Louisville, Kentucky 40202
Telephone: (502) 582-3871
Bond Counsel for the District

* * *


COMMONWEALTH OF KENTUCKY)
)
COUNTY OF WOODFORD)

I, George Withers, being first duly sworn according to law, state that I am Chairman of the Commission of South Woodford County Water District, that I have read the foregoing Application and that the statements of fact set forth therein are true and accurate to the best of my knowledge and belief.

WITNESS my signature this 17th day of February, 1999.


George Withers

Subscribed and sworn to before me this 17th day of February, 1999. My commission expires 7/20/99


Notary Public
Commonwealth of Kentucky



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
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Paul E. Patton
Governor

Laura Douglas, Secretary
Public Protection and
Regulation Cabinet

February 16, 1999

Honorable Joseph M. Hoffman
Attorney at Law
Combs & Hoffman
Suite 5B, United Bank Square
Versailles, KY 40383-0129

Honorable William W. Davis
Attorney at Law
1730 Meidinger Tower
Louisville, KY 40202

Re: Case No. 99-036
Filing Deficiencies

Gentlemen:

The Commission staff has conducted an initial review of your filing in the above case. This filing is rejected pursuant to 807 KAR 5:001, Section 2, as it is deficient in certain filing requirements. The items listed below are either required to be filed with the application or must be referenced if they are already on file in another case or will be filed at a later date.

Filing deficiencies pursuant to 807 KAR 5:069, Section 1(5)(a):

That the proposed plans and specifications for the project have designed to meet the minimum construction and operation requirements set out in 807 KAR 5:066, Section 4(3) and (4), Section 5(1), Sections 6 and 7, Section 8(1) through (3), Section 9(1) and Section 10.



AN EQUAL OPPORTUNITY EMPLOYER M/F/D

Page Two
Filing Deficiencies

The statutory time period in which the Commission must process this case will not commence until the above-mentioned information is filed with the Commission. You are requested to file 10 copies of this information within 15 days of the date of this letter. If you need further information, please contact James Rice of my staff at (502)564-3940, ext. 411.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

sa



AN EQUAL OPPORTUNITY EMPLOYER M/F/D



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

February 3, 1999

Honorable Joseph M. Hoffman
Attorney at Law
Combs & Hoffman
Suite 5B, United Bank Square
Versailles, KY. 40383 0129

Honorable William W. Davis
Attorney at Law
Harper, Ferguson & Davis
1730 Meidinger Tower
Louisville, KY. 40202

RE: Case No. 99-036
SOUTH WOODFORD WATER DISTRICT
(Construct, Finance; 278.023)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received February 2, 1999 and has been assigned Case No. 99-036. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/jc

99-036

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

FEB 2 1999

In the Matter of

THE APPLICATION OF SOUTH WOODFORD COUNTY WATER)
DISTRICT, WOODFORD COUNTY, KENTUCKY, (1) FOR A)
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY)
AUTHORIZING CONSTRUCTION OF MAJOR WATER SERVICE)
IMPROVEMENTS AND ADDITIONS TO ITS WATER)
DISTRIBUTION SYSTEM, AND (2) SEEKING APPROVAL)
OF THE ISSUANCE OF CERTAIN SECURITIES.)

PUBLIC SERVICE COMMISSION

CASE 99-036

The Applicant, South Woodford County Water District (the "District"), acting by and through its Commission, respectfully tenders this Application and requests that the Public Service Commission of Kentucky enter its Order pursuant to KRS 278.023 and 807 KAR 5:069 issuing a Certificate of Public Convenience and Necessity authorizing the District to construct major improvements and additions to its water distribution system (the "System") for the purpose of assuring an adequate and potable water supply in the District, and approving the issuance of certain securities by the District. In support of this Application and in conformity with the rules of the Public Service Commission the District states as follows:

1. The District has been created and organized as a statutory water district in Woodford County pursuant to KRS 74.010 et seq. and for many years has owned and operated a water distribution system. The District is now, and has been since its inception, regulated by the Public Service Commission of Kentucky, and all records and proceedings of the Public Service Commission with reference to the District are incorporated in this Application by reference.

2. The governing body of the District is its Commission, which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purposes as

provided in KRS 74.070. In conformity with KRS 74.020(1)(a) the County Judge/Executive of Woodford County has entered appropriate orders from time to time (with the approvals of the Fiscal Court) appointing and reappointing Commissioners who were and are residents of the District. The present District Commissioners are George Withers, Chairman, Bobby Dotson and Ira Tupts. The mailing address of the District is 467 Wilson Avenue, Versailles, Kentucky 40383, Attention: George Withers, Chairman.

3. In order to finance water and gas service facilities and improvements, the District has previously issued, and there are presently outstanding, its Waterworks System Revenue Bonds of 1968, Waterworks System Revenue Bonds, Series 1988, and Waterworks System Revenue Bonds, 1996 Series A and B.

4. The District's consulting engineers, Haworth, Meyer & Boleyn, Inc., Frankfort, Kentucky (the "Engineers"), have prepared a Preliminary Engineering Report and a Final Engineering Report as well as detailed plans and specifications for the construction and installation of proposed major additional water facilities (the "Project") to serve the District. The Preliminary Engineering Report dated June, 1995, as revised in August, 1996, and the Final Engineering Report dated December 10, 1998, are appended hereto as Exhibit A and Exhibit B, respectively. These Exhibits contain, among other things, descriptions of the Project, cost figures and other pertinent data.

It is the opinion of the Commissioners of the District that the public health, safety and general welfare of the citizens and inhabitants of the District will be promoted and served by the construction of the Project and the financing thereof as herein described.

5. The District has caused public advertising to be made according to law soliciting competitive bids for the construction and installation of the Project; has received, opened and

considered the construction bids; and has filed with the United States Department of Agriculture, Rural Economic and Community Development Service ("USDA"), the data prepared by the Engineers showing the bids received and the recommendations of the Engineers with respect thereto. USDA has approved the District's proposed award of the best bid as evidenced by the USDA letter of concurrence in the bid award appended hereto as Exhibit C.

The District hereby states, through its undersigned Chairman, that the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066, Section 5 (3-4), Section 6 (1), Sections 7-8, Section 9 (1-3), Section 10 (1) and Section 11; that all other state approvals or permits for the Project have been obtained; that the existing water rates of the District will produce total revenue requirements as set out in Exhibits A and B; and that construction of the Project is expected to begin on or about March 15, 1999, and to end on or about September 15, 1999.

6. The District further represents that, based upon the projections of the Engineers and the financial studies of USDA, the existing schedule of water service rates and charges will be adequate to amortize the proposed Bonds identified in Section 8 below and to cover other annual costs.

7. The estimated costs of and sources of funds for the Project are set out in Exhibit B and in Exhibit D identified below.

8. As shown in Exhibit D, the District proposes to finance, in part, the construction and installation of the Project by the issuance of its bonds, to be styled "Waterworks System Revenue Bonds, 1999 Series A and B " (the "Bonds"), in the aggregate principal amount of \$346,000. The District has entered into a loan agreement with USDA pursuant to which USDA will make a loan of \$346,000 to the District, to be represented by the Bonds. The Bonds are to be

issued in two series: 1999 Series A in the principal amount of \$293,000 and 1999 Series B in the principal amount of \$53,000. The Bonds are expected to bear interest at a rate not to exceed 5.0% per annum. Appended hereto as Exhibit D are copies of letters dated March 21, 1997, and January 7, 1999, from USDA to the District, setting forth terms, conditions and understandings relating to the loan, and related correspondence setting out proposed debt service schedules for the Bonds. A preliminary draft of the proposed Bond-authorizing Resolution of the District, appended hereto as Exhibit E, was prepared before the aggregate amount of the proposed issue was increased from \$293,000 to \$346,000 and is being submitted for informational purposes only.

With reference to the proposed issuance of the Bonds to USDA, the proceedings relating thereto will provide for the public advertisement of competitive bids for the Bonds according to Kentucky law, and in the event a bid or bids are received for the Bonds at an interest cost to the District more advantageous to the District than the loan commitment of USDA, the Bonds will be sold to such other bidder; however, it is not expected any other bids will be received in view of the interest rate to be stipulated by USDA. The Bonds will not be delivered to USDA until such time as approximately the amount of the Bonds has been spent on the Project. This procedure is in accord with USDA rules requiring interim financing of USDA projects to the amount of the USDA loan. Accordingly, construction of the Project will be instituted and funded initially from the proceeds of an interim financing loan to be obtained from the Kentucky Rural Water Finance Corporation at a rate not to exceed 5.25% per annum. The interim loan will be secured by (i) the undisbursed proceeds of the interim financing loan and (ii) the proceeds of the Bonds when delivered to USDA according to USDA practices and procedures.

Interim financing is also available to the District from USDA at its current interest rate for loans of this type in the event other interim financing sources are not available or are unreasonable.

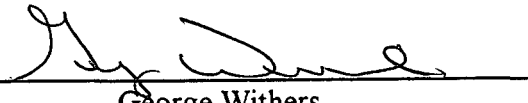
9. The Commission of the District respectfully represents to the Public Service Commission that there is a genuine need and demand for the Project and that the Commission should enter herein its Order, in compliance with KRS 278.023 and 807 KAR 5:069, (a) issuing its Certificate of Public Convenience and Necessity pursuant to KRS 278.020 authorizing construction and installation of the Project, and (b) authorizing pursuant to KRS 278.300 the issuance of \$346,000 aggregate principal amount of Waterworks System Revenue Bonds, 1999 Series A and B, by the District as described herein.

WHEREFORE, the Applicant, South Woodford County Water District, respectfully requests that such Order be issued.

Respectfully submitted,

SOUTH WOODFORD COUNTY
WATER DISTRICT

By



George Withers
Chairman of the Commission



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Bond Counsel for the District



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Counsel for the District

* * *


COMMONWEALTH OF KENTUCKY)
COUNTY OF WOODFORD)

I, George Withers, being first duly sworn according to law, state that I am Chairman of the Commission of South Woodford County Water District, that I have read the foregoing Application and that the statements of fact set forth therein are true and accurate to the best of my knowledge and belief.

WITNESS my signature this 2nd day of February, 1999.

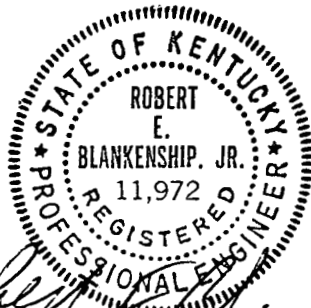

George Withers

Subscribed and sworn to before me this 2nd day of February, 1999. My commission expires 2/20/99.


Notary Public
Commonwealth of Kentucky

REVISED PRELIMINARY ENGINEERING REPORT
PHASE III WATER LINE EXTENSIONS
SOUTH WOODFORD WATER DISTRICT
VERSAILLES, WOODFORD COUNTY, KENTUCKY

June, 1995
August, 1996 (Revised)



Robert E. Blankenship, Jr.

Prepared By:

Haworth, Meyer & Boleyn, Inc.
3 HMB Circle
US 460 Georgetown Road
Frankfort, KY 40601

EXHIBIT A

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I. SUMMARY

In June, 1995, the South Woodford Water District (SWWD) submitted a jointly funded (RECD & HUD - CDBG) Project. That project was not funded by HUD. The District has chosen to rework the project and resubmit to both RECD & HUD - CDBG. This Report represents the revised submission.

The South Woodford Water District proposes to extend water service to areas in need of a safe potable water supply. This will be accomplished by extending water lines into southern Woodford County along the following roads:

Base Project

- | | |
|---------------------------------|--------------------------------------|
| - Lillard's Ferry Rd. | - Shyrock Ferry Rd. (to end of road) |
| - Scott's Ferry Rd. | - Fintville Rd. |
| - Oregon Rd. | - Seller's Mill Rd. (KY 1965) |
| - Patterson Lane | - Gastineau Lane |
| - Grier's Creek Rd. | - Ford's Mill Rd. |
| - McCowan's Ferry Rd. (KY 1964) | - Elm Corner Rd. |
| - Shyrock Ferry Rd. | - Cummin's Ferry Rd. |
| - Shyrock Ferry Rd. (WEST) | - Bunton Road |
| | - Troy Pike (KY33) |

ADD-ON ROADS

- | | |
|------------------------|--------------|
| - Haggin Lane | - Bowman Rd. |
| - Mundy's Landing Road | - Hifner Rd. |

The Engineering Report shall outline the extension of the water system into these areas of Woodford County, Kentucky. The project consists of:

- 9.5 miles - 6" water line & appurtenances
- 10.9 miles - 4" water line & appurtenances
- 4 main line pressure reducing valves
- 1 mastermeter
- 149 potential customers
- 63 LMI Customers (No Tap Fees Paid)
- 60 Non-LMI Customers (Pay Tap Fees)

Preliminary cost estimates for the base project are summarized in Tables 1 & 2; while Table 3 presents the construction cost estimate for the Add-On Roads.

The proposed financing package is:

Tap Fees ⁽¹⁾	\$24,000
HUD - CDBG Grant	\$300,000
RECD Loan	\$282,500
RECD Grant	\$283,000
Woodford Co. Fiscal Court	<u>\$ 97,500⁽²⁾</u>
Total Funding	\$987,000

NOTE:

- (1) Tap Fees are based on 149 potential customers less 63 LMI'S (who gets free connection), leaving 86 potential that pay connection fee. Assumed 70% sign-up for the remaining 86 or $60 \times \$400 = \$24,000$.
- (2) First contribution Fiscal Court has ever made to a rural ater project.

This project is badly needed. The Woodford County Health Department took 32 water samples from wells and cisterns in the project area; 27 were contaminated (or 84.4% contamination)! The samples were contaminated with E. Coli bacterium, which is the indicator organism for fecal contamination. In fact, the Public Health Director of Woodford County - a Registered Nurse, in her letter of June 12, 1995, said "this letter constitutes a warning that it is unhealthy and potentially dangerous for our citizens to drink water from private water supplies that are contaminated as is demonstrated by these samples." (Both the water sample results and Ms. Acker's letter are included in Appendix D of the RECD Environmental Assessment).

The people in the project area are in desperate need of the water. When the Public Meeting was held, as part of the RECD Environmental Assessment process, 52 were in attendance. This is a very good turn-out and all expressed their needs and support. (The Attendance Roster for this meeting is included with HMB's letter to RECD, reporting on the Public Meeting held in conjunction with the RECD Environmental Assessment).

While it is generally accepted that Woodford County has a high per capita income, there are many residents that do not. The proposed project includes many of those people. The project has been surveyed by Mr. Tyrone Gentry of the Kentucky Association for Community Action, Frankfort, KY. Mr. Gentry has found the median income, for RECD's purposes, to be \$21,500. He also found 91 Low/Moderate Income households using the HUD-CDBG criteria. As is evident from these numbers, the potential customers need financial assistance. This was recognized by the Fiscal Court; they have pledged a substantial grant to support the project and to keep rates to an affordable level. This is the first time that this type of financial support has been given by the Woodford County Fiscal Court.

II. INTRODUCTION

This Preliminary Engineering Report will examine the proposed Phase III Water Line Extension for the Water System of the Water District. This extension will help eliminate existing health and sanitation hazards with regard to lack of potable water for those persons currently living in the proposed service area. Presently, their water needs are supplied by wells and cisterns. Water tests recently taken in Woodford County show contamination with bacteria. Actual water samples taken in the project area reflect a contamination of 84.4% (27 of 32 samples were contaminated with E. Coli Bacterium).

With the availability of potable water to this area, both single family and multi-family dwellings are possible. Also a healthier environment will be provided for the residents in the area.

III. EXISTING WATER FACILITIES

A. Existing System

From current District records, the existing system consists of approximately 62.9 miles of 2"-8" PVC & transite water lines, several main line pressure reducing valves, one 600 gpm booster pump station and one 225,000 gallon standpipe (water storage tank). The tank is 112' tall with an overflow elevation of 1052' ± and ground elevation of 940' ± (information provided by Tank Contractor). The SWWD has no treatment facilities. Rather, water is purchased from the City of Versailles. The City obtains its water from the Kentucky River, which is considered to be an adequate source of water and of good quality. 1994 records indicate that the District purchased approximately 115,534,000 gallons of water from the City and sold approximately 88,330,100 gallons.

B. New Elevated Water Storage Tank

The District received an FmHA Letter of Conditions in June, 1992 and a revised Letter of Conditions on March 27, 1996, to build a new water storage tank. Since this project is being performed by another consulting engineering firm, the following information should not be taken as final design criteria. It is HMB's understanding, that this new tank will be located near the old Mortonville School on KY 1965 in the small community of Mortonville, KY. The tank, as planned, is to be an elevated tank with an overflow elevation approximately equal to the existing tank. Since, there are no booster pump stations planned, it is assumed that the Design Engineer plans for the tank to fill by gravity flow from the existing tank & pump station. It is our understanding, that construction on this tank should commence in July/August, 1996.

For the purposes of this report, it shall be assumed that the above described elevated tank is existing. Further, we assumed that the Debt Service, RECD interest rate, loan amount, proposed rates, etc. as published in the March 27, 1996 Revised Letter of Conditions are valid and in effect at this time.

IV. PROPOSED WATER SYSTEM IMPROVEMENTS

The proposed water line extension will extend water service to approximately 149 potential customers generally in southern Woodford County along the several roads shown in Section I above. The approximate length of this extension will be 20.3 miles of 6" and 4" water mains. These customers are in need of a reliable public water supply due to the inability to obtain an adequate local or individual source of acceptable water. There are several Add-On Roads that are not included in the Base Project. These roads might be considered for construction should funds be left after bidding the project.

It appears that adequate pressure should be provided to the proposed customers from either the existing stand pipe in the Water District and/or the currently planned elevated water tank in Mortonsville, KY. Therefore, a tank and conventional pump station are not planned for this project.

Maps attached to this Report present the proposed water system extensions.

V. COST SUMMARY

Table 1 presents the estimated construction cost for the Base Project. Table 2 summarizes the estimated project cost for the Base Project. While Table 3 shows the estimated construction cost for the Add-On Project.

TABLE 1
ESTIMATED CONSTRUCTION COST BASE PROJECT

<u>Item #</u>	<u>Item</u>	<u>Quantity</u>	<u>Unit</u>	<u>Unit Price</u>	<u>Total</u>
1.	6" Water Pipe, Furnishing & Laying CL 200, SDR 21 PVC	50,100	LF	\$5.50	\$275,550
2.	4" Water Pipe, Furnishing & Laying CL 200, SDR 21 PVC	47,000	LF	3.50	164,500
3.	4" Water Pipe, Furnishing & Laying C-900, SDR 14 PVC	10,100	LF	4.25	42,925
4.	4" Ductile Iron Pipe, Furnishing & Laying	200	LF	10.00	2,000
5.	10" Steel Cover Pipe, Bore & Jack	250	LF	60.00	15,000
6.	8" Steel Cover Pipe, Bore & Jack	450	LF	55.00	24,750
7.	6" Gate Valve and Box	18	EA	400.00	7,200
8.	4" Gate Valve and Box	21	EA	350.00	7,350
9.	Customer Service - Same Side of Road	32	EA	300.00	9,600
10.	Customer Service - Other Side of Road	32	EA	500.00	16,000
11.	Additional 1" Service Tubing	410	LF	3.00	1,230
9A.	LMI Customers (Same Side)	32	EA	300.00	9,600
10A.	LMI Customers (Other Side)	31	EA	500.00	15,500
11A.	Low Income Service Tubing	1500 ⁽¹⁾	LF	3.00	4,500
12.	Blowoff Hydrant Assembly (Single Nozzle)	10	EA	1,000.00	10,000
13.	Manual Air Release Valve Assembly	9	EA	350.00	3,150
14.	Creek Crossing (Concr. Cap)	980	LF	30.00	29,400
15.	Bituminous Paving Replacement (Non-State)	765	LF	15.00	11,475
16.	Crushed Stone	2350	LF	3.00	7,050
17.	Misc. Dry Taps to Existing Main (All Sizes)	13	EA	1000.00	13,000
18.	Wet Tap (16" X 6") (@ US 62 & City Line)	1	EA	5,000.00	5,000
19.	Mastermeter & Vault		LS		10,000
20.	Pressure Reducing Valve and Vault (F/Mains)	4	EA	10,000.00	<u>40,000</u>

TOTAL ESTIMATED CONSTRUCTION COST \$724,780

SAY \$725,000

NOTE:

(1) 30 customers x 50' Each = 1500'

TABLE 2
ESTIMATED PROJECT COST BASE PROJECT

Construction Costs		
All Costs Exclusive of Low Income Services	\$720,500	
Low Income Services (30)	<u>\$4,500</u>	
Subtotal Construction Costs		\$725,000
Engineering Design		87,700
Resident Inspection		38,500
Legal and RECD Administration		12,000
Land and Right-of-Way (RECD)		3,000
Land Acquisition (HUD-CDBG)		10,000
Contingencies		72,500
Interest during Construction		7,000
Administration (HUD-CDBG)		24,900
Planning (HUD-CDBG)		3,500
Archaeological Survey		<u>2,900</u>
Total Estimated Project Cost		\$987,000

TABLE 3
ESTIMATED CONSTRUCTION COST (ADD-ON ROADS)

<u>Item #</u>	<u>Item</u>	<u>Quantity</u>	<u>Unit</u>	<u>Unit Price</u>	<u>Total</u>
1.	6" Water Pipe, Furnishing & Laying CL 200, SDR 21 PVC	7,900	LF	\$5.50	\$43,450
2.	4" Water Pipe, Furnishing & Laying CL 200, SDR 21 PVC	11,500	LF	3.50	40,250
3.	4" Water Pipe, Furnishing & Laying C-900, SDR 14 PVC	4,900	LF	4.25	20,825
4.	10" Steel Cover Pipe, Bore & Jack	50	LF	60.00	3,000
5.	6" Gate Valve and Box	4	EA	400.00	1,600
6.	4" Gate Valve and Box	4	EA	350.00	1,400
7.	Customer Service - Same Side of Road	8	EA	300.00	2,400
8.	Customer Service - Other Side of Road	6	EA	500.00	3,000
9.	Additional 1" Service Tubing	60	LF	3.00	180
10.	Blowoff Hydrant Assembly (Single Nozzle)	4	EA	1,000.00	4,000
11.	Manual Air Release	2	EA	350.00	700
12.	Creek Crossing (Concr. Cap)	50	LF	30.00	1,500
13.	Bituminous Paving Replacement (Non-State)	145	LF	15.00	2,175
14.	Crushed Stone on Trench Surface	300	LF	3.00	900
15.	Misc. Dry Taps to Existing Main	3	EA	1,000.00	3,000
16.	Hydropneumatic Pump Station		LS		<u>60,000</u>
TOTAL ESTIMATED CONSTRUCTION COST (Add-On Roads)					\$188,380
SAY					\$189,000

VI. FUNDING

Proposed funding for this project is being made available by the following:

TABLE 4

PROPOSED PROJECT FUNDING

Tap Fees ⁽¹⁾	\$24,000
HUD-CDBG Grant	300,000
RECD Loan ⁽²⁾	282,500
RECD Grant	283,000
Woodford Co. Fiscal Court	<u>97,500</u>
Total Project Funding	\$987,000

Note:

- (1) Tap fee is currently \$400 per customer x 60 Taps.
- (2) 5 3/8% Loan for 40 years with principal deferred for 2 years.

