

HAZELRIGG & COX, LLP

ATTORNEYS AT LAW

415 WEST MAIN STREET

P.O. Box 676

FRANKFORT, KENTUCKY 40602-0676

WILLIAM P. CURLIN, JR.
DANDRIDGE F. WALTON
JOHN B. BAUGHMAN
ROBERT C. MOORE
CLAYTON B. PATRICK
SQUIRE N. WILLIAMS III

DYKE L. HAZELRIGG (1881-1970)
LOUIS COX (1907-1971)

FAX: (502) 875-7158
TELEPHONE: (502) 227-2271

January 28, 2004

Mr. Tom Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

JAN 29 2004

Public Service
Commission


Re: Orchard Grass Utilities, Inc.;
Joint Application for Approval of Transfer

2004-00029

Dear Mr. Dorman:

Please find enclosed for filing the original and 11 copies of the above referenced Joint Application for Approval of the Transfer of the Orchard Grass Utilities, Inc., sewer system to the Oldham County Sewer District. Please return a file-stamped copy to our office, and call me if you have any questions concerning this matter.

Yours truly,


Robert C. Moore *RCM*

Enclosures
RCM/csc

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE JOINT APPLICATION OF ORCHARD GRASS
UTILITIES, INC. AND OLDHAM COUNTY SEWER
DISTRICT FOR APPROVAL OF THE TRANSFER OF
WASTE WATER TREATMENT FACILITIES PURSUANT
TO STOCK PURCHASE AGREEMENTS BETWEEN THE
PARTIES

RECEIVED

JAN 29 2004

**PUBLIC SERVICE
COMMISSION**

CASE No. 2004-00029

JOINT APPLICATION FOR APPROVAL OF TRANSFER

Orchard Grass Utilities, Inc. ("Orchard Grass") and the Oldham County Sewer District ("OCSD") hereby petition the Public Service Commission ("Commission") for approval, pursuant to KRS 278.020(4), of the transfer of the Wastewater Treatment assets and business of Orchard Grass to OCSD, in accordance with the Stock Purchase Agreement ("Agreement"), a copy of which is attached hereto as Exhibit A. In support of their application, Orchard Grass and OCSD state the following:

1. Orchard Grass, the Seller under the Agreement, is a Kentucky Corporation in good standing, with its principal place of business at 1706 Bardstown Road, Louisville, Kentucky, 40205. A copy of the Articles of Incorporation of Orchard Grass are attached hereto as Exhibit B. Orchard Grass is a utility subject to Commission jurisdiction under KRS 278.010(3)(f). Carroll Cogan is the President and sole shareholder of Orchard Grass, and has been duly authorized to execute this joint application on behalf of the corporation. A copy of the resolution of the Orchard Grass Board of Directors authorizing the stock transfer to OCSD is attached hereto as Exhibit C.

2. OCSD is the purchaser under the Agreement, and its address is 7311 Highway 329, Suite 542, Crestwood, Kentucky, 40014. OCSD is a sanitation district established in

Oldham County by Ordinance No. 96-830-26. A copy of such Ordinance is attached hereto as Exhibit D. The territory of OCSD includes all areas of Oldham County, exclusive of the cities of LaGrange and Crestwood, serving approximately 3,711 residential and commercial customers. Forrest B. Ewen is the president of OCSD, and has been duly authorized to execute this joint application on behalf of OCSD. A copy of the resolution of the OCSD Board of Directors authorizing the acquisition and transfer is attached hereto as Exhibit E. A copy of the audited financial statement of OCSD as of June 30, 2003, is attached hereto Exhibit F.

3. Under the Agreement, Carroll Cogan will sell to OCSD all of the outstanding stock of Orchard Grass, which is being acquired by OCSD for the sole purpose of acquiring the assets used in the operation of wastewater collection and treatment systems located in Oldham County ("Sewer Business"). The assets purchased by OCSD are described more fully in the Agreement, but include the "Orchard Grass" wastewater treatment plant, the wastewater collection system served by the Orchard Grass wastewater treatment plant and the pump stations related thereto, as well as the "Willow Creek" wastewater treatment plant, the wastewater collection system served by the Willow Creek wastewater treatment plant and the pump station related thereto. Excluded from the purchase are:

- (i) Cash and cash equivalents; and,
- (ii) Customer accounts receivable as of the date of the closing.

All liabilities of Orchard Grass shall be concluded at closing so that OCSD will not assume any liabilities or obligations of Orchard Grass other than certain contractual obligations specified in the Agreement and the obligation to provide utility services in connection with the operation of the sewer business after the closing. The closing under the Agreement will occur within twenty (20) days after receipt of the approval of the Commission. OCSD shall begin the process of

dissolving Orchard Grass immediately upon closing. Orchard Grass has no employees and upon transfer, all operations will be performed by current OCSD staff.

4. The Orchard Grass wastewater treatment plant is an above ground package sewage treatment plant. It was acquired in the early 1970's and currently serves approximately 710 customers in Oldham County. The Willow Creek wastewater treatment plant is also an above ground package sewage treatment plant, that was acquired in the early 1970's. It currently serves approximately 335 customers in Oldham and Jefferson counties.

The average daily treatment capacity of the Orchard Grass wastewater treatment plant is 300,000 gallons. The plant is in good condition and consistently meets State water quality standards. Residences located in Briar Hills Subdivision, Poplar Hill Subdivision, Hunters Hollow, Graham Village Apartments and Orchard Grass Subdivision are served by the Orchard Grass wastewater treatment plant, as well as an I-71 rest area.

The average daily treatment capacity of the Willow Creek wastewater treatment plant is 140,000 gallons. The plant is in good condition and consistently meets State water quality standards. Residences located in Willow Creek Subdivision are served by the Willow Creek wastewater treatment plant. Neither Orchard Grass or OCSD is subject to regulation by a metropolitan sewer district and Orchard Grass does not maintain customer deposits. A copy of the December 31, 2002, Annual Report of Orchard Grass is attached hereto as Exhibit G.

5. OCSD has the requisite financial, technical and managerial abilities to provide reasonable service to the wastewater customers of Orchard Grass: (a) attached hereto as Exhibit F is a copy of the financial statements of OCSD for the fiscal year ending June 30, 2003. Inasmuch as OCSD is a body politic of the Commonwealth of Kentucky, organized as a sanitation district for the express purpose of providing sanitation service in Oldham County, the parties hereby

request waiver of any third party beneficiary agreement requirement. (b) OCSD has experienced net losses as a result of its various acquisitions of sewage treatment plants, many of which have required considerable repair and maintenance after acquisition to bring them into compliance with the regulations and requirements of the Division of Water, Cabinet for Natural Resources and Environmental Protection, Commonwealth of Kentucky. Following these initial expenses, revenue from the plants are projected to be sufficient for the operation and maintenance of the facilities in a fiscally appropriate manner. Because of the large number of customers and the good condition of the plant facilities, the acquisition of Orchard Grass, which includes both the Orchard Grass Wastewater treatment system and the Willow Creek Wastewater treatment system, will make a significant contribution to the financial stability of OCSD operations. (c) John M. Bennett, Jr., a registered professional engineer, with extensive experience in wastewater treatment plant operation and design, is the chief engineer of OCSD and will supervise the operation of the Orchard Grass wastewater treatment plant and facilities and the Willow Creek wastewater treatment plant and facilities. The resume of Mr. Bennett is attached hereto as Exhibit H. OCSD also receive planning and management consultant from the Louisville and Jefferson Metropolitan Sewer District. (d) OCSD present owns and operates, either directly or through arrangements with MSD and private wastewater treatment facilities in Oldham County, including the following:

- (i) Covered Bridge;
- (ii) Country Village;
- (iii) Lakewood Valley;
- (iv) Heather Hills;
- (v) Mockingbird Valley;
- (vi) Cardinal Harbour;
- (vii) Trails End;
- (viii) Lockwood Estates;
- (ix) Green Valley;

- (x) Buckner; and
- (xi) Ash Avenue.