VII. CUSTOMER ANALYSIS

A. Existing System

The SWWD has experienced a steady growth of users over the last several years. The District's service area is primarily agricultural; however, there is not a high percentage of horse farms, etc. like the northern portion of the County. Zoning Regulations also permits the opportunity for some limited development in the area. Thus, development in the southern portion of the County has been increasing.

In January, 1994 the District had 909 customers, by December 31st there were 942 on line. This was a growth rate of 3.63%. (Information taken from the 1994 Usage Data - See the attached "Summary Addendum", Pages 15-17).

Generally, the 1995 growth proceeded at the same rate. In January, 1995 there were 954 customers; through June, 1995 the customers had increased to 969. The growth rate for the first 6 months of 1995 was 2.9% or a projected annual growth of 5.8%.

Therefore, the 2-year average growth rate in customers for 1994 (3.63%) and 1995 (projected 5.8%) was 4.7%. It was decided to use 4% as a conservative annual growth rate in customer count for the purposes of this Report (ie, income projections, water purchase costs, other expenses, etc.).

B. Proposed Customers - New Project

There are 149 potential customers in the project area. They are broken down as follows:

- 63 Low Moderate Income (LMI)
- 86 Non LMI

For the purposes of this Report, it was assumed that 100% of the LMI's would sign up and approximately 70% of the Non LMI's or $0.7 \times 86 = 60$ customers. Total estimated new customers would be 123.

VIII. RATE ANALYSIS

A. Expenses

1. General

There are normally three components to be considered in calculating a system's total expenses. They are Operation and Maintenance Costs (O&M), Annual Debt Service (payment for principal and interest on the bonded indebtedness) and Coverage (monthly "set aside" from revenues to insure payment of Debt Service in "lean" times).

2. Operation and Maintenance Costs

(a) Purchased Water Expense

In 1994, the Water District purchased 115,534,000 gallons of water from the City, at a wholesale rate of \$1.52 per 1000 gallons. From the 1994 User Analysis (see Pages 15-17 of the attached Summary Addendum), there were 925 average customers, using 8,000 gallons per customer per month for a Total Water Sales of 88,330,100 gallons in 1994.

To obtain an estimation of water to be purchased from the City, projected through 1997 using the estimated number of customers projected through 1997, a basic assumption was made: we assumed the growth customers would use at the same rate of 8,000 gallons per month similar to the District's current average usage; we also assumed the 1994 unaccounted for water would stay approximately the same.

Further, it was assumed the proposed customers in the Phase III Project would use 4,000 gallons per month. It was assumed the unaccounted for water would be approximately 10% for the new system.

TABLE 5
ESTIMATED PURCHASED WATER

EXISTING SYSTEM

PURCHASED WATER

925 Average Customers in 1994 ⁽¹⁾	115,534,000 gallons
151 Growth Customers ⁽²⁾	<u>18,860,000 gallons⁽³⁾</u>
Subtotal	134,394,000 gallons
Cost @ \$1.52/1000 gallons =	\$204,300

PROPOSED SYSTEM

123 Customers ⁽⁴⁾	6,494,000 gallons
Cost @ \$1.52/1000 gallons =	\$9,900

NOTE:

- (1) Jan. '94 - 909 customers; Dec. '94 - 942 customers; average = 925.
- (2) 1076 customers in 1997 less 925 avg # customers 1994 = 151 growth customers.
- (3) W. Purch. = $115,534,000 \div 925 = 124,902$ gal/yr. x 151 growth cust.
= 18,860,200 gallons (includes unaccounted for water)
- (3) W. Purch. = 123 cust. x (4000 gal/mo + 400 gal/mo loss) x 12 mos
= 6,494,000.

(b). Other Operating Expenses (Excluding Water Purchase)

TABLE 6
OTHER OPERATING EXPENSES

	From 1994 Audit	Annual Cost/Cust From 1994 Audit (Based on 925)	Annual Cost Existing System (Based on 1076)	Annual Cost Proposed System (Based on 123)
Customer Billing	\$36,202	\$39.14	\$42,100	\$4,900
Meter Reading	17,000	18.38	19,800	2,300
Utilities	5,391	5.83	6,300	700
Repairs	46,576	50.35	46,600 ⁽¹⁾	1,100
Commissioner's Fees	5,400	5.84	5,400 ⁽¹⁾	0
Insurance & Bonds	2,972	3.21	3,000 ⁽¹⁾	350
Office & Rent	4,354	4.71	4,400 ⁽¹⁾	0
Legal & Accounting	2,992	3.23	3,000 ⁽¹⁾	450
Other Expenses	<u>10,589</u>	11.45	<u>10,600⁽¹⁾</u>	<u>1,300</u>
Subtotal of Expenses	<u>\$131,476</u>		<u>\$141,200</u>	<u>\$11,100</u>
Subtotal w/Inflation	-		\$149,700	\$11,800
Depreciation Expense	<u>42,851</u>		<u>45,900</u>	<u>0</u>
Total of Expenses	\$174,327		\$195,600	\$11,800

NOTE:

- (1) Assumed no change with increased number of customers due to growth.
- (2) Assumed an inflation rate of 3% per year for 2 yrs. (1996 through 1997) or a total of 6% inflationary increase.

3. Debt Service

(a) General

The annual debt service (payment for principal and interest) is established in the bond ordinance for each bond issue. The actual payment is dependent on the interest rate and term of the bond issue.

(b) Existing System

In 1997, the existing bond issues (1968 & 1989) have a combined principal payment of \$10,000 and a combined interest payment of \$35,976, for a Total Annual Debt Repayment of \$45,976. A detailed itemization of P & I payments for each existing bond issue can be found in the District's Annual Audit.

(c) Elevated Tank Project

As previously discussed, the SWWD is currently constructing its elevated water tank project. It was assumed that the Debt Service from this new tank would be considered as an existing debt. The 1996 Revised RECD Letter of Conditions indicates a loan of \$446,000 at 5 3/8% for a period of 28 years, with principal deferred for 2 years. The annual P & I payment shall be approximately \$32,300 ($\$72.28/1000$).

(d) Proposed Phase III Project

The proposed bond issue for the Phase III Project is assumed to be a RECD loan at 5 3/8% interest rate for a term of 40 years with principal payments deferred for the first two years. For these conditions, the amortization factor used in calculating annual payments for P&I of the proposed project is $\$62.27/1000$. Since the bond issue for the Phase III Project is \$282,500, the annual P & I payment shall be approximately \$17,600.

4. Coverage

Coverage is RECD's requirement of establishing a monthly "set aside" to ensure payment of debt service should the utility have a "lean" year or some major unexpected cost. This money is a percent of the monthly revenues with a pre-established "cap". It is normally

placed in a reserve account and is not available to the Utility for O&M Expenses without RECD's approval.

The normal percent used by RECD for this item is 10% on each bond issue. That was the percent that was used in the following rate analysis for the South Woodford Water District.

5. Summary of Expenses

The following table summarizes the estimated expenses to be incurred, by the South Woodford Water District, through 1997 (the projected first year of operation).

TABLE 7
SUMMARY OF EXPENSES

	<u>Annual Water Purchase</u>	<u>Annual O&M Expense</u>	<u>Debt Service</u>	<u>Coverage @10%</u>	<u>Total</u>
Existing System	\$204,300	\$195,600	\$46,000	\$4,600	\$450,500
Elevated Tank	N/A	N/A	32,300	3,200	35,500
Proposed Phase III Proj.	<u>9,900</u>	<u>11,800</u>	<u>17,600</u>	<u>1,800</u>	<u>41,100</u>
TOTAL	\$214,200	\$207,400	\$95,400	\$9,600	\$527,100

Therefore, the Water District needs to collect a minimum of \$527,100 annually to break even. Any amount in excess of that figure is surplus and can be used to make additional capital improvements to the water system and/or make repairs to the existing system.

B. Income Required

1. General

Income for a Utility comes from several sources; they are: sale of water, interest income on investments, fees received from disconnect/reconnect/late charges and surcharges. Surcharges are a relatively new method of fee collection in the water utility industry. The surcharge is an attempt to extend service into new areas by letting those that receive the service pay a more proportionate share of the cost. It also is an attempt at not making the first customers in a utility continually pay for expansion of that system.

The South Woodford Water District has not previously used this surcharge method of income collection. They wish to utilize it on this Phase III Project.

It should be noted that utility system growth is not bad for existing customers (i.e., the first customers in a system). If utility systems do not expand, grow and find new customers, then the first customers in the system shall find themselves paying higher utility bills anyway. This is because there is a fixed customer base (i.e., no growth/expansion) while expenses continue to rise (i.e., salaries, fuel, chemicals, etc). Also, there are a certain amount of fixed costs, not related to growth and expansion, that continues to grow. Such expenses are office salaries, etc.

Thus, growth is good for all, even the first customers in the system, because it allows the Utility to spread its expenses over an ever growing number of customers. It also allows the Utility to be in a position to "pickup" growth customers (i.e., those that move into the area and/or build after expansion projects are long completed).

2. Customers and Average Usage

The customer count and the annual usage was prepared by the SWWD. This usage is in the attached Summary Addendum on Pages 15 & 17. Following is a summary of that data:

TABLE 8
CUSTOMER COUNT & USAGE

<u>Service Areas</u>	<u>Number of Customers</u>	<u>Average Monthly Usage (Gallons)</u>
Existing System	925 ⁽¹⁾	8,000 ⁽¹⁾
Existing System (Growth)	<u>151⁽²⁾</u>	<u>8,000⁽³⁾</u>
Subtotal	1076	8,000
Proposed Phase III	123	4,000 ⁽⁴⁾

NOTES:

- (1) Average number of customers and usage from 1994 data.
- (2) See Footnote 2, Table 5.
- (3) Assumed same annual usage since the socio-economic makeup of the growth customers appears to be equal to the existing customers.
- (4) Assumed lesser usage due to high number of LMI's.

3. Income from Existing Rates

The District's existing rate structure is presented in Table 9. This rate was included in the RECD Revised Letter of Conditions of March, 1996. It goes into effect in August/September, 1996. For 4,000 gallons, the water bill is \$26.34; for 8,000 gallons, the bill is \$41.34. As can be seen from the calculations in this table, the income generated from the existing rates and the projected customers does not yield sufficient income to meet the obligations. Therefore, a rate increase is required.

TABLE 9
EXISTING RATES & INCOME GENERATED

First 2,000 gallons	\$18.42 Minimum
Next 2,000 gallons	3.96 per 1,000 gallons
Next 6,000 gallons	3.75 per 1,000 gallons
Next 90,000 gallons	3.42 per 1,000 gallons
All over 100,000 gallons	3.02 per 1,000 gallons

<u>Customers</u>	<u>Monthly Bill</u>	<u>Income Generated</u>
Existing Sys 1076 cust. (8,000 Usage) x \$41.34 x 12 months =		\$533,800
Phase III Sys 123 cust. (4,000 Usage) x \$26.34 x 12 months =		<u>\$ 38,900⁽¹⁾</u>
Total Income		\$572,700

NOTE:

(1) No surcharge included in these numbers.

4. Income from Proposed Rates

As shown above, the rate structure generates sufficient income for the existing system to cover expenses, debt service, coverage and water purchase costs.

The proposed customers for the Phase III Project do not generate sufficient income, to meet all associated expenses for this new project. To meet these obligations, a surcharge is proposed to be added to the Phase III customers.

The proposed monthly surcharge levied on each new customer in the Phase III Project would be \$2.00. The surcharge should generate approximately \$2950 annually.

IX. RECOMMENDATIONS

It is recommended that the project be funded by RECD Loan/Grant and a Letter of Conditions be issued as soon as possible. Also, a HUD-CDBG Grant is required.

It appears that a rate increase shall not be required on the existing water system. The proposed Phase III Project shall have the same rates as the existing system with the additional \$2.00 per month per customer surcharge.

Based on the above calculations, the proposed rates, along with the assumptions made, RECD should allow the Water District to construct the Phase III Project. It appears they can meet all current and proposed debts and expenses, and still have a surplus of funds.

APPENDIX - RECD SUMMARY/ADDENDUM

SUMMARY/ADDENDUM

TO

PRELIMINARY ENGINEERING REPORT

Dated Revised July, 1996

FOR

PHASE III WATER LINE EXTENSIONS
SOUTH WOODFORD WATER DISTRICT
(Name of Water Facility Project)

Applicant Contact Person George Withers

Applicant Phone Number (606) 873-1308

In order to avoid unnecessary delays in application processing, the applicant and its consulting engineer should prepare a summary of the preliminary engineering report in accordance with this Guide. Feasibility review and grant determinations may be processed more accurately and more rapidly if the Summary/Addendum is submitted simultaneously with the preliminary engineering report, or as soon thereafter as possible.

I. General

A. Area to be Served: In addition to this summary, the applicant/engineer should submit a project map of the service area showing the following:

1. Existing Facilities - Location and Size.
2. Proposed Facilities - Location and Size. (see attached maps)
3. New User Location - Also attach a list of new users, by road.
4. Breakdown of project cost for each branch line.

II. FACILITY CHARACTERISTICS OF EXISTING WATER SYSTEM

- A. Water Source: Describe adequacy of source (quality and quantity). Include an explanation of raw water source, raw water intake structure, treatment plant capacity, and current level of production (WTP). Also describe the adequacy of Water Purchase Contract if applicable.

The South Woodford Water District (SWWD) currently purchases its water from the City of Versailles. Versailles pumps from the Kentucky River. It is felt that the source of water is adequate; as is, the city's treatment capacity. The SWWD has a water purchase agreement with the city.

If the applicant purchases water:

Seller(s): Versailles, KY

Price/1,000 gallons: \$ 1.52

Present Estimated Market Value of Existing System: \$ unknown

- B. Water Storage:

Type: Ground Storage Tank Elevated Tank *
Standpipe 1 Other * (1 tank in design)

Number of Storage Structures

Total Storage Volume Capacity 225,000 (standpipe)

Date Storage Tank(s) Constructed 1989

- C. Water Distribution System: (from 1993 PSC Audit)

Pipe Material Transite and PVC

Lineal Feet of Pipe: 3" Diameter 49632' 4" 151,062'

6" 119,820' 8" 5808' 10" 12" 2" 5700'

Date(s) Water Lines Constructed 1968 to present

Number and Capacity of Pump Station(s) 1 pump station-

600 gallon/minute

D. Condition of Existing Water System:

Briefly describe the condition and suitability for continued use of facility now owned by the applicant. Include any major renovation that will be needed within five to ten years.

The system is well maintained and operated. The SWWD currently is about to bid an elevated water tank. This new tank should improve pressures in the system.

III. EXISTING LONG-TERM INDEBTEDNESS

A. - List of Bonds and Notes:

<u>Date of Issue</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Pymt Date</u>	<u>Bond/Note Holder</u>	<u>Amount on Deposit in Reserve Acct</u>
1968 Issue	\$ 130,000	\$ 8,000	12/30	FMHA	
1989 Issue	\$ 409,000	\$ 2,000	12/30	FMHA	\$ 76,842
95/ 1996 Issue	\$ 446,000(1)	\$	12/30	RECD	0
19__ Issue	\$	\$			
19__ Issue	\$	\$			
19__ Issue	\$	\$			

IV. LAND AND RIGHTS - EXISTING SYSTEM(S)

Number of Treatment Plant Sites	0
Number of Storage Tank Sites	2
Number of Pump Stations	1
Total Acreage	1 Acres
Purchase Price	\$ 7,000

(1) Proposed tank project - information from RECD Revised Letter of Conditions of 3/27/96.



V. NUMBER OF EXISTING USERS

A. Water Users:

Residential Size Meters (In Town)*	_____ 0 _____
Residential Size Meters/Farmers (Out of Town)*	_____ @ _____
Larger Users (Larger Than 5/8" Meter (In Town)	_____ 0 _____
Larger Users (Larger Than 5/8" Meter (Out of Town)	_____ @ _____
Total	_____ @ 969 (as of June, 1995) _____
Number of Total Potential Users Living in the Service Area	_____ 2600 - 3000 ± _____

*NOTE: Residential/Farmers Users: Classify by type of user regardless of quantity of water used. This classification should include those meters serving individual rural residence size meters and farmers.

VI. CURRENT CONNECTION FEES FOR EACH SIZE METER CONNECTION

<u>Meter Size</u>	<u>Connection Fee</u>	<u>Minimum Water Usage for Each Size Meter</u>
5/8" x 3/4"	\$ 400.00 _____	2,000 gallons
1-Inch	\$ 600.00 _____	2,000 gallons
1-1/2" Inch	\$ _____	gallons
2-Inch	\$ _____	gallons
3-Inch	\$ _____	gallons
4-Inch	\$ _____	gallons
5-Inch	\$ _____	gallons
6-Inch	\$ _____	gallons

VII. WATER RATES - EXISTING RATE SCHEDULE

Date this rate went into effect: Current rate went into effect Aug/Sept 1996

Meter Size 5/8" x 3/4" :

First	<u>2,000</u>	Gallons @ \$ <u>18.42</u>	Minimum.
Next	<u>2,000</u>	Gallons @ \$ <u>3.96</u>	per 1,000 Gallons.
Next	<u>6,000</u>	Gallons @ \$ <u>3.75</u>	per 1,000 Gallons.
Next	<u>90,000</u>	Gallons @ \$ <u>3.42</u>	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
All Over	<u>100,000</u>	Gallons @ \$ <u>3.02</u>	per 1,000 Gallons.

Meter Size _____ :

First	_____	Gallons @ \$ _____	Minimum.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
All Over	_____	Gallons @ \$ _____	per 1,000 Gallons.

Meter Size _____ :

First	_____	Gallons @ \$ _____	Minimum.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
Next	_____	Gallons @ \$ _____	per 1,000 Gallons.
All Over	_____	Gallons @ \$ _____	per 1,000 Gallons.

VII. Existing Rate Schedule (Continued)

Meter Size _____:

First _____ Gallons @ \$ _____ Minimum.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
All Over _____ Gallons @ \$ _____ per 1,000 Gallons.

Meter Size _____:

First _____ Gallons @ \$ _____ Minimum.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
All Over _____ Gallons @ \$ _____ per 1,000 Gallons.

VIII. ANALYSIS OF ACTUAL WATER USAGE - EXISTING SYSTEM - 12 MONTH PERIOD

For Period January, 1994 to December, 1994

Meter Size	MONTHLY WATER USAGE		Average	Residential/ Farmer		Non-Residential/ Commercial	
				No. of Users	Usage (1000)	No. of Users	Usage (1000)
	0 -	2,000 Gal.	1,000				
	2,000 -	3,000 Gal.	2,500				
	3,000 -	4,000 Gal.	3,500				
	4,000 -	5,000 Gal.	4,500				
	5,000 -	6,000 Gal.	5,500				
	6,000 -	7,000 Gal.	6,500				
5/8 x	7,000 -	8,000 Gal.	7,500				
	8,000 -	9,000 Gal.	8,500				
3/4	9,000 -	10,000 Gal.	9,500				
	10,000 -	11,000 Gal.	10,500				
Inch	11,000 -	12,000 Gal.	11,500				
	12,000 -	13,000 Gal.	12,500				
	13,000 -	14,000 Gal.	13,500				
	14,000 -	15,000 Gal.	14,500				
	15,000 -	16,000 Gal.	15,500				
	16,000 -	17,000 Gal.	16,500				
	17,000 -	18,000 Gal.	17,500				
	18,000 -	19,000 Gal.	18,500				
	19,000 -	20,000 Gal.	19,500				
	-	Gal.					
	-	Gal.					
	-	Gal.					
			Sub-Total	()	()	()	()
			Average Usage	()	()	()	()
		Gal.					
		Gal.					
1-Inch		Gal.					
		Gal.					
		Gal.					
		Gal.					
		Gal.					
			Sub-Total	()	()	()	()
		Gal.					
		Gal.					
1-1/2		Gal.					
		Gal.					
		Gal.					
Inch		Gal.					
			Sub-Total	()	()	()	()

Continued

VIII. continued

Meter Size	MONTHLY WATER USAGE		Average	Residential/ Farmer		Non- Residential/ Commercial	
		Gal.		No. of Users	Usage (1000)	No. of Users	Usage (1000)
2-Inch		Gal.					
		Gal.					
		Gal.					
		Gal.					
		Gal.					
			Sub-Total	()	()	()	()
3-Inch		Gal.					
		Gal.					
		Gal.					
		Gal.					
		Gal.					
			Sub-Total	()	()	()	()
4-Inch		Gal.					
		Gal.					
		Gal.					
		Gal.					
		Gal.					
			Sub-Total	()	()	()	()
5-Inch		Gal.					
		Gal.					
		Gal.					
		Gal.					
		Gal.					
			Sub-Total	()	()	()	()
6-Inch		Gal.					
		Gal.					
		Gal.					
		Gal.					
		Gal.					
			Sub-Total	()	()	()	()
			Total	()	()	()	()
Total Water Purchased and/or Produced				115,534,000 gal			
Total Water Sold				88,330,100 gal			

X. FACILITY CHARACTERISTICS OF PROPOSED WATER SYSTEM

A. Water Source: Describe adequacy of source (quality and quantity). Include an explanation of raw water source, raw water intake structure, treatment plant capacity, and current level of production (WTP). Also describe the adequacy of Water Purchase Contract if applicable.

see page 2, section II A.

B. Water Storage: none

Type: Ground Storage Tank _____ Elevated Tank _____
Standpipe _____ Other _____

Number of Storage Structures _____
Total Storage Volume Capacity _____

C. Water Distribution System:

Pipe Material PVC & Ductile Iron

Lineal Feet of Pipe: 3" Diameter 0 4" 57,300 6" 50,100
8" 0 10" 0 12" 0

Number and Capacity of Pump Station(s) none

X. LAND AND RIGHTS - PROPOSED WATER SYSTEM(S)

Number of Treatment Plant Sites	<u>0</u>
Number of Pump Sites	<u>0</u>
Number of Other Sites (Storage Tank)	<u>0</u>
Total Acreage	<u>0</u> Acres
Purchase Price	\$ <u>0</u>

XI. NUMBER OF NEW USERS

A. Water Users:

Residential Size Meters (In Town)*	<u>0</u>
Residential Size Meters/Farmers (Out of Town)*	<u>123</u>
Larger Users (Larger Than 5/8" Meter (In Town))	<u>0</u>
Larger Users (Larger Than 5/8" Meter (Out of Town))	<u>0</u>
Total	<u>123 @</u>
Number of Total Potential Users Living in the Service Area	<u>149 @</u>

*NOTE: Residential/Farmers Users: Classify by type of user regardless of quantity of water used. This classification should include those meters serving individual rural residence size meter and farmers.