A Commissioner approved acquisition of the facilities identified in items (i) through (xi) in Case No. 99-496; Case No. 2000-166; Case No. 2001-187; Case No. 2001-403, Case No. 2002-423; and Case No. 2003-262.

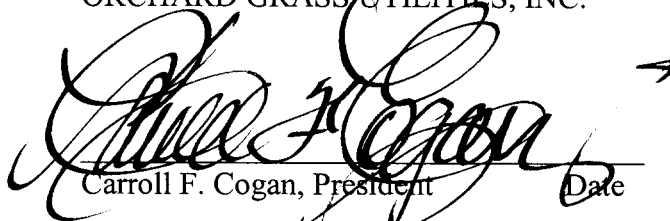
6. The proposed transfer of the sewer business by Orchard Grass to OCSD will be accomplished in accordance with law, for a proper purpose and, consistent with the public interest: (a) OCSD has all necessary permits for the wastewater facilities it presently operates. On or before closing, OCSD will have all necessary permits for the operation of the Orchard Grass Wastewater facility and system and the Willow Creek Wastewater facility and system. (b) OCSD was formed in 1996 for the purpose of providing sewer services in Oldham County. The public interest would be served by the transfer of the sewer business to OCSD. As stated in Paragraph 5 above, OCSD has the requisite abilities to provide adequate sanitation services in Oldham County consistent with the public interest.

7. OCSD is not under the jurisdiction of the Commission and therefore has not filed a Notice of Adoption as described in 807 KAR 5:011.

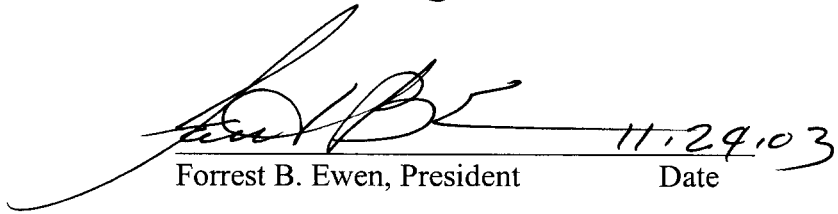
WHEREFORE, the undersigned applicants respectfully request the Commission to issue an Order finding that OCSD has the financial, technical, and managerial abilities to provide reasonable service to the wastewater customers of Orchard Grass, which includes both the Orchard Grass Wastewater treatment system and the Willow Creek Wastewater treatment system; that the proposed transaction is in accordance with law, is for a proper purpose, and is consistent with the public interest; and, that the proposed transfer of the sewer business by Orchard Grass to OCSD is authorized and approved.

Respectfully submitted,

ORCHARD GRASS UTILITIES, INC.


Carroll F. Cogan, President Date

OLDHAM COUNTY SEWER DISTRICT


Forrest B. Ewen, President Date 11.29.03

COMMONWEALTH OF KENTUCKY)

COUNTY OF Jefferson)

Signed and sworn to before me by Carroll F. Cogan, as President of Orchard Grass Utilities, Inc., this the 24th day of November, 2003.

My commission expires: 3-30-05


Notary Public

COMMONWEALTH OF KENTUCKY)

COUNTY OF OLDHAM) SS

Signed and sworn to before me by Forrest B. Ewen, as President of Oldham County Sanitation District., this the 24th day of November, 2003.

My commission expires: 3-30-05


Notary Public

AGREEMENT FOR PURCHASE
AND SALE OF CORPORATE STOCK

This AGREEMENT for Purchase and Sale of Corporate Stock ("Agreement") is effective as of _____, 2004, by and between the **Oldham County Sewer District**, a Kentucky municipal corporation, 7311 Highway 329, Suite 605, Crestwood, Kentucky 40014 ("OCSD"), and **Carroll F. Cogan**, individually and as President and sole shareholder of **Orchard Grass Utilities, Inc.**, a Kentucky corporation, 1706 Bardstown Road, Louisville, Kentucky 40205-1212 ("Seller").