XII. PROPOSED CONNECTION FEES FOR EACH SIZE METER CONNECTION

Meter Size	Connection Fee	Minimum Water Usage for Each Size Meter	
<u>5/8" x 3/4"</u>	<u>\$ 400</u>	<u>2000</u>	<u>gallons</u>
<u>1-Inch</u>	<u>\$ 600</u>	<u>2000</u>	<u>gallons</u>
<u>1-1/2" Inch</u>	<u>\$</u>		<u>gallons</u>
<u>2-Inch</u>	<u>\$</u>		<u>gallons</u>
<u>3-Inch</u>	<u>\$</u>		<u>gallons</u>
<u>4-Inch</u>	<u>\$</u>		<u>gallons</u>
<u>5-Inch</u>	<u>\$</u>		<u>gallons</u>
<u>6-Inch</u>	<u>\$</u>		<u>gallons</u>

@ See Section I (Page 2) for customer breakdown.

XIII. WATER RATES - PROPOSED

A. Proposed Rate Schedule: *

First 2,000 Gallons @ \$ 18.42 Minimum.
Next 2,000 Gallons @ \$ 3.96 per 1,000 Gallons.
Next 6,000 Gallons @ \$ 3.75 per 1,000 Gallons.
Next 90,000 Gallons @ \$ 3.42 per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
All Over 100,000 Gallons @ \$ 3.02 per 1,000 Gallons.

IF MORE THAN ONE RATE, USE ADDITIONAL SHEETS.

* All proposed Phase III customers shall pay an additional \$2.00 per month surcharge - in addition to the above listed water rates.

YIV. FORECAST OF WATER USAGE - INCOME - EXISTING SYSTEM - EXISTING USERS

Water
Size
5/8 x
4
Inch

MONTHLY WATER USAGE	Average	Average Rate	Residential/ Farmer			Non-Residential/ Commercial		
			No. of Users	Usage 1,000	Income	No. of Users	Usage 1,000	Income
0 - 2,000 Gal.	1,000							
2,000 - 3,000 Gal.	2,500							
3,000 - 4,000 Gal.	3,500							
4,000 - 5,000 Gal.	4,500							
5,000 - 6,000 Gal.	5,500							
6,000 - 7,000 Gal.	6,500							
7,000 - 8,000 Gal.	7,500							
8,000 - 9,000 Gal.	8,000	<u>\$41.34</u>	<u>1076*</u>	<u>103,296</u>	<u>\$533,900</u>			
9,000 - 10,000 Gal.	9,500							
10,000 - 11,000 Gal.	10,500							
11,000 - 12,000 Gal.	11,500							
12,000 - 13,000 Gal.	12,500							
13,000 - 14,000 Gal.	13,500							
14,000 - 15,000 Gal.	14,500							
15,000 - 16,000 Gal.	15,500							
16,000 - 17,000 Gal.	16,500							
17,000 - 18,000 Gal.	17,500							
18,000 - 19,000 Gal.	18,500							
19,000 - 20,000 Gal.	19,500							
- Gal.								
- Gal.								
- Gal.								
- Gal.								
Sub-Total.....			(1076)	(103,296)	(533,900)	()	()	()
Average Monthly Rate.....		<u>\$41.34</u>						
Average Monthly Usage.....			(8000)					

* Existing system plus growth in system.

Inch
1 1/2
Inch

Gal.								
Gal.								
Gal.								
Gal.								
Gal.								
Gal.								
Sub-Total			()	()	()	()	()	()
Gal.								
Gal.								
Gal.								
Gal.								
Gal.								
Gal.								
Sub-Total			()	()	()	()	()	()

Continued.....

XIV. Continued.....



Meter Size	MONTHLY WATER USAGE	Average	Average Rate	Residential/ Farmer			Non-Residential/ Commercial		
				No. of Users	Usage 1,000	Income	No. of Users	Usage 1,000	Income
2-Inch	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Sub-Total			()	()	()	()	()	()
3-Inch	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Sub-Total			()	()	()	()	()	()
4-Inch	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Sub-Total			()	()	()	()	()	()
5-Inch	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Sub-Total			()	()	()	()	()	()
6-Inch	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Sub-Total			()	()	()	()	()	()
	TOTALS.....			()	()	()	()	()	()

FORECAST OF WATER USAGE - INCOME - NEW USERS - EXTENSION ONLY

Meter Size	MONTHLY WATER USAGE	Average	Average Rate	Residential/ Farmer			Non-Residential/ Commercial		
				No. of Users	Usage 1,000	Income	No. of Users	Usage 1,000	Income
	0 - 2,000 Gal.	1,000							
	2,000 - 3,000 Gal.	2,500							
	3,000 - 4,000 Gal.	3,500							
	4,000 - 5,000 Gal.	4,500	\$26.34	123	5904	\$38,900			
	5,000 - 6,000 Gal.	5,500							
	6,000 - 7,000 Gal.	6,500							
5/8 x	7,000 - 8,000 Gal.	7,500							
	8,000 - 9,000 Gal.	8,500							
3/4	9,000 - 10,000 Gal.	9,500							
	10,000 - 11,000 Gal.	10,500							
Inch	11,000 - 12,000 Gal.	11,500							
	12,000 - 13,000 Gal.	12,500							
	13,000 - 14,000 Gal.	13,500							
	14,000 - 15,000 Gal.	14,500							
	15,000 - 16,000 Gal.	15,500							
	16,000 - 17,000 Gal.	16,500							
	17,000 - 18,000 Gal.	17,500							
	18,000 - 19,000 Gal.	18,500							
	19,000 - 20,000 Gal.	19,500							
	- surcharge Gal.		\$2.00	123	-	\$2950			
	- Gal.								
	Sub-Total.....			(123)	(5904)	\$41,850			
	Average Monthly Rate.....		(29.34)						
	Average Monthly Usage.....			(4000)					

1-Inch	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Sub-Total			()	()	()	()	()	()

1-1/2 Inch	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Sub-Total			()	()	()	()	()	()

Continued.....

XV. Continued.....

Meter Size	MONTHLY WATER USAGE	Average	Average Rate	Residential/ Farmer			Non-Residential/ Commercial		
				No. of Users	Usage 1,000	Income	No. of Users	Usage 1,000	Income
2-Inch	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Sub-Total			()	()	()	()	()	()
3-Inch	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Sub-Total			()	()	()	()	()	()
4-Inch	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Sub-Total			()	()	()	()	()	()
5-Inch	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Sub-Total			()	()	()	()	()	()
6-Inch	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Gal.								
	Sub-Total			()	()	()	()	()	()
	TOTALS.....			()	()	()	()	()	()

VI. CURRENT OPERATING BUDGET - (As of the last full operating year)⁽¹⁾

A. Operating Income:

Water Sales	\$ 329,309 ⁽²⁾
Disconnect/Reconnect/Late Charge Fees	<u>0</u>
Other (Describe)	<u>0</u>
Less Allowances and Deductions	(<u>0</u>)
Total Operating Income.....	<u>\$ 329,309</u>

B. Operation and Maintenance Expenses:
(Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

Source of Supply Expense (purchased water)	\$ 172,644
Pumping Expense	<u> </u>
Water Treatment Expense	<u> </u>
Transmission and Distribution Expense	131,476
Customer Accounts Expense	<u> </u>
Administrative and General Expense	<u> </u>
Depreciation Expense	<u>42,851</u>
Total Operating Expenses.....	<u>\$ 346,971</u>

Net Operating Income..... \$(17,662)

C. Non-Operating Income:

Interest on Deposits	\$ 5,451
Other (Identify)	<u>0</u>
Total Non-Operating Income.....	<u>\$ 5,451</u>

D. Net Income..... \$(12,211)

E. Debt Repayment:

FmHA Interest	\$ 37,408
FmHA Principal	<u>8,000⁽³⁾</u>
Non-FmHA Interest	<u>0</u>
Non-FmHA Principal	<u>0</u>
Total Debt Repayment	<u>\$ 45,408</u>

F. Balance Available for Coverage and Depreciation... \$(57,619)⁽⁴⁾

- (1) From audit ending December 31, 1994.
- (2) Rates were increased and went into effect July 1, 1994; full effect of rate increase did not show up in 1994.
- (3) This line item required by FmHA, not required on Audit Page entitled "Statement of Revenues, Expenses, and Changes in Retained Earnings".
- (4) This figure does not reflect "Transfer from reserves" that was shown in the 1994 Audit.

XVII. PROPOSED OPERATING BUDGET - EXISTING (1) Year Ending 1997
 (1st Full Year of Operation)

A. Operating Income:

Water Sales	\$ 533,800 ⁽²⁾
Disconnect/Reconnect/Late Charge Fees	_____
Other (Describe)	_____
Less Allowances and Deductions	(_____)
Total Operating Income.....	\$ 533,800

B. Operation and Maintenance Expenses:
 (Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

Source of Supply Expense	\$ 204,300 ⁽²⁾
Pumping Expense	_____
Water Treatment Expense	_____
Transmission and Distribution Expense	149,700 ⁽²⁾
Customer Accounts Expense	_____
Administrative and General Expense	_____
Depreciation Expense	\$ 45,900 ⁽²⁾
Total Operating Expenses.....	\$ 399,900
Net Operating Income.....	\$ 133,900

C. Non-Operating Income:

Interest on Deposits	\$ 0
Other (Identify)	0
Total Non-Operating Income.....	\$ 0

D. Net Income..... \$ 133,900

E. Debt Repayment:

FmHA Interest	}	Existing System	\$ 46,000
FmHA Principal		Elevated Tank	32,300
Non-FmHA Interest			0
Non-FmHA Principal			0
Total Debt Repayment			\$ 78,300

F. Balance Available for Coverage (3) ... \$ 55,600

(1) Budget for existing system, existing customers, customers due to growth, and new elevated water tank, total customers = 1076
 (2) Detailed calculations found in Section VIII of Engineering Report.
 (3) Depreciation included in "B" above.

XVIII. PROPOSED OPERATING BUDGET - NEW USERS - EXTENSION ONLY⁽¹⁾
 (1st Full Year of Operation) Year Ending 1997

A. Operating Income:

Water Sales	\$ <u>38,900</u> ⁽²⁾
Disconnect/Reconnect/Late Charge Fees	<u> </u>
Other (Describe) surcharge on new 123 customers	<u>2,950</u>
Less Allowances and Deductions	(<u> 0 </u>)
Total Operating Income.....	\$ <u>41,850</u>

B. Operation and Maintenance Expenses:
 (Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

Source of Supply Expense	\$ <u>9,900</u> ⁽²⁾
Pumping Expense	<u> </u>
Water Treatment Expense	<u>11,800</u> ⁽²⁾
Transmission and Distribution Expense	<u> </u>
Customer Accounts Expense	<u> </u>
Administrative and General Expense	<u> </u>
Depreciation Expense	\$ <u> 0 </u>
Total Operating Expenses.....	\$ <u>21,700</u>
Net Operating Income.....	\$ <u>20,150</u>

C. Non-Operating Income:

Interest on Deposits	\$ <u> 0 </u>
Other (Identify)	<u> 0 </u>
Total Non-Operating Income.....	\$ <u> 0 </u>

D. Net Income..... \$ 20,150

E. Debt Repayment:

FmHA Interest	\$ <u>17,600</u>
FmHA Principal	<u> 0 </u>
Non-FmHA Interest	<u> 0 </u>
Non-FmHA Principal	<u> 0 </u>
Total Debt Repayment	\$ <u>17,600</u>

F. Balance Available for Coverage ⁽³⁾ ... \$ 2,550

(1) Budget for new project only, total customers = 123.
 (2) Detailed calculations found in Section VIII of Engineering Report.
 (3) Depreciation included in "B" above.

XIX. ESTIMATED PROJECT COST - WATER

Development		\$ 725,000
Non LMI Construction	\$720,500	
LMI Construction	\$ 4,500	
Land and Rights (RECD)		3,000
Land Acquisition (HUD)		10,000
Legal Administration Costs (RECD)		12,000
Engineering & Inspection		126,200
Interest during construction		7,000
Contingencies		72,500
HUD Administrative Costs		24,900
HUD Planning Costs		3,500
Other: Archaeological Survey		2,900
TOTAL		<u>987,000</u>

XX. PROPOSED PROJECT FUNDING

Applicant - User Connection Fees ⁽¹⁾		\$ 24,000
Other Applicant Contribution		0
FmHA Loan		282,500
FmHA Grant		283,000
Other (Specify): HUD - CDBG Grant		300,000
Other (Specify): Woodford Fiscal Court		97,500
Other (Specify)		0
Other (Specify)		0
TOTAL		<u>\$ 987,000</u>

(1) 60 Taps x \$400 = \$24,000

DATE: 05/05/95

SOUTH WOODFORD WATER DISTRICT
MONTHLY USAGE TRACKING BY VOLUME RANGES

SERVICE: WATER
RATE TABLE CODE: ALL
PERIOD COVERED: JANUARY 1994 THRU DECEMBER 1994
ACCOUNT NUMBER RANGE: ALL
ACCOUNT CLASSIFICATION: ALL

NGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
2.0	144.6	198.3	130.2	128.2	114.4	88.0	110.8	101.7	91.2	136.0	105.5	139.2	1488.0
# BILLS	158	214	192	170	150	121	142	120	131	173	145	173	1808
AVERAGE	.9	.9	.7	.8	.8	.7	.8	.8	.7	.8	.7	.8	.8
3.0	249.3	202.2	263.8	244.4	218.7	131.0	183.1	173.3	102.0	321.9	224.8	309.9	2714.4
# BILLS	86	80	104	83	84	51	70	67	75	124	87	121	1052
AVERAGE	2.6	2.5	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
4.0	454.3	382.3	419.2	438.4	376.0	233.5	362.8	364.8	314.1	407.3	338.6	509.3	4600.6
# BILLS	127	108	118	123	106	66	101	103	87	113	96	142	1290
AVERAGE	3.6	3.5	3.6	3.6	3.5	3.5	3.6	3.5	3.6	3.6	3.5	3.6	3.6
5.0	490.6	344.2	581.8	553.4	491.3	331.1	418.3	474.5	420.6	634.1	521.8	567.0	5828.7
# BILLS	107	76	128	122	108	73	81	103	92	140	115	125	1280
AVERAGE	4.6	4.5	4.5	4.5	4.5	4.5	4.6	4.6	4.6	4.5	4.5	4.5	4.6
6.0	587.5	467.0	685.3	588.2	520.6	467.7	588.3	515.1	580.8	486.5	631.0	517.4	6657.4
# BILLS	105	85	124	189	94	85	108	92	105	88	114	95	1204
AVERAGE	5.6	5.5	5.5	5.5	5.5	5.5	5.5	5.6	5.5	5.5	5.5	5.4	5.5
7.0	568.8	524.4	448.8	514.5	514.2	492.0	488.4	574.9	560.2	424.7	580.6	505.5	6288.0
# BILLS	87	80	69	79	79	75	76	88	86	65	88	78	850
AVERAGE	6.5	6.6	6.5	6.5	6.5	6.6	6.6	6.5	6.5	6.5	6.6	6.5	6.5
8.0	382.3	354.3	239.5	444.6	526.5	450.4	515.7	483.4	486.8	352.8	537.8	427.5	5201.6
# BILLS	51	47	32	59	70	60	68	64	65	47	71	57	691
AVERAGE	7.5	7.5	7.5	7.5	7.5	7.5	7.6	7.6	7.5	7.5	7.6	7.5	7.5
9.0	212.1	307.0	245.8	264.3	321.4	469.9	263.6	381.5	456.8	289.7	417.0	325.8	3975.2
# BILLS	25	36	29	31	38	55	31	46	54	35	48	38	467
AVERAGE	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.6	8.5	8.6	8.5
10.0	326.5	268.1	239.2	304.0	368.6	475.5	343.0	303.1	372.3	283.8	332.0	227.7	3843.8
# BILLS	34	28	25	32	39	50	36	32	39	30	35	24	404
AVERAGE	9.6	9.6	9.6	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5

2000 gal.
144, 600 gal.
214 bills
800 gal avg.

DATE: 05/05/95

SOUTH WOODFORD WATER DISTRICT
MONTHLY USAGE TRACKING BY VOLUME RANGES

PAGE 2

SERVICE: WATER
RATE TABLE CODE: ALL
PERIOD COVERED: JANUARY 1994 THRU DECEMBER 1994
ACCOUNT NUMBER RANGE: ALL
ACCOUNT CLASSIFICATION: ALL

NGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
11.0	232.1	158.4	193.9	166.5	208.7	434.1	229.4	368.1	464.0	211.3	260.8	196.4	2844.8
# BILLS	22	15	10	16	20	41	22	35	44	20	25	10	280
AVERAGE	10.6	10.6	10.4	10.4	10.5	10.6	10.4	10.5	10.5	10.6	10.4	10.6	10.5

NGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
12.0	183.6	206.2	104.0	127.2	207.0	346.6	217.2	241.7	254.9	115.2	194.3	105.9	2303.8
# BILLS	16	18	9	11	18	30	18	21	22	10	17	8	280
AVERAGE	11.5	11.5	11.6	11.6	11.5	11.6	11.4	11.5	11.6	11.5	11.4	11.8	11.5

NGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
13.0	162.8	98.8	112.7	88.7	212.0	378.6	251.1	224.3	226.0	86.7	224.5	161.7	2228.9
# BILLS	13	8	9	7	17	30	20	18	18	7	18	13	178
AVERAGE	12.5	12.5	12.5	12.7	12.5	12.6	12.6	12.5	12.6	12.4	12.5	12.4	12.5

NGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
14.0	177.4	188.7	108.3	135.2	136.1	393.0	205.3	175.3	204.1	163.4	66.9	94.1	2048.8
# BILLS	13	14	8	10	10	28	15	13	15	12	5	7	151
AVERAGE	13.6	13.6	13.5	13.5	13.6	13.6	13.7	13.5	13.6	13.6	13.4	13.4	13.6

NGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
15.0	58.4	145.2	73.3	44.1	146.1	144.3	175.1	219.2	247.6	14.1	88.3	59.7	1416.4
# BILLS	4	10	5	3	10	10	12	15	17	1	6	4	87
AVERAGE	14.9	14.5	14.7	14.7	14.6	14.4	14.6	14.6	14.6	14.1	14.7	14.8	14.6

NGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
16.0	61.8	156.8	61.4	77.3	77.4	201.4	155.2	186.3	107.4	108.2	198.8	62.1	1364.1
# BILLS	4	10	4	5	5	13	10	12	7	7	7	4	88
AVERAGE	15.5	15.7	15.4	15.5	15.5	15.5	15.5	15.5	15.3	15.5	15.5	15.5	15.5

NGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
17.0	83.5	100.8	32.3	115.5	82.9	266.3	197.7	164.8	149.0	82.4	33.1	99.3	1407.6
# BILLS	5	6	2	7	5	16	12	10	8	5	2	6	85
AVERAGE	16.7	16.8	16.2	16.5	16.6	16.6	16.5	16.5	16.6	16.5	16.6	16.6	16.6

NGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
18.0	70.5	51.6	87.9	89.0	140.1	318.2	173.8	69.6	122.6	70.1	87.7	17.6	1298.7
# BILLS	4	3	5	5	8	18	10	4	7	4	5	1	74
AVERAGE	17.6	17.2	17.6	17.8	17.5	17.7	17.4	17.4	17.5	17.5	17.5	17.6	17.6

NGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
18.0	55.9	55.8	18.6	18.8	128.1	203.4	110.5	111.4	56.7	110.7	91.6	37.7	1000.2
# BILLS	3	3	1	1	7	11	6	6	3	6	5	2	54
AVERAGE	18.6	18.6	18.6	18.8	18.4	18.5	18.4	18.6	18.9	18.5	18.3	18.9	18.5

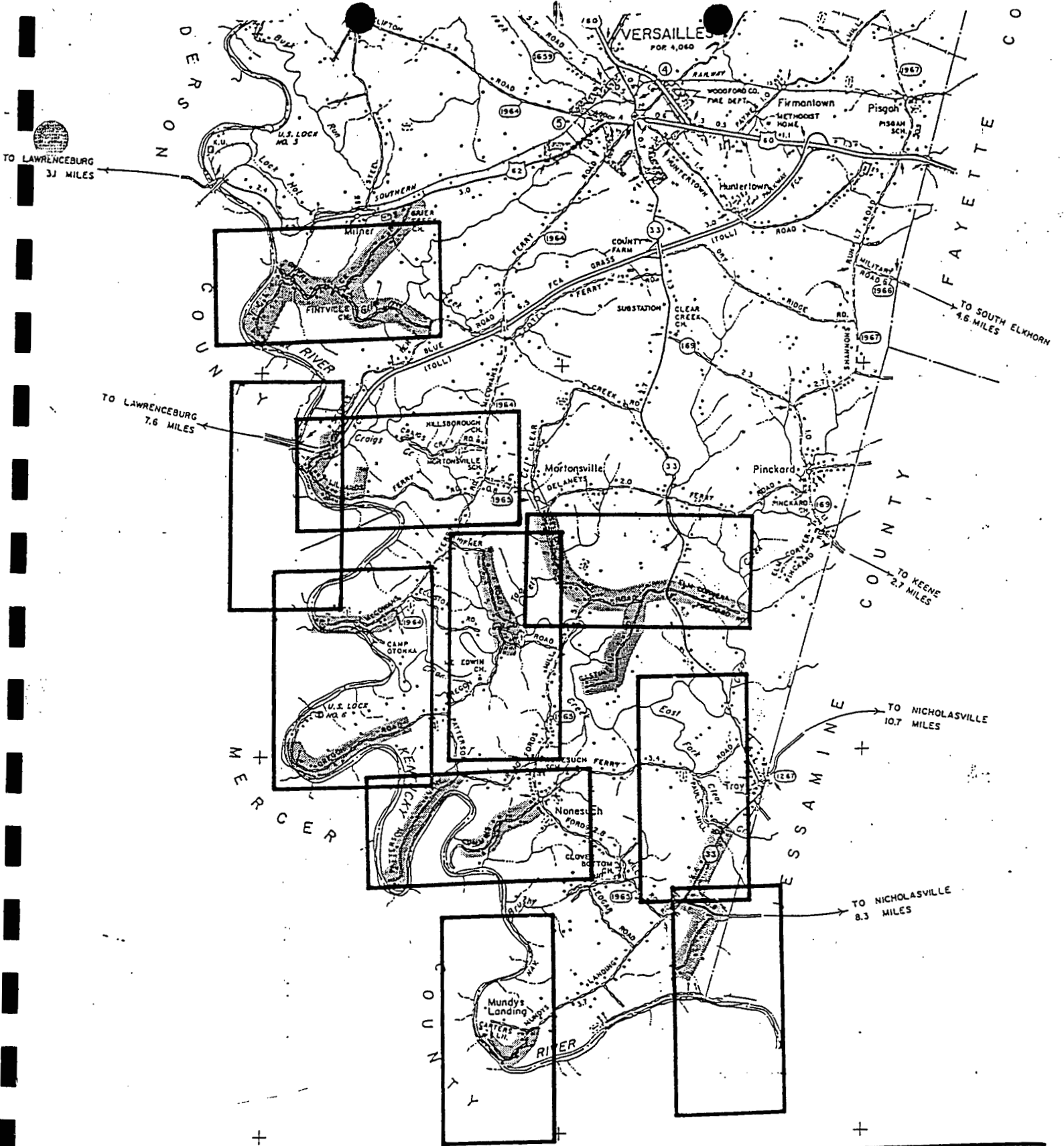
DATE: 05/05/85

SOUTH WOODFORD WATER DISTRICT
MONTHLY USAGE TRACKING BY VOLUME RANGES

SERVICE: WATER
RATE TABLE CODE: ALL
PERIOD COVERED: JANUARY 1984 THRU DECEMBER 1994
ACCOUNT NUMBER RANGE: ALL
ACCOUNT CLASSIFICATION: ALL

RANGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
20.0	38.5	58.5	20.0	38.4	116.5	88.1	117.8	18.8	137.7	58.9	59.1	39.0	803.4
# BILLS	2	3	1	2	6	5	6	1	7	3	3	2	41
AVERAGE	19.8	18.5	20.0	19.2	19.4	19.6	18.6	18.8	19.7	19.6	18.7	18.5	19.6
30.0	402.0	457.2	381.3	326.1	593.4	1118.8	719.0	778.8	687.5	703.0	582.2	402.5	7154.8
# BILLS	16	18	16	13	25	47	28	32	28	29	23	17	284
AVERAGE	25.1	25.4	23.8	25.1	23.7	23.8	24.8	24.4	23.7	24.2	25.3	23.7	24.3
40.0	250.8	278.3	103.8	174.8	231.8	544.6	566.3	577.0	474.2	297.1	415.4	170.8	4085.2
# BILLS	7	8	3	5	7	16	16	17	14	9	12	5	119
AVERAGE	35.8	34.8	34.6	35.0	33.1	34.0	35.4	33.9	33.8	33.0	34.6	34.2	34.3
50.0	131.4	228.5	127.4	86.4	268.6	449.2	348.7	312.5	403.6	323.8	408.6	137.4	3229.1
# BILLS	3	5	3	2	6	10	8	7	9	7	9	3	72
AVERAGE	43.8	45.8	42.5	48.2	44.8	44.9	42.6	44.6	44.8	46.3	45.4	45.8	44.8
60.0	214.3	539.7	56.7	117.4	164.9	108.8	276.9	51.7	101.2	.0	105.8	163.7	1881.1
# BILLS	4	10	1	2	3	2	5	1	2	0	2	3	35
AVERAGE	53.6	54.0	56.7	58.7	55.0	54.4	55.4	51.7	50.6	.0	52.9	54.6	54.3
99999.9	608.5	4557.9	1348.7	426.3	1463.8	1124.4	1203.0	1446.2	1035.4	776.4	354.7	278.1	14624.4
# BILLS	3	23	11	5	5	9	11	11	8	8	4	3	101
AVERAGE	203.2	188.2	122.6	85.3	282.8	124.9	108.4	131.5	128.4	97.1	88.7	92.7	144.8
TOTALS	6150.5	10333.2	5095.0	5532.8	7631.2	9270.0	8234.9	8330.1	8146.8	6469.1	6771.0	5465.5	88330.1
# BILLS	909	908	808	912	920	923	824	827	845	843	943	842	11105
AVERAGE	6.8	11.4	6.6	6.1	8.3	10.0	8.9	9.0	8.6	6.9	7.2	5.8	8.0
ACCOUNTS WITH NO POSTED USE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
	258	259	258	255	247	744	243	240	222	224	224	225	2898

gallons
Bills
AVG. USAGE



**SOUTH WOODFORD WATER DISTRICT
WATER LINE EXTENSIONS**

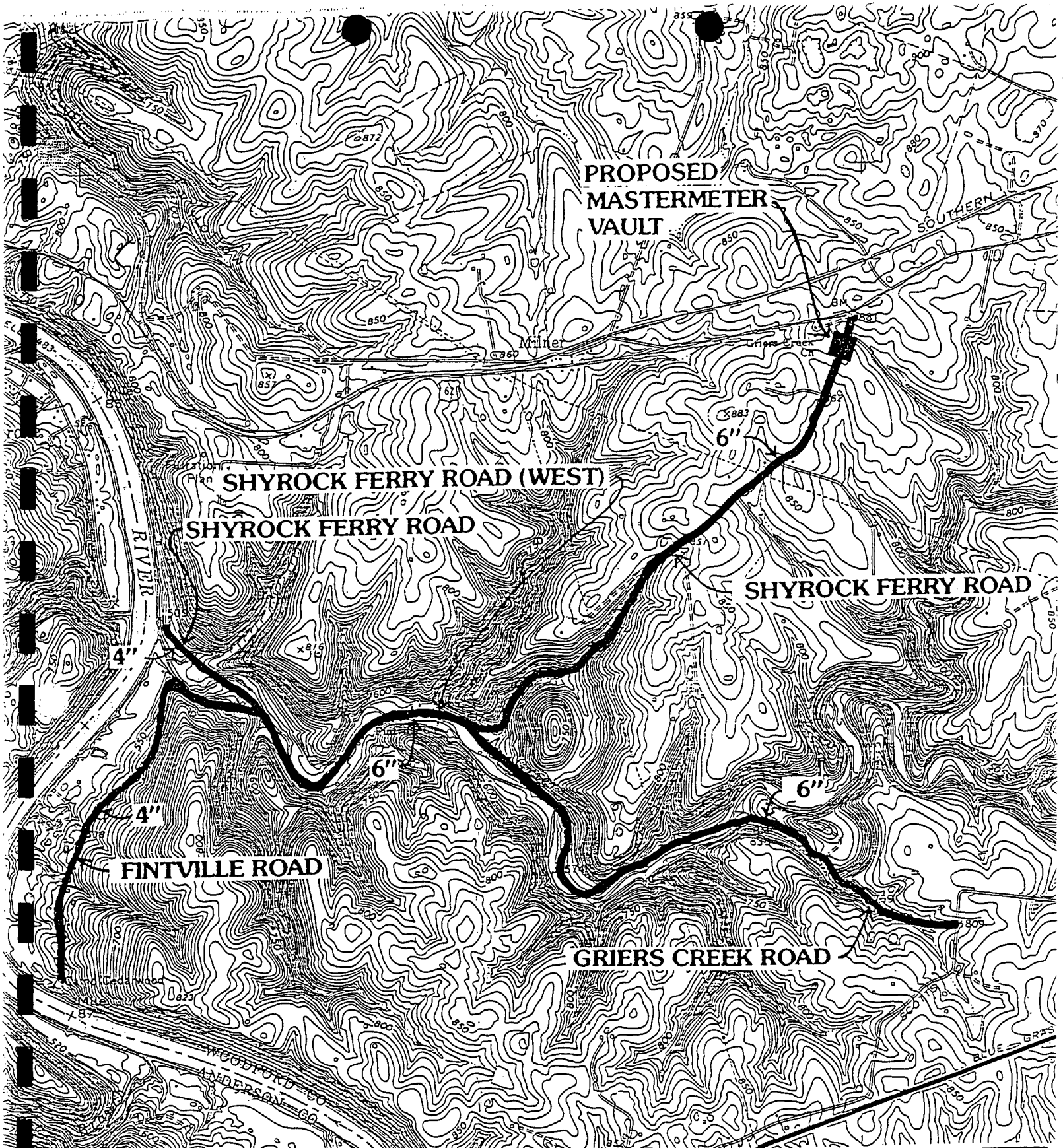
**BASE PROJECT AND POTENTIAL
ADD-ON ROADS**

HMB Haworth, Meyer & Boleyn, Inc.
ENGINEERS • ARCHITECTS • PLANNERS

3 HMB Circle
Frankfort, Kentucky

AUGUST 1996

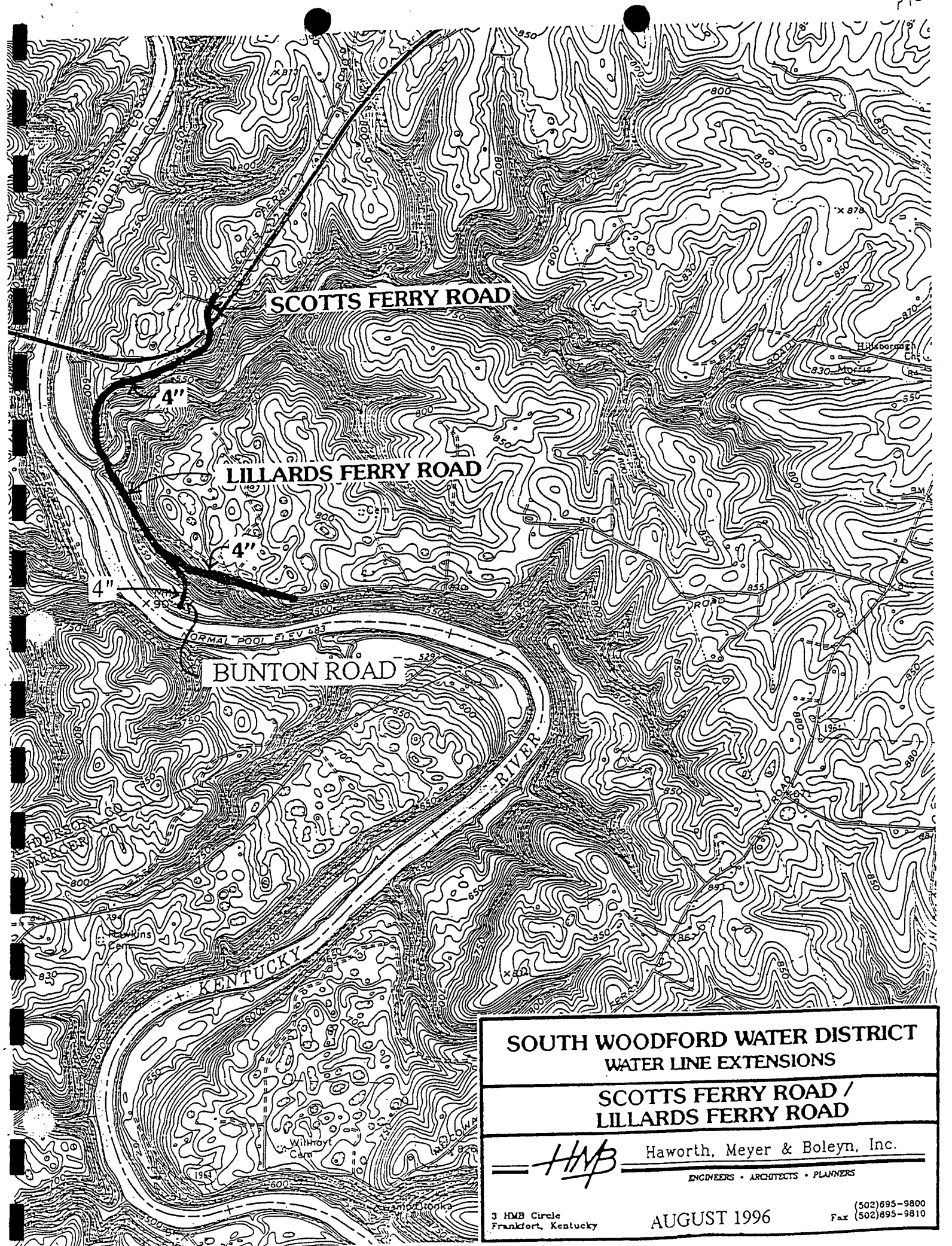
(502)695-9800
Fax (502)695-9810



SOUTH WOODFORD WATER DISTRICT
WATER LINE EXTENSIONS

**SHYROCK FERRY RD/
 SHYROCK FERRY RD (WEST)/GRIERS CREEK RD/
 FINTVILLE RD**

HMB Haworth, Meyer & Boleyn, Inc.
ENGINEERS • ARCHITECTS • PLANNERS



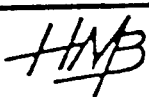
SCOTTS FERRY ROAD

LILLARDS FERRY ROAD

BUNTON ROAD

**SOUTH WOODFORD WATER DISTRICT
WATER LINE EXTENSIONS**

**SCOTTS FERRY ROAD /
LILLARDS FERRY ROAD**



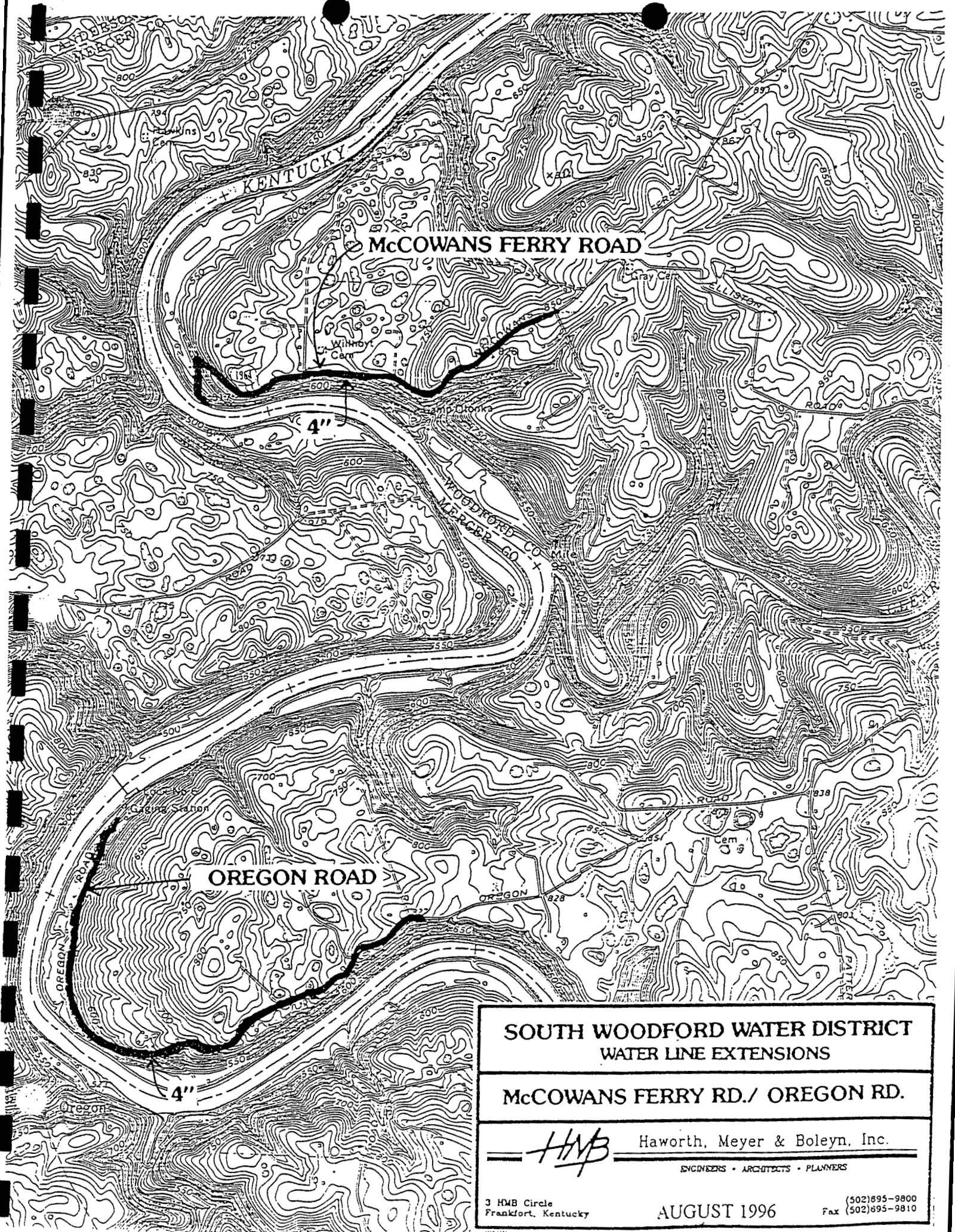
Haworth, Meyer & Boleyn, Inc.

ENGINEERS • ARCHITECTS • PLANNERS

3 HMB Circle
Frankfort, Kentucky

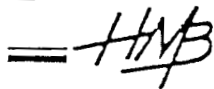
AUGUST 1996

(502)695-9800
Fax (502)695-9810



**SOUTH WOODFORD WATER DISTRICT
WATER LINE EXTENSIONS**

McCOWANS FERRY RD./ OREGON RD.



Haworth, Meyer & Boleyn, Inc.

ENGINEERS • ARCHITECTS • PLANNERS

3 HMB Circle
Frankfort, Kentucky

AUGUST 1996

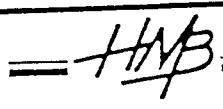
(502)895-9800
Fax (502)895-9810

PATTERSON LANE

CUMMINS FERRY ROAD

SOUTH WOODFORD WATER DISTRICT
WATER LINE EXTENSIONS

PATTERSON LN. / CUMMINS FERRY RD.



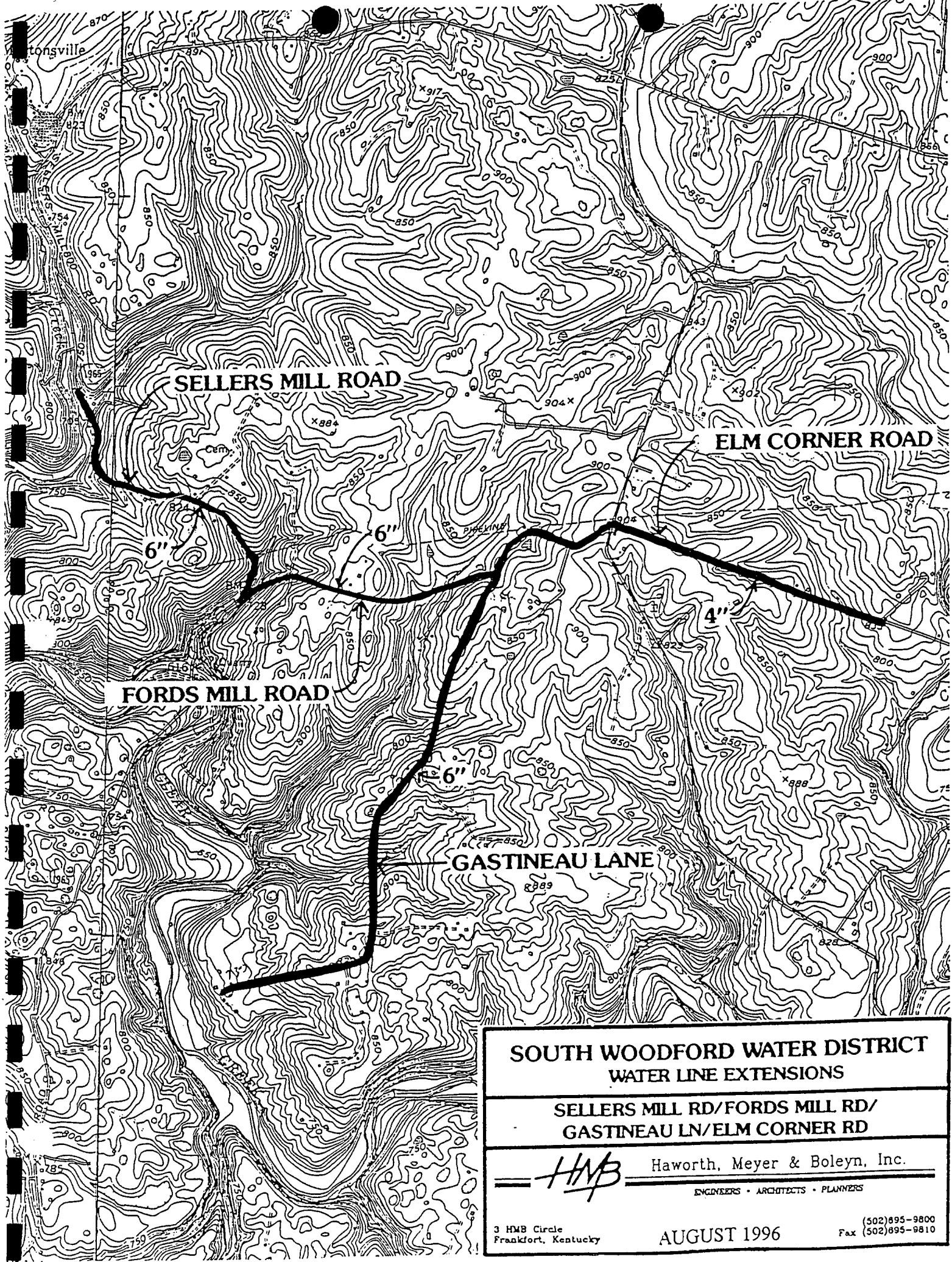
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3 HMB Circle
Frankfort, Kentucky

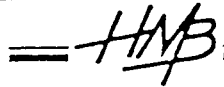
AUGUST 1996

(502) 695-9800
Fax (502) 695-9810



**SOUTH WOODFORD WATER DISTRICT
WATER LINE EXTENSIONS**

**SELLERS MILL RD/FORDS MILL RD/
GASTINEAU LN/ELM CORNER RD**



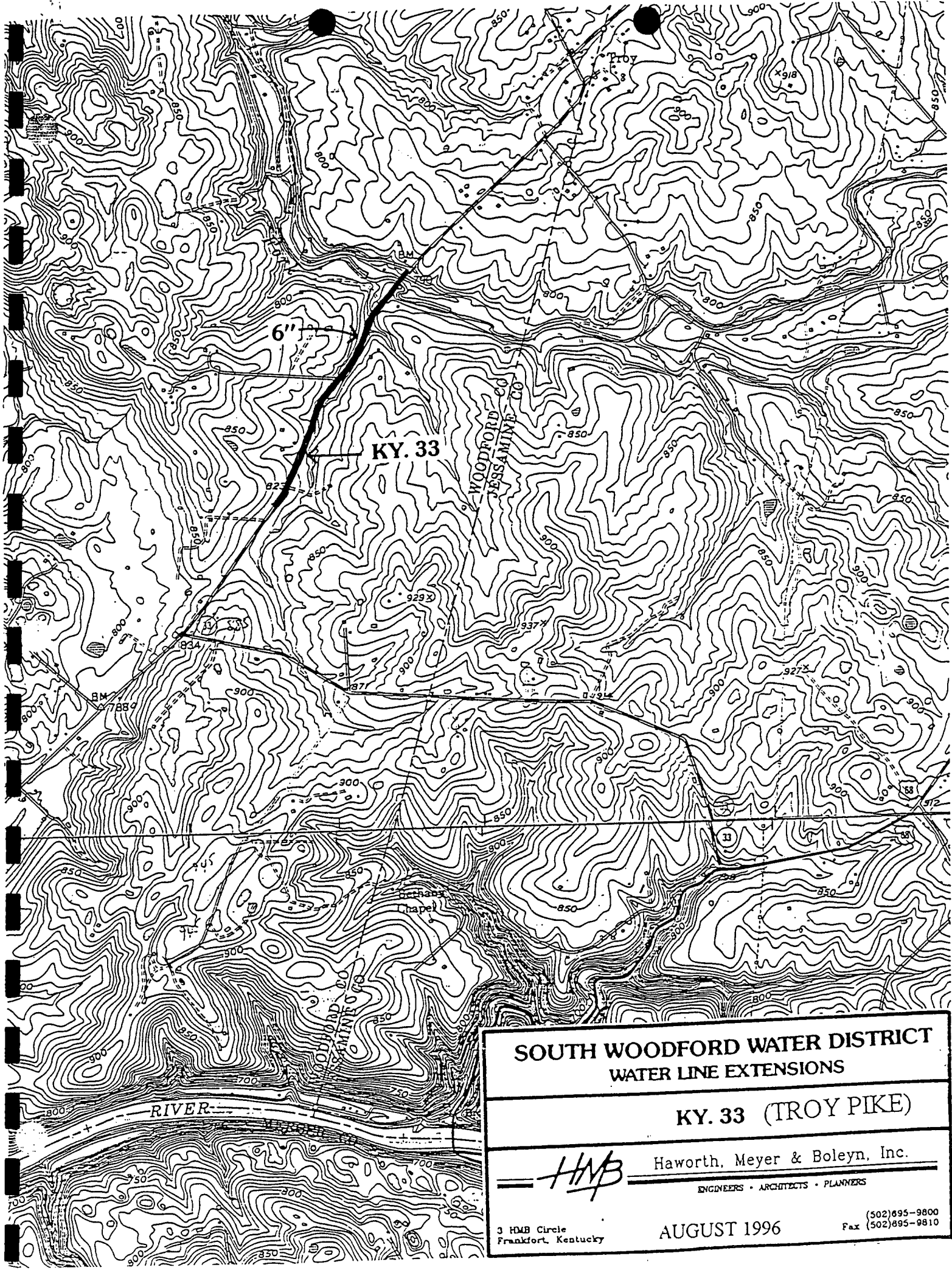
Haworth, Meyer & Boleyn, Inc.