RECITALS

Orchard Grass Utilities, Inc. ("Company") is the owner of certain wastewater collection, conveyance and treatment facilities, commonly known as the Orchard Grass and Willow Creek Sewer Systems, together with some real property on which such treatment facilities are located that serves the Orchard Grass Hills and Willow Creek subdivisions in Oldham County, Commonwealth of Kentucky (the "Wastewater System").

Seller owns 100% of the outstanding stock of the Company. OCSD desires to purchase from Seller, and Seller desires to sell to OCSD, all of Seller's Interest ("Interest") in the Company, upon the terms and subject to the conditions set forth in this Agreement, such that sale to OCSD will make OCSD own 100% of Company and Seller own 0% of Company, for the purpose of construction, operation, maintenance and any reconstruction of sanitary sewers, pump stations, force mains, treatment facilities and equipment, structures or materials relating to the development and operation of the Wastewater System.

AGREEMENT

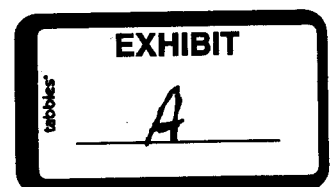
In consideration of the foregoing and the respective representations, warranties, covenants, and agreements contained in this Agreement, and intending to be legally bound, the parties to this Agreement agree as follows:

ARTICLE I

DEFINITIONS

As used in this Agreement, the following terms have the meanings indicated below:

"Best Efforts" means the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to ensure that such result is achieved in as prompt and timely a manner as reasonably possible.



"Breach" means, with respect to a representation, warranty, covenant, obligation, or other provision of this Agreement or any instrument delivered pursuant to this Agreement (a) any material inaccuracy in or breach of, or any failure to perform or comply with, such representation, warranty, covenant, obligation, or other provision, or (b) any claim (by any Person) or other occurrence or circumstance that is or was materially inconsistent with such representation, warranty, covenant, obligation, or other provision, and the term "Breach" means any such material inaccuracy, breach, failure, claim, occurrence, or circumstance.

"Closing" has the meaning specified in Section 4.01.

"Closing Date" means the date and time as of which the Closing actually takes place.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor law, and the regulations promulgated thereunder.

"Company" has the meaning specified in the Recitals of this Agreement.

"Consent" means any approval, consent, ratification, waiver, or other authorization (including any Governmental Authorization).

"Contemplated Transactions" means all of the transactions contemplated by this Agreement, including:

- (a) the sale of the Interest by Seller to OCSD;
- (b) the execution, delivery, and performance of the Related Documents;
- (c) the performance by OCSD and Seller of their respective covenants and obligations under this Agreement; and
- (d) OCSD's acquisition of the Interest and simultaneous dissolution the Company.

"Contract" means any agreement, contract, obligation, promise, or undertaking (whether written or oral and whether express or implied) that is legally binding.

"Damages" has the meaning specified in Section 12.02.

"Encumbrance" means any charge, claim, community property interest, condition, equitable interest, lien, option, pledge, security interest, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income, or exercise of any other attribute of ownership.

"Environment" means soil, land surface or subsurface strata, surface waters (including navigable waters, ocean waters, streams, ponds, drainage basins, and wetlands), groundwaters,

drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life, and any other environmental medium or natural resource.