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3 HMB Circle
Frankfort, Kentucky

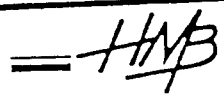
AUGUST 1996

(502)895-9800
Fax (502)895-9810



**SOUTH WOODFORD WATER DISTRICT
WATER LINE EXTENSIONS**

KY. 33 (TROY PIKE)



Haworth, Meyer & Boleyn, Inc.

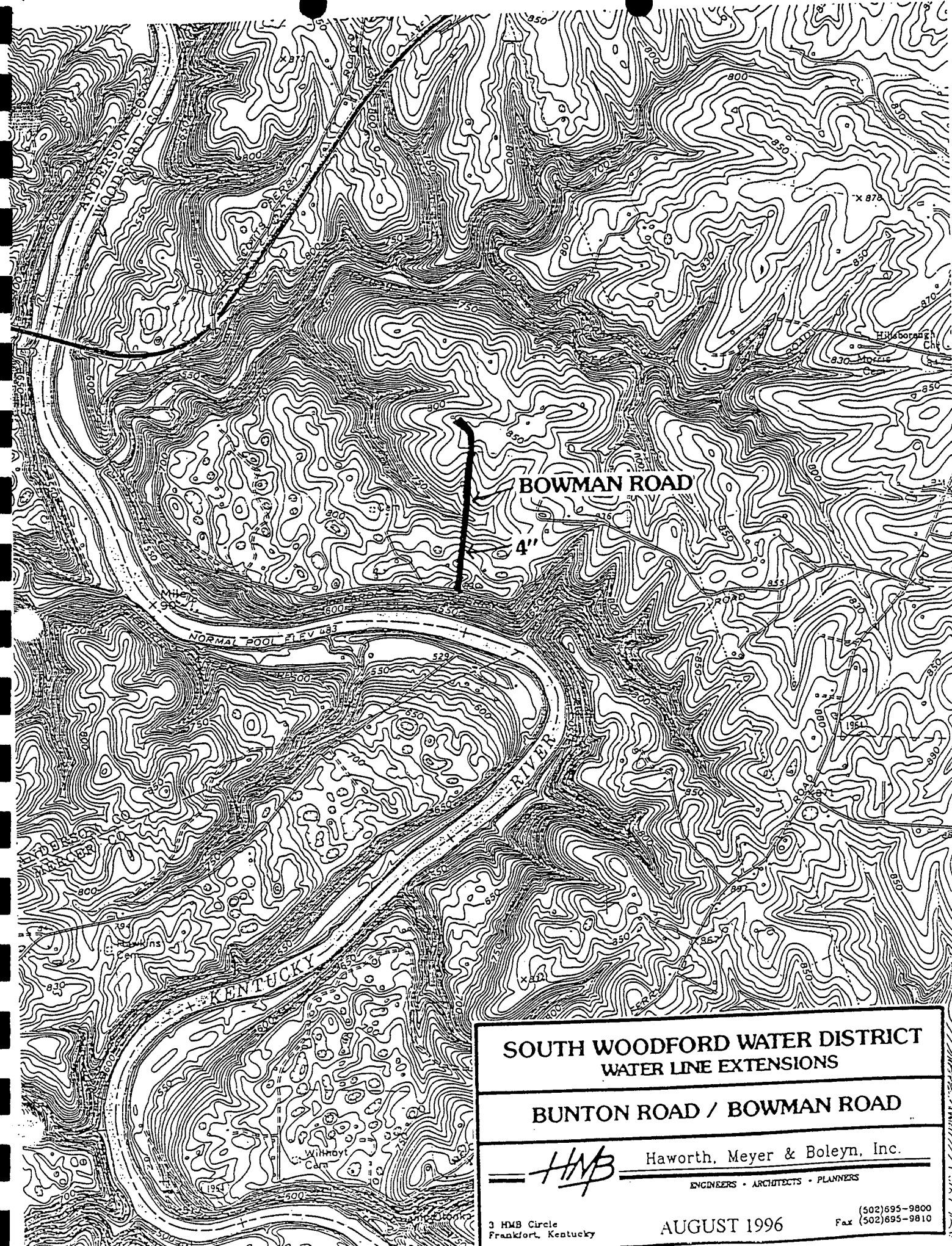
ENGINEERS • ARCHITECTS • PLANNERS

3 HMB Circle
Frankfort, Kentucky

AUGUST 1996

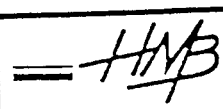
(502)695-9800
Fax (502)695-9810

POTENTIAL ADD-ON ROADS



**SOUTH WOODFORD WATER DISTRICT
WATER LINE EXTENSIONS**

BUNTON ROAD / BOWMAN ROAD



Haworth, Meyer & Boleyn, Inc.

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Frankfort, Kentucky

AUGUST 1996

(502)695-9800
Fax (502)695-9810

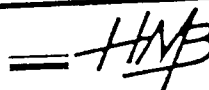
**PROPOSED
HYDROPNEUMATIC
PUMP STATION**

HAGGIN ROAD

KY. 33

**SOUTH WOODFORD WATER DISTRICT
WATER LINE EXTENSIONS**

KY. 33 / HAGGIN ROAD



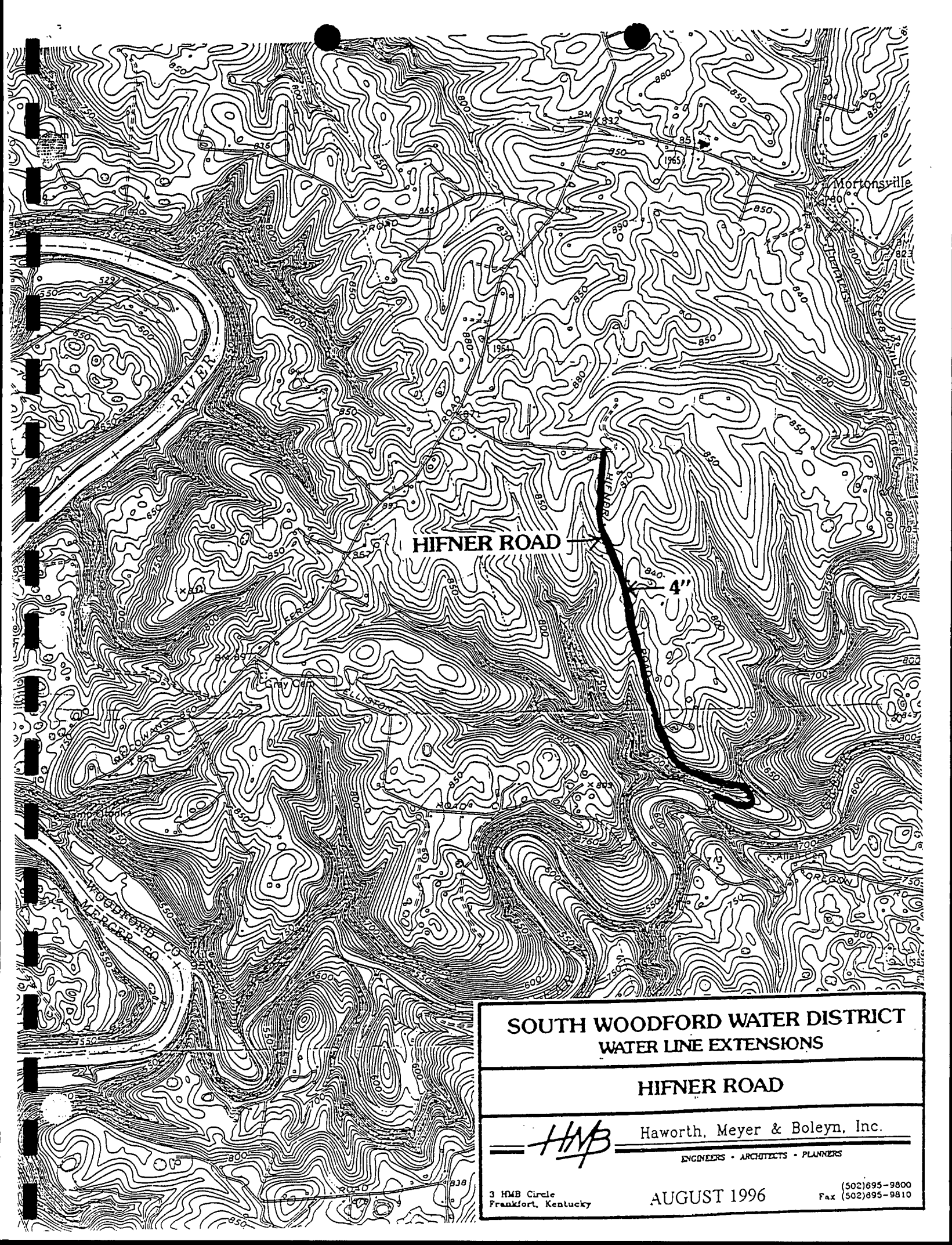
Haworth, Meyer & Boleyn, Inc.

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3 HMB Circle
Frankfort, Kentucky

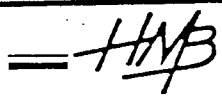
AUGUST 1996

(502)895-9800
Fax (502)895-9810



**SOUTH WOODFORD WATER DISTRICT
WATER LINE EXTENSIONS**

HIFNER ROAD



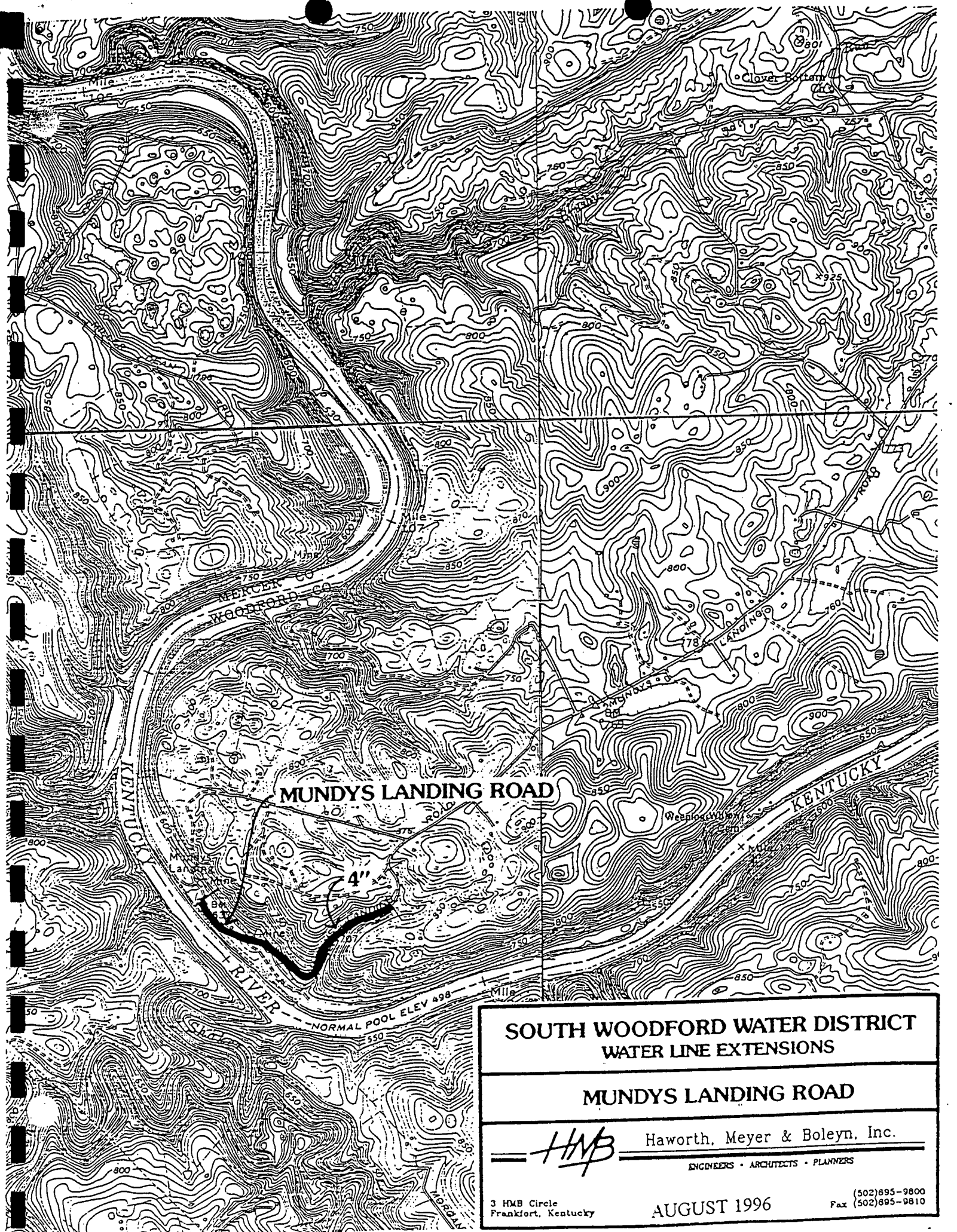
Haworth, Meyer & Boleyn, Inc.

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3 HMB Circle
Frankfort, Kentucky

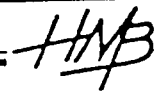
AUGUST 1996

(502)895-9800
Fax (502)895-9810



**SOUTH WOODFORD WATER DISTRICT
WATER LINE EXTENSIONS**

MUNDY'S LANDING ROAD



Haworth, Meyer & Boleyn, Inc.

ENGINEERS • ARCHITECTS • PLANNERS

3 HMB Circle
Frankfort, Kentucky

AUGUST 1996

(502)695-9800
Fax (502)695-9810

James L. Haworth, P.E. - Retired
Fréd A. Meyer, P.E., L.A.
Philip Boleyn, P.E., L.A.
Bob Blankenship, P.E.

James H. Smith, P.E., L.S.
Bradley M. Meyer, P.E., L.S.
Joseph C. Pyles, P.E.
Karen Wood

Haworth, Meyer & Boleyn, Inc.



ENGINEERS • ARCHITECTS • PLANNERS

3 HMB Circle
U.S. 460
Frankfort, KY 40601

Office: (502) 695-9800
Fax: (502) 695-9810

December 10, 1998

Gene Floyd
Rural Development
P.O. Box 1227
Shelbyville, KY 40066

RE: Final Engineering Report
Phase III Water Project
South Woodford Water District
HMB #409

Dear Gene:

The above referenced project was bid on December 8, 1998. The low bidder for the above referenced project was Reliant Construction, from Lexington, KY. Their bid was \$838,270.00 which exceeded the amount approved in the Letter of Conditions dated March 21, 1997.

The attached pages outline our:

- Revised Project Cost
- Revised Financing Package
- Additional Funding Required
- Estimated Expenses
- Estimated Income
- Rate Analysis.
- Recommendations
- Bid Tabulation

After bidding the project, the South Woodford Water District shall need additional loan/grant monies from Rural Development to complete the project.

1

442 Metroplex
Suite 105
Nashville, TN 37211
(615) 834-4335

624 West Main Street
Louisville, KY 40202
(502) 587-0875

2500 Fairlane Drive
Building 1, Suite 170
Montgomery, AL 36116
(334) 277-1002

325 Sixth Avenue
South Charleston, WV 25303
(304) 744-5200

1410 Charlestown-New Albany Pike
Suite 201
Jeffersonville, IN 47130
(812) 288-8961

EXHIBIT B

HMB


Gene Floyd
Rural Development
Cont'd.

We request that you note our recommendations, and approve them as soon as possible. Please contact us if there are any questions.

We have checked references and recommend the Award of the Construction Contract to Reliant Construction.

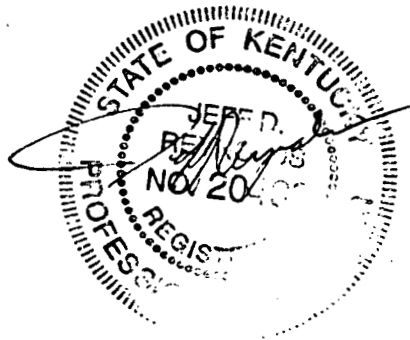
Sincerely,

HAWORTH, MEYER & BOLEYN, INC.


Jeff Reynolds, P.E.

cc: George Withers, SWWD
Dr. Frank Watts, Judge/Executive
Joe Hoffman, Attorney
Bill Davis, Bond Council
Jayne Combs, BGADD
Bob Blankenship, P.E.

water409\Floyd.ltr



FINAL ENGINEERING REPORT
SOUTH WOODFORD WATER DISTRICT
PHASE III WATER PROJECT

1. Revised Project Cost

	<u>Letter of Conditions</u>	<u>As Bid</u>
Development	\$725,000.00	\$838,270.00
Land & Rights	13,000.00	1,000.00
Legal & Administrative	43,500.00 ⁽¹⁾	45,500.00 ⁽¹⁾
Engineering	126,000.00	144,400.00 ⁽²⁾
Interest	7,000.00	5,000.00
Contingencies	<u>72,500.00</u>	<u>72,530.00</u>
Total	\$987,000.00	\$1,106,700.00

(1) Cost includes HUD Planning & Administrative

(2) Cost includes Amendments #1 & #2

2. Revised Financing Package

	<u>Letter of Conditions</u>	<u>As Bid</u>
RUS Loan	\$293,000.00	\$293,000.00
RUS Grant	283,000.00	283,000.00
Woodford County Fiscal Court	97,400.00	107,800.00
HUD-CDBG	289,600.00	289,600.00
Applicant Contribution	24,000.00	24,100.00
SWWD Additional Contribution	0.00	6,000.00
Additional RUS Loan	0.00	51,600.00
Additional RUS Grant	<u>0.00</u>	<u>51,600.00</u>
Total	\$987,000.00	\$1,106,700.00

3. Additional Funding Required

The project shall require an additional \$103,200 distributed as follows: \$51,600 in RUS Loan monies and an additional \$51,600 in RUS Grant monies.

4. Estimated Expenses

	Annual Water <u>Purchase</u>	Annual O & M <u>Expenses</u>	Debt <u>Service</u>	Coverage <u>@10%</u>	<u>Total</u>
Existing System	\$204,300 ⁽¹⁾	\$199,800 ⁽¹⁾	\$46,000 ⁽¹⁾	\$4,600 ⁽¹⁾	\$454,700
Elevated Tank	N/A	N/A	25,400 ⁽¹⁾	2,500 ⁽¹⁾	27,900
Proposed Phase III System	<u>\$10,900⁽¹⁾</u>	<u>10,700⁽¹⁾</u>	<u>19,800⁽²⁾</u>	<u>2,000</u>	<u>43,400</u>
Total	\$215,200	\$210,500	\$91,200	\$9,100	\$526,000

(1) See Preliminary Engineering Report

(2) Annual P & I Payment based on revised loan of \$344,600.00 @ 4 3/4% for 38 years

1. Estimated Income

	<u>Customers</u>	<u>Usage (Gal/mo)</u>	<u>Average Monthly Bill⁽¹⁾</u>	<u>Income Generated Per Year</u>
Existing System	1076 ⁽²⁾	8,000 ⁽²⁾	\$41.34	\$533,800
Proposed Phase III System	109 ⁽²⁾	5,000 ⁽²⁾	\$32.09 ⁽³⁾	<u>\$42,000</u>
Total Income				\$575,800

(1) Monthly Bill based on rates in the Letter of Conditions dated March 21, 1997.

(2) See Preliminary Engineering Report

(3) Includes \$2.00/month surcharge

2. Rate Analysis

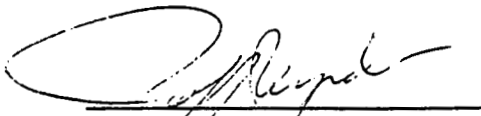
Estimated Annual Expenses	\$526,000
Estimated Annual Income	<u>\$575,800</u>
Estimated Surplus	\$49,800

3. Recommendations

- A. The South Woodford Water District should be awarded an additional RUS Loan of \$51,600 and an additional RUS Grant of \$51,600. This will bring the total RUS Loan to \$344,600 and the total RUS Grant to \$334,600.

- B. The current Rural Development rate of 4 3/4% for 40 years be approved.
- C. The Phase III Water Project, as bid on December 8, 1998, be approved and the apparent low bidder be awarded the construction contracts.
- D. All rates as published in the Letter of Condition, dated March 21, 1997, shall remain the same. Even with the additional loan the proposed rates did not increase due to a 1%± reduction in the interest rate.
- E. Rural Development issue a Letter of Concurrence as soon as possible.

Respectfully Submitted,



Jeff Reynolds, P.E.



United States
Department of
Agriculture

Rural
Development

771 Corporate Drive, Suite 200
Lexington, KY 40503-5477
(606) 224-7336 TTY(606) 224-7422

January 27, 1999

SUBJECT: South Woodford Water District
Phase III Water Project
Concurrence in Contract Award

TO: Rural Development Manager
Shelbyville, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of the subject contract to the low bidder, Reliant Construction Co., Inc., in the amount of \$838,270.00.

Janet Hunter Brown
for THOMAS G. FERN
State Director
Rural Development

cc: ✓ Harper, Ferguson & Davis
Louisville, Kentucky

Haworth, Meyer & Boleyn, Inc.
Frankfort, Kentucky

EXHIBIT C



January 7, 1999

COPY

Mr. George Withers, Chairman
South Woodford Water District
460 Wilson Avenue
Versailles, Kentucky 40383

Re: Letter of Conditions Dated March 21, 1997

Dear Mr. Withers:

This letter shall serve as Amendment No. 1 to your Letter of Conditions dated March 21, 1997. The purpose of the amendment is to (1) revise the funding cost due to a construction bid overrun; (2) revise the number of users; (3) add the funded depreciation reserve account requirements; and (4) make other editorial changes in accordance with current Rural Utility Service (RUS) Instructions.

Paragraph second paragraph on Page One is revised to read as follows:

This letter is not to be considered as loan or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$346,000 and a RUS grant not to exceed \$333,000, a Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) of \$289,600, a cash contribution from the Woodford County Fiscal Court in the amount of \$107,800, and a cash contribution from the applicant in the amount of \$6,000.

Paragraph numbered "1" is revised to read as follows:

" 1. Number of Users and Their Contribution:

There shall be 1,185 water users, of which 1,076 are existing users and 109 are new users contributing \$24,100 in connection fees toward the cost of the project. The connection fees will be collected prior to advertising for construction bids and will be placed in the construction account at loan pre-closing, unless spent for authorized purposes prior to loan pre-closing. The Rural Development Manager will review and authenticate the number of users and amount of connection fees prior to advertising for construction bids. "

Financing:

RUS Loan	\$ 346,000
RUS Grant	333,000
Woodford County Fiscal Court	107,800
HUD-CDBG	289,600
Applicant Contribution	<u>30,100</u>
TOTAL	\$ 1,106,500 "

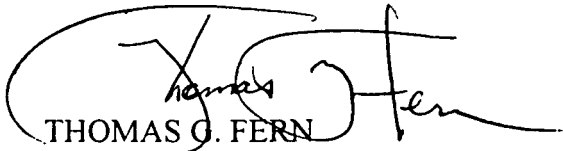
Paragraph numbered "24" is revised to read as follows:

" 24. Commitment of HUD Grant, Fiscal Court Contribution, and Applicant Cash Contribution:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the HUD Grant in the amount of \$298,600; for the Woodford County Fiscal Court contribution in the amount of \$107,800; and for the Applicant Contribution in the amount of \$6,000. "

All other provisions of the referenced Letter of Conditions remain in full force and unchanged.

Sincerely,



THOMAS G. FERN
State Director
Rural Development

- cc: Rural Development Manager - Shelbyville, Kentucky
- Community Development Manager - Nicholasville, Kentucky
- Bluegrass ADD - Lexington, Kentucky
- Gentry McCanley - Versailles, Kentucky
- Haworth, Meyer & Boleyn - Frankfort, Kentucky
- ✓ Harper, Ferguson & Davis - Louisville, Kentucky
- PSC - ATTN: Claude Rhorer - Frankfort, Kentucky



United States
Department of
Agriculture

Rural Economic
and Community
Development
Service

771 Corporate Drive, Suite 200
Lexington, KY 40503-5477
(606) 224-7336
TTY: (606) 224-7422

March 21, 1997

Mr. George Withers, Chairman
South Woodford Water District
Versailles, Kentucky 40383

Dear Mr. Withers:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by Rural Development, by written amendment to this letter. Any changes not approved by RUS shall be cause for discontinuing processing of the application. It should also be understood that the RUS is under no obligation to provide additional funds to meet an overrun in construction costs.

This letter is not to be considered as loan or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of an RUS loan not to exceed \$293,000, an RUS grant not to exceed \$283,000, a Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) of \$289,600 and a cash contribution from the Woodford County Fiscal Court in the amount of ~~\$97,400~~.

#107,800

If RUS makes the loan, you may make a written request that the interest rate be the lower of the rate in effect at the time of loan approval or the time of loan closing. If you do not request the lower of the two interest rates, the interest rate charged will be the rate in effect at the time of loan approval. The loan will be considered approved on the date a signed copy of Form FmHA 1940-1, "Request for Obligation of Funds," is mailed to you. If you want the lower of the two rates, your written request should be submitted to RUS as soon as practical. In order to avoid possible delays in loan closing, such a request should ordinarily be submitted at least 30 days before loan closing.

Please complete and return the attached Form FmHA 1942-46, "Letter of Intent to Meet Conditions," if you desire that further consideration be given to your application.

The "Letter of Intent to Meet Conditions" must be executed within three weeks from the date of this letter or it becomes invalid unless a time extension is granted by RUS.

If the conditions set forth in this letter are not met within 240 days from the date hereof, RUS reserves the right to discontinue the processing of the application.

In signing Form FmHA 1942-46, you are agreeing to complete the following as expeditiously as possible:

1. Number of Users and Their Contribution:

There shall be 1,199 water users, of which 1,076 are existing users and 123 are new users contributing \$24,000 in connection fees toward the cost of the project. The connection fees will be collected prior to advertising for construction bids and will be placed in the construction account at loan pre-closing, unless spent for authorized purposes prior to loan pre-closing. The Rural Development Manager will review and authenticate the number of users and amount of connection fees prior to advertising for construction bids.

1a. Grant Agreement:

Attached is a copy of Form FmHA 1942-31, "District Water or Sewer System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

1b. Drug-Free Work Place:

Prior to grant approval, the District will be required to execute Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative I - For Grantees Other Than Individuals."

2. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed 40 years from the date of the bond. Principal payment will not be deferred for a period in excess of two (2) years from the date of the bond. Payments will be in accordance with applicable KRS which requires interest to be paid semi-annually (January 1st and July 1st) and principal will be due on or before the first of January. RUS may require the District to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the bond is held or insured by RUS. Monthly payments will be approximate amortized installments.

3. Funded Depreciation Reserve Account:

The District will be required to deposit \$145.00 per month into a "Funded Depreciation Reserve Account" until the account reaches \$17,400. The deposits are to be resumed any time the account falls below the \$17,400.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the District's prior bond resolutions.

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational.

4. Security Requirements:

A statutory lien and pledge of gross water revenue will be provided in the Bond Resolution. Bonds shall rank on a parity with existing Bonds.

5. Land Rights and Real Property:

The District will be required to furnish satisfactory title, easements, etc., necessary to install, maintain and operate the facility to serve the intended users. The pipelines will be on private rights-of-way where feasible. State and County rights-of-way will be used only in instances where necessary and properly justified. Easements and options are to be secured prior to advertising for construction bids.

6. Organization:

The District will be legally organized under applicable KRS which will permit them to perform this service, borrow and repay money.

7. Business Operations:

The District will be required to operate the system under a well-established set of resolutions, rules and regulations. A budget must be established annually and adopted by the District after review by RUS. At no later than loan pre-closing, the District will be required to furnish a prior approved management plan to include, as a minimum, provisions for management, maintenance, meter reading, miscellaneous services, billing, collecting, bookkeeping, making and delivering required reports and audits.

8. Accounts, Records and Audits:

The District will be required to maintain adequate records and accounts and submit statistical and financial reports, quarterly and annually, in accordance with subsection 1942.17(q) of FmHA Instruction 1942-A, a copy of which is enclosed. The enclosed audit booklet will be used as a guide for preparation of audits.

9. Accomplishing Audits for Years in Which Receive Federal Financial Assistance:

The District will accomplish audits in accordance with OMB Circular A-128 during the years in which federal funds are received. The District will provide copies of the audits to the District Office and the appropriate Federal cognizant agency as designated by OMB Circular A-128.

10. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the District. The District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$96,000.
- D. Real Property Insurance - The District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures. The amounts of coverage should be based on recommendations obtained by the District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

11. Planning and Performing Development:

- A. The engineer should not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost shown in paragraph "20" of this letter. When this determination has been made, RUS should be so advised by letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 210 days from this date, and prepare bid documents. The Rural Development Manager is prepared to furnish the necessary guide for him to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.
- B. The following documents will be submitted to RUS for review and must be concurred in by RUS prior to advertisement for construction bids:

1. Final plans and specifications.
2. Contract documents and bid documents, with applicant's letter on efforts to encourage small business and minority-owned business participation.
3. Legal Service Agreements.
4. Engineering Agreements.

Revision in these documents will be subject to RUS concurrence. Any agreements, contracts, etc. not reviewed and approved by RUS will not be eligible for payment from project funds or revenues from facilities financed by RUS.

Prior to receipt of an authorization to advertise for construction bids, the District will obtain advance clearance from Bond Counsel regarding compliance with KRS 424 pertaining to publishing of the advertisement for construction bids in local newspapers and the period of time the notice is required to be published.

12. Compliance with Section 504 of the Rehabilitation Act of 1973:

The District will be required to comply with Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), in order to make sure no handicapped individual, solely by reason of their handicap, is excluded from participation in the use of the water system, be denied the benefits of the water system, or be subjected to discrimination.

13. Closing Instructions:

The Office of General Counsel, our Regional Attorney, will be required to write closing instructions in connection with this loan. Conditions listed therein must be met by the District.

14. Compliance with Special Laws and Regulations:

The District will be required to conform with any and all state and local laws and regulations affecting this type project.

15. System Operator:

The District is reminded that the system operator must have an Operator's Certificate issued by the State.

16. Prior to Pre-Closing the Loan, the District will be Required to Adopt:

- A. Form FmHA 1942-47, "Association Loan Resolution (Public Body)."
- B. Form FmHA 400-1, "Equal Opportunity Agreement."
- C. Form FmHA 400-4, "Assurance Agreement."

- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form FmHA 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."

The District must offer the opportunity for all residents in the service area to become users of the facilities regardless of race, creed, color, religion, sex, national origin, marital status, physical or mental handicap or level of income.

17. Refinancing and Graduation Requirements:

The District is reminded that if at any time it shall appear to the Government that the District is able to refinance the amount of the RUS indebtedness then outstanding, in whole or in part, by obtaining a loan from commercial sources at reasonable rates and terms, upon the request of the Government, the District will apply for and accept such loan in sufficient amount to repay the Government.

18. Commercial Interim Financing:

The District will be required to use commercial interim financing for the project during construction for the RUS loan portion of the financing, if available at reasonable rates and terms.

Before the loan is closed, the District will be required to provide RUS with statements from the contractor, engineer and attorneys that they have been paid to date in accordance with their contract or other agreements and, in the case of the contractor, that he has paid his suppliers and sub-contractors. Any exceptions must be authorized under FmHA Instruction 1942-A, subsection 1942.17(n)(3).

19. Disbursement of Project Funds:

A construction account for the purpose of disbursement of project funds (RUS) will be established by the District prior to start of construction. The position of officials entrusted with the receipt and disbursement of RUS project funds will be covered by a "Fidelity Bond," with USDA-Rural Development as Co-Obligee, in the amount of construction funds on hand at any one time during the construction phase.

During construction, the District shall disburse project funds in a manner consistent with subsection 1942.17(p)(5) of FmHA Instruction 1942-A. Form FmHA 1924-18, "Partial Payment Estimate," or similar form approved by RUS, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to RUS for review and acceptance. Prior to disbursement of funds by the District, the Board of Directors shall review and approve each payment estimate. All bills and vouchers must be approved by RUS prior to payment by the District.

Form FmHA 440-11, "Estimate of Funds Needed for 30-Day Period Commencing _____," will be prepared by the District and submitted to RUS in order that a periodic advance of federal cash may be requested.

Monthly audits of the District's construction account records shall be made by RUS.

20. Cost of Facility:

Breakdown of Costs:

Development	\$ 725,000
Land and Rights	13,000
Legal and Administrative	12,000
Engineering	157,500
Interest	7,000
Contingencies	<u>72,500</u> +10,400
TOTAL	\$ 987,000

Financing:

RUS Loan	\$ 293,000
RUS Grant	283,000
Woodford County Fiscal Court	97,400 ←
HUD-CDBG	289,600
Applicant Contribution	<u>24,000</u> +10,400
TOTAL	\$ 987,000 +10,400

21. Use of Remaining Project Funds:

The applicant contribution and Fiscal Court contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining project funds will be considered to be RUS/CDBG grant funds and refunded to RUS/CDBG in proportion to the amount of funding. If the amount of unused project funds exceeds the RUS/CDBG grants, that part would be RUS loan funds.

22. Rates and Charges:

Rates and charges for facilities and services rendered by the District must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

- First 2,000 gallons @ \$18.42 - Minimum Bill.
- Next 2,000 gallons @ \$ 3.96 - per 1,000 gallons.
- Next 6,000 gallons @ \$ 3.75 - per 1,000 gallons.
- Next 90,000 gallons @ \$ 3.42 - per 1,000 gallons.
- All Over 100,000 gallons @ \$ 3.02 - per 1,000 gallons.

All proposed Phase III customers will pay an additional \$2.00/month surcharge in addition to the above rates.

23. Water Purchase Contract:

The District will submit a Water Purchase Contract for approval by RUS before advertising for construction bids. If the contract is not on Form FmHA 442-30, "Water Purchase Contract," the contract will require approval by our Regional Attorney. The contract must meet the requirements of FmHA Instruction 1942.18(f).

24. Commitment of HUD Grant and Fiscal Court Contribution:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the HUD grant in the amount of \$298,600 and for the Woodford County Fiscal Court contribution in the amount of ~~\$97,400.~~

\$107,900

25. Floodplain Construction:

The District will be required to pass and adopt a Resolution or amend its By-Laws whereby the District will deny any water service to any future customer wishing to build on or develop property located within a designated floodplain. If a customer or developer requests service for construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the District and RUS officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP) and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

26. Final Approval Conditions:

Final approval of this loan will depend on your willingness, with the assistance of all your co-workers, to meet the conditions of this letter in an orderly and systematic manner. Then too, final approval will depend on funds being available.

In accordance with the intent of Congress as expressed in the FY 1997 Appropriations Act, recipients of Water and Waste assistance provided by the Rural Utilities Service are encouraged, in expending the assistance, to purchase only American-made equipment and products.

If you desire to proceed with your application, the Rural Development Manager will allot a reasonable portion of his time to provide guidance in application processing.

Sincerely,



THOMAS G. FERN
State Director
Rural Development

Enclosures

cc: Rural Development Manager - Shelbyville, KY
Community Development Manager - Nicholasville, KY
Bluegrass ADD - Lexington, KY
Gentry McCanley- Versailles, KY
Haworth, Meyer & Boleyn - Frankfort, KY
Harper, Ferguson & Davis - Louisville, KY
PSC - ATTN: Claude Rhorer - Frankfort, KY



United States
Department of
Agriculture

Rural
Development

771 Corporate Drive, Suite 200
Lexington, KY 40503-5477
(606) 224-7336 TTY (606) 224-7422

August 28, 1998

William H. Davis
Harper Ferguson & Davis
1730 Meidinger Tower
462 South Fourth Avenue
Louisville, Kentucky 40202-3413

Re: South Woodford Water District
\$293,000 Bond Issue

Dear Mr. Davis:

We are enclosing the Maturity Schedule for the referenced Bond Issue. The required deposits to the Funded Depreciation Reserve Account are \$145.00 per month with a required level of \$17,400. The Rural Development loan of \$293,000 was approved at an interest rate of 5.0%.

We are attempting to obtain the Regional Attorney's Closing Instructions at an earlier date in an effort to avoid delays in scheduling bond sales and pre-closing. Hopefully, you will be able to draft the Bond authorizing documents at such a time to coincide with the Advertisement for Construction bids. We plan to request Closing Instructions at the same time we authorize the District to advertise for construction bids.

Please provide this office with two copies of the proposed documents and forward one copy to the Rural Development Area Office.

Please let us know if you have any questions.

Sincerely,



THOMAS G. FERN

State Director
Rural Development

Enclosure

cc: Rural Development Manager
Shelbyville, Kentucky

BORROWER NAME: SOUTH WOODFORD WATER DISTRICT
 INTEREST RATE: 5
 PRINCIPAL: 293,000
 August 27, 1998

year	period	number	payment	interest	principal	balance
----	----	----	-----	-----	-----	-----
1999	1	1	14,650.00	14,650.00	0	293,000
2000	1	2	14,650.00	14,650.00	0	293,000
2001	1	3	17,150.00	14,650.00	2,500	290,500
2002	1	4	17,525.00	14,525.00	3,000	287,500
2003	1	5	17,375.00	14,375.00	3,000	284,500
2004	1	6	17,225.00	14,225.00	3,000	281,500
2005	1	7	17,575.00	14,075.00	3,500	278,000
2006	1	8	17,400.00	13,900.00	3,500	274,500
2007	1	9	17,225.00	13,725.00	3,500	271,000
2008	1	10	17,550.00	13,550.00	4,000	267,000
2009	1	11	17,350.00	13,350.00	4,000	263,000
2010	1	12	17,150.00	13,150.00	4,000	259,000
2011	1	13	17,450.00	12,950.00	4,500	254,500
2012	1	14	17,225.00	12,725.00	4,500	250,000
2013	1	15	17,500.00	12,500.00	5,000	245,000
2014	1	16	17,250.00	12,250.00	5,000	240,000
2015	1	17	17,500.00	12,000.00	5,500	234,500
2016	1	18	17,225.00	11,725.00	5,500	229,000
2017	1	19	17,450.00	11,450.00	6,000	223,000
2018	1	20	17,150.00	11,150.00	6,000	217,000
2019	1	21	17,350.00	10,850.00	6,500	210,500
2020	1	22	17,525.00	10,525.00	7,000	203,500
2021	1	23	17,175.00	10,175.00	7,000	196,500
2022	1	24	17,325.00	9,825.00	7,500	189,000
2023	1	25	17,450.00	9,450.00	8,000	181,000
2024	1	26	17,550.00	9,050.00	8,500	172,500
2025	1	27	17,125.00	8,625.00	8,500	164,000
2026	1	28	17,700.00	8,200.00	9,500	154,500
2027	1	29	17,225.00	7,725.00	9,500	145,000
2028	1	30	17,250.00	7,250.00	10,000	135,000
2029	1	31	17,250.00	6,750.00	10,500	124,500
2030	1	32	17,225.00	6,225.00	11,000	113,500
2031	1	33	17,675.00	5,675.00	12,000	101,500
2032	1	34	17,075.00	5,075.00	12,000	89,500
2033	1	35	17,475.00	4,475.00	13,000	76,500
2034	1	36	17,825.00	3,825.00	14,000	62,500
2035	1	37	17,625.00	3,125.00	14,500	48,000
2036	1	38	17,900.00	2,400.00	15,500	32,500
2037	1	39	17,625.00	1,625.00	16,000	16,500
2038	1	40	17,325.00	825.00	16,500	0

BORROWER NAME: SOUTH WOODFORD WATER DISTRICT
 INTEREST RATE: 4.75
 PRINCIPAL: 53,000
 February 1, 1999

year	period	number	payment	interest	principal	balance
2000	1	1	2,517.50	2,517.50	0	53,000
2001	1	2	2,517.50	2,517.50	0	53,000
2002	1	3	3,017.50	2,517.50	500	52,500
2003	1	4	3,093.75	2,493.75	600	51,900
2004	1	5	3,065.25	2,465.25	600	51,300
2005	1	6	3,036.75	2,436.75	600	50,700
2006	1	7	3,008.25	2,408.25	600	50,100
2007	1	8	3,079.75	2,379.75	700	49,400
2008	1	9	3,046.50	2,346.50	700	48,700
2009	1	10	3,013.25	2,313.25	700	48,000
2010	1	11	3,080.00	2,280.00	800	47,200
2011	1	12	3,042.00	2,242.00	800	46,400
2012	1	13	3,004.00	2,204.00	800	45,600
2013	1	14	3,066.00	2,166.00	900	44,700
2014	1	15	3,023.25	2,123.25	900	43,800
2015	1	16	3,080.50	2,080.50	1,000	42,800
2016	1	17	3,033.00	2,033.00	1,000	41,800
2017	1	18	3,085.50	1,985.50	1,100	40,700
2018	1	19	3,033.25	1,933.25	1,100	39,600
2019	1	20	3,081.00	1,881.00	1,200	38,400
2020	1	21	3,024.00	1,824.00	1,200	37,200
2021	1	22	3,067.00	1,767.00	1,300	35,900
2022	1	23	3,005.25	1,705.25	1,300	34,600
2023	1	24	3,043.50	1,643.50	1,400	33,200
2024	1	25	3,077.00	1,577.00	1,500	31,700
2025	1	26	3,005.75	1,505.75	1,500	30,200
2026	1	27	3,034.50	1,434.50	1,600	28,600
2027	1	28	3,058.50	1,358.50	1,700	26,900
2028	1	29	2,977.75	1,277.75	1,700	25,200
2029	1	30	3,097.00	1,197.00	1,900	23,300
2030	1	31	3,006.75	1,106.75	1,900	21,400
2031	1	32	3,016.50	1,016.50	2,000	19,400
2032	1	33	3,021.50	921.50	2,100	17,300
2033	1	34	3,021.75	821.75	2,200	15,100
2034	1	35	2,917.25	717.25	2,200	12,900
2035	1	36	2,912.75	612.75	2,300	10,600
2036	1	37	3,003.50	503.50	2,500	8,100
2037	1	38	2,884.75	384.75	2,500	5,600
2038	1	39	2,966.00	266.00	2,700	2,900
2039	1	40	3,032.75	137.75	2,900	0

53,000

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL

of pages = 1

To <i>Bill Davis</i>	From <i>RD</i>
Dept./Agency	Phone # <i>606-224-7336</i>
Fax # <i>502-582-3905</i>	Fax #

NSN 7540-01-317-7388

5099 101

GENERAL SERVICES ADMINISTRATION

A RESOLUTION OF THE COMMISSION OF SOUTH WOODFORD COUNTY WATER DISTRICT, WOODFORD COUNTY, KENTUCKY, PROVIDING FOR THE CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S WATER DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF SAID DISTRICT'S \$293,000 WATERWORKS SYSTEM REVENUE BONDS, SERIES 1998, TO PAY THE COSTS THEREOF, SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN PREVIOUSLY ISSUED AND OUTSTANDING BONDS; CONFIRMING AND CONTINUING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM; CONFIRMING, RATIFYING AND CONTINUING CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED AND OUTSTANDING PARITY BONDS; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED.