"Environmental, Health, and Safety Liabilities" means any cost, damages, expense, liability, obligation, or other responsibility arising from or under Environmental Law or Occupational Safety and Health Law and consisting of or relating to:

(a) any environmental, health, or safety matters or conditions (including on-site or offsite contamination, occupational safety and health, and regulation of chemical substances or products);

(b) fines, penalties, judgments, awards, settlements, legal or administrative proceedings, damages, losses, claims, demands and response, investigative, remedial, or inspection costs and expenses arising under Environmental Law or Occupational Safety and Health Law;

(c) financial responsibility under Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action, including any investigation, cleanup, removal, containment, or other remediation or response actions ("Cleanup") required by applicable Environmental Law or Occupational Safety and Health Law (whether or not such Cleanup has been required or requested by any Governmental Body or any other Person) and for any natural resource damages; or

(d) any other compliance, corrective, investigative, or remedial measures required under Environmental Law or Occupational Safety and Health Law.

The terms "removal," "remedial," and "response action," include the types of activities covered by the United States Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. 9601 et seq., as amended ("CERCLA").

"Environmental Law" means any Legal Requirement that requires or relates to:

(a) advising appropriate authorities, employees, and the public of intended or actual releases of pollutants or hazardous substances or materials, violations of discharge limits, or other prohibitions and of the commencements of activities, such as resource extraction or construction, that could have significant impact on the Environment,

(b) preventing or reducing to acceptable levels the release of pollutants or hazardous substances materials into the Environment;

(c) reducing the quantities, preventing the release, or minimizing the hazardous characteristics of wastes that are generated;

(d) assuring that products are designed, formulated, packaged, and used so that they do not present unreasonable risks to human health or the Environment when used or disposed of,

- (e) protecting resources, species, or ecological amenities;
- (f) reducing to acceptable levels the risks inherent in the transportation of hazardous substances, pollutants, oil, or other potentially harmful substances;
- (g) cleaning up pollutants that have been released, preventing the threat of release, or paying the costs of such clean up or prevention;
- (h) making responsible parties pay private parties, or groups of them, for damages done to their health or the Environment, or permitting self-appointed representatives of the public interest to recover for injuries done to public assets; or
- (i) any Kentucky or federal law, statute or regulation relating to the ownership or operation of the Wastewater System.

"Facilities" means any real property, leaseholds, or other interests currently or formerly owned or operated by the Company and any buildings, plants, structures, or equipment (including motor vehicles, tank cars, and rolling stock) currently or formerly owned or operated by the Company.

"Governmental Authorization" means any approval, consent, license, permit, waiver, or other authorization issued, granted, given, or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

"Governmental Body" means any:

- (a) federal, state, county, city, town, village, district, or other governmental jurisdiction of any nature;
- (b) federal, state, local, municipal, , or other government;
- (c) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal);
- (d) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature.

"Hazardous Activity" means the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, Release, storage, transfer, transportation, treatment, or use (including any withdrawal or other use of groundwater) of Hazardous Materials in, on, under, about, or from the Facilities or any part thereof into the Environment, and any other act, business, operation, or thing that increases the danger, or risk of

danger, or poses an unreasonable risk of harm to persons or property on or off the Facilities, or that may affect the value of the Facilities or the Company.

"Hazardous Materials" means any waste or other substance that is listed, defined, designated, or classified as, or otherwise determined to be, hazardous, radioactive, or toxic or a pollutant or a contaminant under or pursuant to any Environmental law, including any admixture or solution thereof, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials.

"Interest" means the Seller's 100% ownership of the outstanding stock of the Company as specified in the Recitals of this Agreement.

"IRS" means the United States Internal Revenue Service or any successor agency, and, to the extent relevant, the United States Department of the Treasury.

"Knowledge" means, with respect to an individual, that:

(a) such individual is actually aware of such fact or other matter; or

(b) a prudent individual could be expected to discover or otherwise become aware of such fact or other matter in the course of conducting a reasonably comprehensive investigation concerning the existence of such fact or other matter.

A Person (other than an individual) will be deemed to have "Knowledge" of a particular fact or other matter if any individual who is serving, or who has at any time served, as a director, officer, partner, executor, or trustee of such Person (or in any similar capacity) has, or at any time had, knowledge of such fact or other matter.