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A RESOLUTION OF THE COMMISSION OF SOUTH WOODFORD COUNTY WATER DISTRICT, WOODFORD COUNTY, KENTUCKY, PROVIDING FOR THE CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S WATER DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF SAID DISTRICT'S \$293,000 WATERWORKS SYSTEM REVENUE BONDS, SERIES 1998, TO PAY THE COSTS THEREOF, SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN PREVIOUSLY ISSUED AND OUTSTANDING BONDS; CONFIRMING AND CONTINUING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM; CONFIRMING, RATIFYING AND CONTINUING CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED AND OUTSTANDING PARITY BONDS; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED.

WHEREAS, upon petition and hearing, and upon proper public notice according to the provisions of Chapter 74 of the Kentucky Revised Statutes ("KRS"), an Order and Judgment was duly entered by the County Court of Woodford County, Kentucky, on August 19, 1963, determining necessity for and creating and establishing the South Woodford County Water District (the "District"), defining the geographical area thereof, and appointing Commissioners, the same thereupon constituting and being a public body corporate with all powers and authority as provided in KRS Chapter 74; and

WHEREAS, the District is at this time a de jure Water District situated wholly in Woodford County, Kentucky; and

WHEREAS, since 1963 the District has owned and operated a municipal waterworks and water distribution system (the "System") to serve the area of the District, and in this connection the District has previously issued and there are presently outstanding the following bonds payable from and secured by a first pledge of the revenues of the System, on a parity one with the other:

(a) Waterworks System Revenue Bonds of 1968 (the "1968 Bonds"), authorized by Resolution of the Commission of the District adopted on January 4, 1968 (the "1968 Resolution"); and

(b) Waterworks System Revenue Bonds Series 1988" (the "1988 Bonds"), authorized by Resolution of the Commission of the District adopted on October 21, 1987, as amended and supplemented by Resolution adopted February 16, 1989 (collectively the "1988 Resolution"); and

(c) Waterworks System Revenue Bonds, 1996 Series A and B (the "1996 Bonds"), authorized by Resolution of the Commission of the District adopted on July 11, 1996 (the "1996 Resolution"); and

WHEREAS, it is provided in and by the 1968, 1988 and 1996 Resolutions (the "Prior Resolutions") that the District may issue additional bonds on a parity with the 1968, 1988 and 1996 Bonds (the "Prior Bonds") in order to pay the costs of additions, improvements and extensions to the System if the United States Department of Agriculture ("USDA"), as the holder of the Prior Bonds, consents to such issuance; and

WHEREAS, pursuant to the above cited provisions of the Prior Resolutions, the 1998 Bonds hereinafter identified and authorized may now be issued on a parity with the Prior Bonds, the consent of USDA having been obtained; and

WHEREAS, in proceedings before the Public Service Commission of Kentucky, the District has obtained (or otherwise will obtain prior to issuance of the 1998 Bonds herein authorized) the right and authority to construct and operate major extensions and additions to the System, and plans and specifications have heretofore been prepared by Haworth, Meyer & Boleyn, Frankfort, Kentucky, and approved by the District's Commission and all State and supervisory authorities having jurisdiction thereof; and it is the opinion of the Commission of the District that it is feasible to undertake the construction and installation of such new facilities at this time; and

WHEREAS, it has been determined upon the basis of public bids for construction duly solicited in the manner required by law, and upon the basis of other costs and estimates, that the aggregate of all costs and expenses in connection with the Project will be \$987,000 and to provide such funds the District has received from USDA an offer to make a USDA loan to the District in the total amount of \$293,000, which will be supplemented by a USDA Grant in the amount of \$283,000, a HUD-CDBG Grant in the amount of \$289,600, a Woodford County Fiscal Court contribution in the amount of \$97,400 and available funds of the District in the amount of \$24,000; and

WHEREAS, it is now appropriate for the District to provide for borrowing said sum of \$293,000 through issuance and sale of its Waterworks System Revenue Bonds, Series 1998 (the "1998 Bonds"), according to authority of KRS Chapters 74 and 106 and the provisions of the Prior Resolutions permitting the issuance of parity bonds or other obligations; and the 1998 Bonds shall be payable as to both principal and interest solely (except as to capitalized interest) from the income and revenues to be derived from the operation of the System, as extended from

time to time, and shall not constitute an indebtedness of the District within the meaning of debt-limiting provisions of the Constitution of Kentucky;

NOW, THEREFORE, THE COMMISSION OF SOUTH WOODFORD COUNTY WATER DISTRICT, WOODFORD COUNTY, KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1

AFFIRMATION OF PREAMBLE RECITALS;
AUTHORIZATION OF THE PROJECT; DECLARATION OF NECESSITY

All statements and recitals set forth in the preamble of this Resolution, including the terms defined therein, are hereby affirmed and adopted as a part of this Resolution.

It is hereby further determined and declared to be necessary in the interests of the general welfare of the citizens and inhabitants of the District that the District undertake at this time the construction and installation of major additions and extensions (the "Project") to the District's municipal water distribution system (the "System"), all substantially according to the plans, specifications and designs prepared for the District by Haworth, Meyer & Boleyn, Frankfort, Kentucky (the "Engineers") and on file with the District. Immediate undertaking of such construction and installation is hereby authorized.

SECTION 2

PROJECT TO BE MUNICIPALLY OWNED AND OPERATED

The construction and installation of the Project is undertaken by the District for public purposes and same shall constitute and be a part of the System, and so long as any of the 1998 Bonds hereinafter authorized, or bonds issued on a parity therewith, shall remain outstanding and unpaid as to principal or interest, the System shall continue to be municipally owned, controlled, operated and maintained by the District for the security and source of payment of the 1998 Bonds hereinafter authorized to be issued and any such parity bonds which may be hereafter issued, subject, however, to the provisions of Section 3 hereinafter. The Project is to be constructed, installed and acquired and the System is to be operated pursuant to the provisions of KRS Section 74.370 and KRS Chapter 106, now in full force and effect.

SECTION 3

1998 BONDS AUTHORIZED; CERTAIN TERMS AND DETAILS

For the purpose of providing funds to defray the costs of the Project including all necessary and proper appurtenances, and expenses incident thereto and incident to the issuance of the 1998 Bonds hereinafter authorized, there are hereby authorized to be issued the District's

Waterworks System Revenue Bonds, Series 1998, in the aggregate principal amount of \$293,000 (the "1998 Bonds").

The 1998 Bonds shall be dated as of the date of their original delivery and shall be issuable as a single fully registered bond without coupons as hereinafter provided in Section 5, with reservation of right on the part of the District to issue additional bonds in the future, payable from the income and revenues of the System, subject to the conditions and restrictions hereinafter prescribed and set forth. The 1998 Bonds shall be offered at public sale as provided in Section 4 of this Resolution.

The 1998 Bonds shall mature as to principal in annual installments on January 1 in each of the years 2001 through 2038, inclusive, as set forth in the schedule appearing below; and shall bear interest from their date until payment of principal, such interest to the respective principal maturity dates to be payable semiannually on January 1 and July 1 of each year, and such interest to be at such rate as may be established by a supplemental Resolution upon the basis of competitive sale of the 1998 Bonds as hereinafter provided. The annual installments of principal of the 1998 Bonds, in fully registered form as aforesaid, shall be as set forth in the following schedule:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2001	\$ 2,500	2014	\$ 5,000	2027	\$ 9,500
2002	3,000	2015	5,500	2028	10,000
2003	3,000	2016	5,500	2029	10,500
2004	3,000	2017	6,000	2030	11,000
2005	3,500	2018	6,000	2031	12,000
2006	3,500	2019	6,500	2032	12,000
2007	3,500	2020	7,000	2033	13,000
2008	4,000	2021	7,000	2034	14,000
2009	4,000	2022	7,500	2035	14,500
2010	4,000	2023	8,000	2036	15,500
2011	4,500	2024	8,500	2037	16,000
2012	4,500	2025	8,500	2038	16,500
2013	5,000	2026	9,500		

provided, however, that installments of principal of 1998 Bonds maturing on and after January 1, 2009, shall be subject to prepayment at the option of the District prior to maturity in whole or from time to time in part in inverse order of maturities (less than all of a single maturity to be selected by lot) on any interest payment date on and after January 1, 2008, upon terms of par plus accrued interest without any prepayment premium, upon thirty (30) days' prior written notice mailed to the registered holder or holders of the 1998 Bonds; provided, that so long as USDA or any of its assigns is the owner of any of the 1998 Bonds, same may be prepaid in whole or in part

at any time at par plus accrued interest, and without notice or prepayment premium. The 1998 Bonds may be prepaid only in increments of \$500.

Both principal of and interest on the 1998 Bonds shall be payable, without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, to the registered holder at the address shown on the registration books of the District or, so long as USDA is the registered holder, at the office or address as may be designated by USDA from time to time.

If any District officer whose signature appears on any 1998 Bond shall cease to be such officer prior to delivery, such signature shall nevertheless be valid and binding for all purposes, the same as if such officer had continued in office until the time of delivery of such 1998 Bond. The 1998 Bonds, together with the interest thereon, and any bonds which have heretofore been or may hereafter be issued on a basis of parity therewith subject to the conditions and restrictions hereinafter set forth, shall be payable only from the Waterworks System Revenue Bond and Interest Sinking Fund created and continued by the Prior Resolutions, as hereinafter more specifically provided, and shall be a valid claim of the holder thereof only against said Fund and the fixed portion or amount of the revenues of the System which the District has pledged to said Fund, subject to the terms hereof.

SECTION 4

PROVISIONS RELATING TO SALE OF BOND ISSUE

The 1998 Bonds authorized by this Resolution shall be publicly offered for sale according to a Notice of Sale of Bonds conforming to the requirements of KRS Chapter 424 (and particularly KRS 424.140(3) and KRS 424.360), which shall be published one time, not less than seven (7) days nor more than twenty-one (21) days prior to the date therein specified (by and at the discretion of the Chairman of the Commission of the District) for the opening and consideration of purchase bids, in each of the following: (a) the legal newspaper published in Woodford County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; and (b) The Courier-Journal, Louisville, Kentucky, a legal newspaper having statewide circulation.

Said Notice shall state the name and amount of 1998 Bonds to be sold, the time of the sale and other details concerning the 1998 Bonds and the sale and shall inform prospective bidders that a copy of the Official Notice of Bond Sale, setting out the maturities, security of the 1998 Bonds, provisions as to redemption prior to maturity, and related information, may be obtained from the District. Such Official Notice shall contain, inter alia, substantially the following bidding requirements:

(A) Bidders shall be limited to institutions or persons having knowledge and experience in financial and business matters who are capable of evaluating the merits and risks of

the 1998 Bonds and who are not purchasing for more than one account and do not intend to redistribute the 1998 Bonds. The District will make available to any such qualified bidder, upon written request, any financial and other material information regarding the District and the System in the District's possession. Bidders are required to bid a cash price of not less than par value for the 1998 Bonds.

(B) The single interest rate must be bid in a multiple of 1/8 or 1/10 of one percent.

(C) Bids will be considered only for the entire 1998 Bond issue.

(D) Bidders (except USDA) are required to deposit a good faith check by cashier's check or certified check in the minimum amount of 2% of the face amount of the 1998 Bonds, which good faith deposit may be applied as partial payment for the 1998 Bonds, or as liquidated damages in the event that such bidder, if successful, fails to comply with the terms of his bid.

(E) Preference in award will be given to the bid resulting in the lowest net interest cost to the District.

(F) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the 1998 Bonds, computed from the first day of the month following the date of sale of the 1998 Bonds (even though the 1998 Bonds will bear interest only from the date of delivery) to the final maturity specified in each respective bid.

(G) The District expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 1998 Bonds at the office of the District within 45 days after the date of sale thereof. If the 1998 Bonds are not ready for delivery and payment within forty-five days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the 1998 Bonds, except that 1998 Bonds purchased by any agency of the Federal government will be delivered to it at a place and time designated by such agency in accordance with its established practices and procedures.

(H) The District reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The District will furnish the 1998 Bonds, together with customary closing documents, including no-litigation certificate.

(J) The successful bidder will receive the approving legal opinion of Harper, Ferguson & Davis, Bond Counsel, Louisville, Kentucky, as to legality of and tax-exempt status of interest on the 1998 Bonds, without additional cost to the successful bidder.

In the event that there is no bid, or that all bids are rejected, the District may re-advertise the sale pursuant to this Resolution.

Bond Counsel having submitted to the Commission of the District forms of the Notice of Sale of Bonds and the Official Notice of Bond Sale, together with an Official Bid Form for use by all bidders except USDA, said documents are hereby approved and authorized for use in connection with the aforesaid sale of the 1998 Bonds.

SECTION 5

1998 BONDS TO BE ISSUED IN FULLY REGISTERED FORM; FULLY REGISTERED BOND FORM

Upon the sale of the 1998 Bonds, the District shall issue a single fully registered 1998 Bond numbered R-1 (hereinafter referred to as the "Fully Registered Bond"). The Fully Registered Bond shall be in the aggregate principal amount of \$293,000, maturing as to principal in installments as set out in Section 3 hereof. The Fully Registered Bond shall be of type composition, on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. The Fully Registered Bond shall, upon execution on behalf of the District (which execution shall be by manual signatures of the Chairman and Secretary of the Commission, and actual impression of the corporate seal), constitute a part of the 1998 Bond issue herein authorized and referred to, shall be non-negotiable, without interest coupons, registered as to principal and interest, payable as directed by the payee, and be in substantially the form hereinafter set forth.

The District hereby directs that books for the registration and for the transfer of the Fully Registered Bond shall be kept by the Secretary, who is hereby appointed as Bond Registrar in connection with such Bond. The Fully Registered Bond shall be transferable only upon said Bond Registrar's books at the request of the registered holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Secretary duly executed by the registered holder or his duly authorized attorney. Upon such transfer of the Fully Registered Bond, the Bond Registrar shall complete (with the name of the transferee), date and execute the registration schedule appearing on the Fully Registered Bond and deliver the Fully Registered Bond to such transferee. The person in whose name the Fully Registered Bond shall be properly registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either principal thereof or interest thereon shall be made only to or upon the order of the registered holder thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Fully Registered Bond to the extent of the sum or sums so paid. The face amount of the Fully Registered Bond, portions of which mature on different dates, will be reduced upon the payment of each maturity, and the Secretary shall keep appropriate records of all payments (both principal and interest) with respect to the Fully Registered Bond.

The Fully Registered Bond shall be in substantially the following form (with appropriate insertions):

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF WOODFORD
SOUTH WOODFORD COUNTY WATER DISTRICT
WATERWORKS SYSTEM REVENUE BOND, SERIES 1998

No. R-1

\$ _____

KNOW ALL MEN BY THESE PRESENTS:

That South Woodford County Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Woodford County, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of _____ DOLLARS (\$ _____) on the first day of January in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
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(Here insert the principal maturities of the 1998 Bonds)

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of _____ percent (____%) per annum, semiannually on the first days of January and July in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture is the registered holder of this Bond, at the office or address as may be designated by said Department of Agriculture from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds in the original principal amount of \$293,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 74 and 106 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs of the construction and installation of major

extensions and additions to the District's municipal water distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the issue which it represents, together with previously issued and outstanding parity bonds and such additional parity bonds as may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue which it represents, and outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Waterworks System Revenue Bond and Interest Sinking Fund."

A statutory mortgage lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, and extensions thereof, is created by Section 106.080 of the Kentucky Revised Statutes for the benefit and protection of the holder of this Bond and outstanding parity bonds, and the same shall continue as a lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, extensions thereof and the revenues derived from the operation thereof until payment in full of the principal of and interest on this Bond and outstanding parity bonds.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient to pay promptly the interest on and principal of this Bond and outstanding parity bonds as the same become due, as well as to pay the costs of operation and maintenance of the System.

This Bond shall be registered as to principal and interest in the name of the holder hereof, after which it shall be transferable only upon presentation to the Secretary of the District, as the Bond Registrar, with a written transfer duly acknowledged by the registered holder or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the books of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2008, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of Five Hundred Dollars (\$500) as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of

Agriculture is the registered holder of this Bond, this Bond may be prepaid at any time in whole or in part, at par or face value and without notice or prepayment premium.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the District to comply with any other provisions of this Bond or with the provisions of the resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said resolution.

This Bond is exempt from ad valorem taxation in the Commonwealth of Kentucky.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the issue which this Bond represents, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the South Woodford County Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is _____.

SOUTH WOODFORD COUNTY
WATER DISTRICT

ATTEST:

By _____
Chairman of the Commission

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

This Bond shall be registered on the books of the South Woodford County Water District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to the Secretary, who shall make notation of such registration in the registration blank, and this Bond may thereafter be transferred only upon written transfer acknowledged by the registered holder or his attorney, such transfer to be made on said books and endorsed hereon.

(FORM OF REGISTRATION)

Date of Registration	Name of Registered Holder	Signature of the Water District's Bond Registrar
	United States of America Department of Agriculture State Office 771 Corporate Drive, Suite 200 Lexington, Kentucky 40503*	

*(To be inserted if USDA purchases the 1998 Bonds)

SECTION 6

DISPOSITION OF 1998 BOND PROCEEDS; CONSTRUCTION FUND

The Treasurer of the District shall be the custodian of all funds belonging to and associated with the System, as expanded and improved from time to time, and such funds shall be deposited in such bank or banks in Kentucky as the Commission of the District may from time to time designate (hereinafter sometimes referred to, singularly and collectively, as the "Depository Bank"). All such moneys of the District deposited in the Depository Bank in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The Treasurer shall execute a fidelity bond in an amount and with a surety company approved by USDA so long as it is the holder of any of the 1998 Bonds; and USDA and the District shall be named co-obligees in such surety bond, and the amount thereof shall not be reduced without the written consent of USDA. The proceeds of the 1998 Bonds shall be applied as follows:

Upon the issuance and delivery of the 1998 Bonds authorized by this Resolution, the entire proceeds thereof shall be deposited in an account designated "South Woodford County Water District 1998 Construction Fund" (the "Construction Fund"), hereby created. Said 1998 Bond proceeds, together with proceeds of the interim financing obligations described below, shall constitute a part of the Construction Fund and shall be applied, to the extent necessary, in paying the costs incident to constructing, installing and acquiring the Project, including expenses incurred in the issuance of the 1998 Bonds and paying interim financing obligations (both principal and interest) incurred in connection with the Project as authorized by said separate interim financing Resolution of the Commission of the District; provided, however, any 1998 Bond proceeds so used to pay such interim financing obligations may be disbursed directly to the appropriate lending institution(s) without the requirement of being deposited to the Construction Fund.

A sum in the Construction Fund estimated to be equal to interest which will accrue on the 1998 Bonds (following delivery thereof) during construction and development of the Project shall be earmarked, used and applied to the payment of interest on the 1998 Bonds next becoming due.

Disbursements from the Construction Fund shall be made by checks signed by the Chairman and Treasurer, provided that the Secretary may sign for one of such officers if such officer is not available. Such disbursements shall be authorized and approved in writing by the Chairman, Secretary or Treasurer and, if USDA is the purchaser of the Bonds, by USDA. Reference is made in this connection to the provisions of the separate interim financing Resolution adopted concurrently herewith.

Pending disbursement, the 1998 Bond proceeds shall be deposited, as aforesaid, in the Construction Fund, and to the extent that such deposit causes the aggregate deposits by the District in the Depository Bank to be in excess of the amount insured by FDIC, the same shall be secured by a surety bond or bonds furnished by a surety company or companies qualified to do business in Kentucky and approved by the Commission of the District, or by a valid pledge of direct obligations of the United States Government, or obligations as to which the payment of principal and interest are guaranteed by the United States Government, having a market value at least equivalent to such deposit.

Where the moneys on deposit in the Construction Fund exceed the estimated disbursements on account of the Project for the next 30 days, the District shall direct the Depository Bank to invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, which shall mature not later than six months after the date of such investment and which shall be subject to redemption at any time by the holder thereof, or in other obligations permitted by law and approved by USDA. The earnings from any such investments shall be deposited in the Construction Fund by the District, unless otherwise authorized by USDA.

In the event any unexpected balance shall remain in the Construction Fund after completion of the Project, and payment of all of the costs thereof, as certified by the Engineers, such unexpended balance, subject to the terms and conditions of the aforesaid USDA loan, and to USDA approval, shall be transferred and deposited in the Waterworks System Revenue Bond and Interest Sinking Fund, hereinafter referred to, and shall be used at the earliest practicable date for the retirement of 1998 Bonds by purchase thereof (or principal prepayment) in inverse numerical and maturity order.

In the event that the amount hereinabove provided to be set aside from 1998 Bond proceeds for payment for interest during the construction and development of the Project should prove to be insufficient for such purpose, additional moneys may, upon approval by USDA, be withdrawn from the Construction Fund and so applied, inasmuch as interest during such period is a proper part of the cost of the Project, to the extent authorized by USDA.

Pending disbursements for the authorized purposes, the proceeds of all 1998 Bonds at any time issued pursuant to this Resolution shall be subject to a first and paramount lien and charge in favor of the holders of 1998 Bonds issued and outstanding hereunder and for their further security.

SECTION 7

OPERATION OF SYSTEM; FLOW OF FUNDS (TO CONTINUE AS IN PAST); ACCUMULATION OF REVENUES

From and after issuance and delivery of any 1998 Bonds herein authorized, and so long as any of the 1998 Bonds or parity bonds remain outstanding and unpaid, the System shall continue to be operated on a fiscal year basis beginning each January 1 and ending on the next December 31, and on that basis the income and revenues shall be collected, segregated, accounted for and distributed as follows:

A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was heretofore created by the 1968 Resolution and continued by the 1988 and 1996 Resolutions identified as the "South Woodford County Water District Waterworks System Revenue Fund" (the "Revenue Fund"), which shall be maintained with the Depository Bank; and the District covenants and agrees that it will continue to deposit therein, promptly as received from time to time, all income and revenues of the System as hereinafter defined. The moneys in the Revenue Fund from time to time shall continue to be used and disbursed and applied by the District only for the purposes, and in the manner and order of priorities, specified in the succeeding subsections of this Section 7, all as permitted by applicable statutes, and in accordance with pre-existing contractual commitments (see Section 6 of the 1968 Resolution), as follows:

(A) A separate and special fund or account of the District was created by the 1968 Resolution and continued by the 1988 and 1996 Resolutions designated the "South Woodford County Water District Waterworks System Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), which shall continue to be maintained for the benefit of the System and all bonds payable from the income and revenues of the System. The District covenants that it will continue to transfer monthly from the funds in the Revenue Fund to the Operation and Maintenance Fund sums sufficient to pay as they accrue the Current Expenses of operating and maintaining the System pursuant to the Annual Budget, for which provision is hereafter made.

(B) A separate and special fund or account of the District was created by the 1968 Resolution and continued by the 1988 and 1996 Resolutions, distinct and apart from all other funds and accounts, and the same is designated and identified as the "South Woodford County Water District Waterworks System Revenue Bond and Interest Sinking Fund" (the "Bond Fund"), which shall continue to be maintained, so long as any of the outstanding Prior Bonds, and the 1998 Bonds herein authorized or additional parity bonds permitted to be issued are outstanding,

in the Depository Bank; and all moneys deposited therein from time to time shall be used and disbursed and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on all outstanding Prior Bonds, 1998 Bonds and additional parity bonds, if any are issued.

Subject to subsection (A) of this Section 7, there shall continue to be transferred on or before the 15th day of each month from the Revenue Fund, as a first charge thereon, and deposited in the Bond Fund, sums not less than the total principal and interest requirements on all outstanding Prior Bonds. In addition, there shall be set aside and paid from the Revenue Fund, as a first charge thereon, into the Bond Fund on account of the 1998 Bonds sums not less than:

(i) beginning with and including the month in which interest shall last be payable from 1998 Bond proceeds, a sum equal to one-sixth (1/6) of the next succeeding interest installment (or the requisite monthly amount to pay such installment) to become due on all 1998 Bonds then outstanding; and

(ii) beginning on January 15, 2000, a sum equal to one-twelfth (1/12) of the principal of all 1998 Bonds maturing on the next succeeding January 1.

Thereafter, after making the transfers for principal and interest enumerated in subsection (A) of Section 6 of the 1968 Resolution, and this subsection (B) of Section 7 of this Resolution, such monthly deposits shall be made in the Depository Bank (which shall include and not be less than the amount required by the 1968 Bond Resolution per month) to accrue as a Debt Service Reserve in the Bond Fund (the "Debt Service Reserve"), as hereinafter specifically set out.

In addition to the sums deposited in the Bond Fund to meet the requirements for the payment of interest and principal pursuant to the Prior Resolutions and this Resolution, and the payments required by the Prior Resolutions to be made into the Debt Service Reserve created and continued by the Prior Resolutions, there shall be paid into the Debt Service Reserve the additional sum of \$145 per month until such time as there shall be accumulated in the Debt Service Reserve the amount of \$17,400 (in addition to the amount of \$786,400 required to be accumulated under the Prior Resolutions), and thereafter, if the accumulated Debt Service Reserve equals the maximum annual principal and interest requirements on the Prior Bonds and the 1998 Bonds, and further amounts to at least the aggregate amount required by the Prior Resolutions and this Resolution, the aforesaid monthly deposits to the Bond Fund may be reduced to sums equal to one-sixth (1/6) of the interest becoming due on all Prior Bonds and 1998 Bonds on the next succeeding interest payment date, and one-twelfth (1/12) of the principal thereof maturing on the next succeeding January 1; but subject to a resumption of monthly deposits if the Debt Service Reserve is depleted to an amount less than the minimum amount hereinabove established, the same to be continued for such period of time as may be required to restore the balance therein to such stipulated level.

In the event additional parity bonds are issued pursuant to the conditions and restrictions set forth hereinafter, the monthly deposits to the Bond Fund shall be increased to provide for payment of interest thereon and the principal thereof as the same respectively become due, and the aggregate monthly payment to the Debt Service Reserve as specified above shall be continued or resumed to increase the balance in the Debt Service Reserve to an aggregate amount equal to the maximum amount thereafter becoming due with respect to all outstanding Prior Bonds, 1998 Bonds and additional parity bonds in any period of twelve (12) months ending on January 1.

Moneys from time to time in the Debt Service Reserve may be held in cash, in which event the same shall be secured by a valid pledge of bonds, notes, or certificates of indebtedness of the United States Government having at all times an equal market value; or the same may, upon order of the Commission, be invested and reinvested in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing not later than five (5) years from date of purchase, or the final maturity date of 1998 Bonds issued pursuant to this Resolution, whichever date is the earlier. Income from any such investments shall be accumulated in the Debt Service Reserve, and may be invested in the same manner. Withdrawals shall be made from the Debt Service Reserve, and transferred to the Bond Fund, if and to any extent required at any time to prevent default in the payment of principal of or interest on any Bonds which by their terms are payable from the Bond Fund; and if necessary, securities held as investments in the Debt Service Reserve shall be converted into cash for such purposes; but no withdrawals therefrom shall be made for any other purposes, except as indicated in (C) of this Section, and except that moneys surplus to the requirements of the Debt Service Reserve may be applied to the payment of principal and interest and to the redemption of Prior Bonds, 1998 Bonds and any parity bonds, and the District hereby irrevocably pledges all moneys and securities in the Debt Service Reserve for such specified purposes only. In the event any such permitted withdrawals are made, the deficiency in said fund shall be restored as soon as revenues are available, and as above set forth.

(C) In addition to the above deposits from the Revenue Fund, there shall also be deposited in the Debt Service Reserve, as received, all proceeds collected from potential customers to aid in the financing of the cost of extensions and improvements to the System, and also proceeds from any property damage insurance and any such proceeds so deposited shall be used for the purposes intended. Moneys in the Debt Service Reserve may be withdrawn and used by the District, upon appropriate certification by the Commission, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals, and replacements not included in the Annual Budget of Current Expenses, and of paying the cost of constructing extensions and improvements to the System which will either enhance its revenue capacity or provide a higher degree of service, and when necessary for the purpose of making payments of principal and interest on the bonds hereby authorized if the Bond Fund is not sufficient to make such payments.

Notwithstanding the provisions of this Section, if the 1968 Bonds, 1988 Bonds, 1996 Bonds or 1998 Bonds are no longer outstanding, no amount shall be deemed to be required to be

deposited in the Debt Service Reserve which exceeds required deposits in such a fund under the terms of the rules and regulations of USDA.

* * * * *

All payments into the above special funds shall be made on or before the fifteenth (15th) day of each month, except that when the fifteenth (15th) day of any month shall be a Sunday or a legal holiday, then such payment shall be made on the next succeeding business day.

All moneys held in any of the above special funds shall be kept apart from all other District funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the District therein to be in excess of the amount secured by FDIC shall (unless invested as herein authorized) be secured by a surety bond or bonds or by pledge of direct obligations or by guaranteed bonds or securities of the United States Government having a market value equivalent to such deposit.

SECTION 8

COVENANTS TO BONDHOLDERS

The District hereby irrevocably covenants and agrees with the holder or holders of any and all 1998 Bonds and parity bonds at any time outstanding that so long as the same or any part thereof or interest thereon remain outstanding and unpaid:

(A) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky, and by the terms and provisions of this Resolution.

(B) It will at all times operate the System on a revenue-producing basis, and will permit no free services to be rendered or afforded thereby.

(C) It will maintain the System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of revenues accumulated and set aside for such purposes.

(D) The District covenants and agrees that, so long as any of the 1998 Bonds are outstanding, it will not sell or otherwise dispose of any of the System facilities or any part thereof, and, except as provided for in this Resolution and the Prior Resolutions, it will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the 1998 Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any of its System facilities, provided that:

(i) it is in compliance with all covenants and undertakings in connection with all of its 1998 Bonds and Prior Bonds then outstanding and payable from the revenues of the System;

(ii) it will, in the event of sale, apply the proceeds to either (1) redemption of outstanding Prior Bonds and 1998 Bonds in accordance with the provisions governing prepayment of said bonds in advance of maturity, or (2) replacement of the facility so disposed of by another facility the revenues of which shall be incorporated into the System as hereinbefore provided;

(iii) it certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing net revenues; and

(iv) notwithstanding all of the foregoing, no such sale, abandonment or transfer of System facilities shall be made so long as USDA owns any of the 1998 Bonds herein authorized, without the written consent and approval of USDA.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by the System; and the same shall be reasonable and just, taking into account and consideration the cost and value of the System, the costs of operating the same and maintaining it in a good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all outstanding bonds as aforesaid and the accruing interest thereon, and the accumulation of reserves as herein provided; and such rates and charges shall be adequate to meet all such requirements as provided in this Resolution, and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the date of issuance of the 1998 Bonds, the District will adopt a Budget of Current Expenses for the System for the remainder of the then current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any 1998 Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will file a copy of each such Budget, and of any amendments thereto, in the office of the Secretary of the District, and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation, payments into the Depreciation Fund for extensions, improvements, and extraordinary repairs and maintenance, and payments into the Bond Fund. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Commission of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the District agrees that it will prepare an estimate of cash income and revenues to be derived

from operation of the System for each fiscal year, and to the extent that said cash income and revenues are insufficient to provide for all payments required to be made into the Bond Fund during such ensuing fiscal year, and to build up and maintain the reserves specified and referred to in Section 7 of this Resolution, and to pay Current Expenses, the District covenants and agrees that it will revise its rates and charges for services rendered by the System, so that the same will be adequate to meet all of such requirements.

(F) It will not at any time make any reduction in any prevailing schedule of rates and charges for use of the services and facilities of the System without first obtaining the written determination of a Consulting Engineer of national reputation that the proposed reduction will not adversely affect the ability of the District to meet all the requirements set forth in this Resolution.

(G) It will at all times segregate the revenues of the System from all other revenues, moneys, and funds of the District, and will promptly and regularly make application and distribution thereof into the special funds provided in this Resolution, in the amounts and with due regard for the priorities herein attributed thereto.

(H) It will keep proper books of record and account, separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries of all transactions relating to the System, and the same shall be available and open to inspection by any Bondholder, and any agent or representative of a Bondholder.

(I) It will, within ninety (90) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the District on a monthly salary basis, showing all receipts and disbursements, and reflecting in reasonable detail the financial condition and records of the System, including the status of the several funds hereinbefore created, the status of the insurance and fidelity bonding, the number and type of connections, and the current rates and charges, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the Audit Report to be filed in the Office of the Secretary where it will be available for public inspection, and will promptly mail a copy thereof to the original recipients of 1998 Bonds issued hereunder. If requested to do so, the District will furnish to any Bondholder a condensed form of the Balance Sheet, and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided. Provided, so long as USDA holds any of the 1998 Bonds herein authorized, the District shall furnish operating and other financial statements in such form and substance and for such periods as may be requested by USDA.

(J) Any holder of 1998 Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance by said District and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of the System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of the 1998 Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of Current Expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

(L) The District will cause each municipal officer or other person (other than depository banks) having custody of any moneys administered under the provisions of this Resolution to be bonded at all times in an amount at least equal to the maximum amount of such moneys in his custody at any time; each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Commission, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid from moneys available in the Operation and Maintenance Fund.

(M) It will procure, and at all times maintain in force, insurance of all insurable properties constituting parts of, or being appurtenant to, the System to the full insurable value thereof, against damage or destruction by fire, windstorm, and the hazards covered by the standard "extended coverage" policy endorsements or provisions, the premiums therefor to be paid from the Operation and Maintenance Fund; and will deposit all sums collected under the terms of such policies in the Depreciation Fund. Such insurance shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percentum (80%) of the full insurable value of the damaged facility.

(N) The District will procure and at all times maintain Public Liability Insurance relating to the operation of the System, with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death; and not less than \$100,000 from claims for damage to property of others which may arise from the District's operation of the System.

(O) The District will carry suitable Workers' Compensation Insurance in accordance with law.

(P) If the District owns or operates a vehicle in the operation of the System, the District will procure and at all times maintain Vehicular Public Liability Insurance with limits of not less than \$200,000 for one person and \$500,000 for more than one person

involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$100,000 against claims for damage to property of others which may arise from the District's operation of vehicles. Provided, notwithstanding (M), (N), (O) and (P) above, that so long as USDA holds any 1998 Bonds, the District will procure and maintain insurance of such types and amounts as USDA may specify, which shall not be less than the amounts specified above.

(Q) So long as USDA is the holder of any bonds of the District, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of such bonds held by USDA without immediately prepaying all of such bonds held by USDA.

SECTION 9

PARITY BONDS PERMITTED; TERMS

The 1998 Bonds authorized to be issued hereunder and from time to time outstanding shall not be entitled to priority one over the other in the application of the revenues herein pledged, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the 1998 Bonds authorized to be issued under the provisions of this Resolution, regardless of the fact that they may actually be issued and delivered at different times. No other bonds or other obligations shall be issued by the District and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created; provided, however, the District hereby reserves the right and privilege of issuing additional bonds, from time to time, payable from the revenues of the System, ranking on a basis of equality and parity as to security and source of payment with the 1998 Bonds and outstanding parity bonds, for the following purposes and subject to the following conditions and restrictions:

(A) The District shall have the right to add new System facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to the 1998 Bonds, provided in each instance that:

- (i) the facility or facilities to be built from the proceeds of the additional parity bonds is or are made a part of the System and its or their revenues are pledged as additional security for the additional parity bonds and the outstanding Prior Bonds and 1998 Bonds;
- (ii) the District is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the income and revenues of the System or any part thereof;

- (iii) the annual net revenues, defined as gross revenues less Current Expenses, of the System for the fiscal year next preceding the issuance of the additional parity bonds, are certified by an independent public accountant employed by the District to have been equal to at least one and twenty hundredths (1.20) times the average annual requirements for principal and interest on all Prior Bonds and 1998 Bonds then outstanding and payable from the revenues of the System (provided, however, that so long as the 1968 Bonds are outstanding, no additional capital debt can be created without the written permission of the U. S. Department of Agriculture); and
- (iv) the estimated average annual net revenues of the facility or facilities to be constructed or acquired with the proceeds of such additional bonds (and any other funds pledged as security), when added to the estimated future average annual net revenues of the then existing System, shall be at least one and twenty hundredths (1.20) times the average annual debt service requirements for principal and interest on all outstanding Prior Bonds and 1998 Bonds payable from the revenues of the System and on the additional Bonds to be issued. In addition, said estimated annual net revenues shall be at least one and twenty hundredths (1.20) times the highest future annual debt service requirement for principal and interest on all outstanding Prior Bonds and 1998 Bonds payable from the pledged revenues and on the additional bonds proposed to be issued. Future net revenue estimates shall be furnished by a recognized independent consulting engineer and approved by the Chairman and the Commission of the District; and shall be forecast over a period not exceeding 10 years from the date of the additional bonds proposed to be issued.

(B) The District hereby covenants and agrees that in the event additional series of parity bonds are issued, it shall:

- (i) adjust the monthly deposits into the Bond Fund on the same basis as that prescribed in Section 7(B) hereof to reflect the average annual debt service on the additional bonds;
- (ii) adjust the amount of the Debt Service Reserve to a sum equal to not less than the maximum annual debt service on the Bonds then outstanding and such additional parity bonds, the additional debt service to be accumulated monthly in the manner hereinbefore provided;
- (iii) adjust and increase the maximum amount to be deposited into the Debt Service Reserve on the same basis as that prescribed in Section 7(C) hereof, such required increase to be equal to ten percent (10%) of the cost of the facilities and equipment to be constructed or acquired with the proceeds of such additional bonds; and

- (iv) make such additional bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year.

(C) If in any subsequently issued series of bonds secured by a parity lien on the revenues of the System, it is provided that excess revenues in the Revenue Fund shall be used to redeem bonds in advance of scheduled maturity, or if the District at its option undertakes to redeem outstanding bonds in advance of scheduled maturity, it is agreed and understood (a) that calls of bonds will be applied to each series of bonds on an equal pro rata basis (reflecting the proportion of the original amount of each series of bonds outstanding at the time of such call), and (b) that calls of bonds for each series of bonds will be in accordance with the call provisions of the respective bond series. However, the District shall have the right to call, subject to the call provisions of the respective bond series, any or all outstanding bonds which may be called at par prior to calling any bonds that are callable at a premium.

The additional parity bonds (sometimes herein referred to as "permitted" to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds payable from the revenues of the System on a basis of equality and parity with the 1998 Bonds herein specifically authorized, and shall not be deemed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the 1998 Bonds and parity bonds herein authorized to be issued. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged, and not ranking on a basis of equality and parity with the 1998 Bonds and parity bonds herein otherwise referred to, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions or extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment, and protection of the 1998 Bonds and parity bonds herein authorized and permitted to be issued. Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the 1998 Bonds, and/or of any bonds which may have been issued and are outstanding under any of the provisions of this Resolution, if such refunding does not operate to increase, in any year until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

SECTION 10

PROVISIONS OF RESOLUTION CONSTITUTE CONTRACT

The provisions of this Resolution shall constitute a contract between the District and the holders of the 1998 Bonds and parity bonds, and after the issuance of any of the 1998 Bonds, no material change, variation, or alteration of any kind of the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of the 1998 Bonds and parity bonds, and the interest thereon, have been paid in full.

SECTION 11

STATUTORY MORTGAGE LIEN ACKNOWLEDGED

A statutory mortgage lien upon the System, together with all appurtenances and additions thereto and extensions thereof, and including the revenues thereof, is granted and created by KRS Section 106.080 for the benefit and protection of the holders of the 1998 Bonds and parity bonds; and said statutory mortgage lien is hereby recognized and shall be effective upon delivery of any of the 1998 Bonds and shall continue in full force and effect so long as there shall remain unpaid any part of the principal of or interest on the 1998 Bonds and parity bonds.

SECTION 12

TAX COVENANTS

The District covenants and agrees that the Project will be constructed expeditiously and the expenditure of the portion of the proceeds of the 1998 Bonds deposited in the Construction Fund for the payment of the costs of the Project will be made promptly in order that the Project will be completed and in operation at the earliest possible date. The District further certifies and covenants with the holders of the 1998 Bonds that so long as any of the 1998 Bonds remain outstanding, moneys on deposit in any fund or account in connection with the 1998 Bonds, whether or not such moneys were derived from the proceeds of the sale of the 1998 Bonds or from any other sources, will not be invested or used in a manner which will cause the 1998 Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated or proposed thereunder, as the same presently exist or may from time to time hereafter be amended, supplemented or revised. The Chairman and/or Secretary, as the officers of the District charged with the responsibility for issuing the Bonds, are authorized and directed, for and on behalf of the District, to execute all papers, documents, certificates and other instruments that may be required for evidencing compliance with federal "arbitrage bond" regulations, and any representations and certifications contained in such papers, documents, certificates and other instruments so executed shall be deemed to constitute representations and certifications of the District.

The District further represents, warrants, agrees and covenants as follows:

(A) Within the meaning of Section 141 of the Code and the Income Tax Regulations issued thereunder, over the terms of the Bonds (i) less than 10% of the proceeds of the 1998 Bonds, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the 1998 Bonds, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived directly or indirectly from payments (whether or not to the District) in respect of such property; (ii) at least 90% of the proceeds of the 1998 Bonds will be applied for a governmental use of the District; (iii) any private business use of the Project will be

related to such governmental use of the District and will not be unrelated or disproportionate; and (iv) none of the proceeds of the 1998 Bonds will be used, directly or indirectly, to make or finance loans to private persons. It is reasonably expected that over the term of the 1998 Bonds (a) the Project will be available for general public use, in that it will be reasonably available for use by natural persons not engaged in a trade or business on the same basis as any other person or entity, (b) no nongovernmental person will have any special legal entitlement to use the Project, and (c) there will be no direct or indirect payments made with respect to the Project or the security of the 1998 Bonds by any persons or entities other than payments by the general public as described in clause (a) above.

(B) Within the meaning of Section 148(f)(4)(B), it is reasonably expected at least 75% of the net proceeds (including investment proceeds) of the 1998 Bonds will be used for construction expenditures with respect to property which is owned by a governmental unit, at least 10% of such proceeds will be spent for the governmental purposes of the issue within six months from the date the 1998 Bonds are issued, at least 45% of such proceeds will be spent for such purposes within one year from such date, at least 75% of such proceeds will be spent for such purposes within eighteen months from such date, and at least 100% of such proceeds will be spent within two years from such date. It is also reasonably expected at least 50% of all proceeds (including investment proceeds) of the Bonds will be used for expenditures on the Project within six months, at least 60% will be so used within 12 months and 100% will be so used within 18 months from the date of issuance of the 1998 Bonds. If for any reason the arbitrage rebate requirements of Section 148(f) of the Code should be deemed to apply to the 1998 Bonds, the District will take all action necessary to comply therewith.

(C) It is reasonably expected that during the term of the 1998 Bonds the Project will not be disposed of, provided, however, should there be any disposition of any personal property constituting a part of the Project because it is no longer suitable for its governmental purpose, it is reasonably expected that the fair market value of such personal property will not exceed 25% of its cost.

(D) The weighted average maturity of the 1998 Bonds does not exceed 120% of the weighted average useful life of the facilities comprising the Project.

(E) The District has not heretofore expended any sums on the Project which are to be reimbursed from the proceeds of the 1998 Bonds, other than (a) certain preliminary expenditures such as engineering and planning costs not exceeding 20% of the 1998 Bond proceeds, (b) expenditures made within 60 days prior to the date of adoption of this Resolution, and (c) expenditures prior to which the District had adopted an official intent resolution regarding reimbursement from tax-exempt bond proceeds.

(F) The 1998 Bonds are not federally guaranteed within the meaning of Section 149(b) of the Code.

(G) The District will comply with the information reporting requirements of Section 149(e) of the Code.

(H) The District will not use or permit the use of any of the funds provided by the 1998 Bonds in such manner as to, or take or omit to take any action which would, impair the exclusion from gross income for federal income tax purposes of interest on the 1998 Bonds. The District shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the District on the 1998 Bonds shall, for the purposes of federal income taxation, be excludable from gross income.

(I) This Resolution is intended to and does constitute, in part, a declaration of official intent under applicable Income Tax Regulations.

SECTION 13

SEVERABILITY CLAUSE

If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

SECTION 14

REPEAL OF INCONSISTENT PROVISIONS

All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

SECTION 15

WHEN RESOLUTION EFFECTIVE

This Resolution shall be in full force and effect from and after its adoption, approval and attestation as provided by law.

ADOPTED BY THE COMMISSION OF THE SOUTH WOODFORD COUNTY WATER DISTRICT, WOODFORD COUNTY, KENTUCKY, at a meeting held on the ____ day

of _____, 1998, on the same occasion signed in open session by the Chairman, attested under seal by the Acting Secretary, and declared to be in full force and effect.

(SEAL)

Chairman of the Commission

ATTEST:

Acting Secretary

CERTIFICATION

The undersigned, Acting Secretary of the Commission of South Woodford County Water District, Woodford County, Kentucky, hereby certifies that the foregoing is a true, complete and correct copy of a Resolution adopted by the Commission of said District, signed by the Chairman thereof, and attested under seal by me as Acting Secretary upon the occasion of a properly convened meeting of the Commission of said District held on _____, 1998, as shown by the official records in my custody and under my control.

WITNESS my hand this _____, 1998.

Acting Secretary