"Legal Requirement" means any federal, state, local, municipal, or other administrative order, constitution, law, ordinance, principle of common law, regulation, or statute, including specifically any approval, order or authorization required by the Kentucky Public Service Commission ("PSC"). OCSD, with the assistance of Seller, agrees to prepare and submit to the PSC such application and documents necessary to obtain approval of the sale of the Wastewater System contemplated by this Agreement. It is expressly agreed that the sale of the Wastewater System herein is contingent upon the approval of the PSC.

"Occupational Safety and Health Law"--any Legal Requirement designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, and any program, whether governmental or private (including those promulgated or sponsored by industry associations and insurance companies), designed to provide safe and healthful working conditions.

"Order" means any award, decision, injunction, judgment, order, ruling, subpoena, or verdict entered, issued, made, or rendered by any court, administrative agency, or other Governmental Body or by any arbitrator.

"Ordinary Course of Business" means, with respect to an action taken by a Person:

(a) such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person;

(b) such action is not required to be authorized by the board of directors of such Person (or by any Person or group of Persons exercising similar authority); and

(c) such action is similar in nature and magnitude to actions customarily taken, without any authorization by the board of directors (or by any Person or group of Persons exercising similar authority), in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business as such Person.

"Organizational Documents" means (a) the articles or certificate of incorporation and the bylaws of a corporation; (b) the partnership agreement and any statement of partnership of a general or limited partnership; (c) the limited partnership agreement and the certificate of limited partnership of a limited partnership; (d) the articles or certificate of organization and the operating agreement, if any, of a limited liability company; (e) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person; and (f) any amendment to any of the foregoing.

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Body.

"Proceeding" means any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Body or arbitrator, except that OCSD, with the assistance of Seller, agrees to prepare and submit to the Kentucky Public Service Commission ("PSC") such application and documents necessary to obtain approval of the sale of the Wastewater System contemplated by this Agreement. It is expressly agreed that the sale of the Wastewater System herein is contingent upon the approval of the PSC.

"OCSD" has the meaning specified in the first paragraph of this Agreement.

"Related Documents" means Warranty Deed, attached Exhibits, Bill of Sale, and Form UCC-1.

"Related Person" means, with respect to a particular individual:

(a) each other member of such individual's Family;

With respect to a specified Person other than an individual:

(a) any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with such specified Person;

(b) each Person that serves as a director, officer, partner, executor, or trustee of such specified Person (or in a similar capacity).

For purposes of this definition, (a) the "Family" of an individual includes (i) the individual, (ii) the individual's spouse, (iii) any other natural person who is related to the individual or the individual's spouse within the second degree, and (iv) any other natural person who resides with such individual, and (b) "Material Interest" means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of voting securities or other voting interests representing at least 10% of the outstanding voting power of a Person or equity securities or other equity interests representing at least 10% of the outstanding equity securities or equity interests in a Person.

"Release" means any spilling, leaking, emitting, discharging, depositing, escaping, leaching, dumping, or other releasing into the Environment, whether intentional or unintentional.

"Representative" means, with respect to a particular Person, any director, officer, employee, agent, consultant, advisor, or other representative of such Person, including legal counsel, accountants, and financial advisors.

"Seller" has the meaning specified in the first paragraph of this Agreement.

"Subsidiary" means with respect to any Person (the "Owner"), any corporation or other Person of which securities or other interests having the power to elect a majority of that corporation's or other Person's board of directors or similar governing body, or otherwise having the power to direct the business and policies of that corporation or other Person (other than securities or other interests having such power only upon the happening of a contingency that has not occurred) are held by the Owner or one or more of its Subsidiaries; when used without reference to a particular Person, "Subsidiary" means a Subsidiary of the Company.

"Tax Return" means any return (including any information return), report, statement, schedule, notice, form, or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any Legal Requirement relating to any Tax.

"Threat of Release" means a substantial likelihood of a Release that may require action in order to prevent or mitigate damage to the Environment that may result from such Release.

"Threatened" means a claim, Proceeding, dispute, action, or other matter will be deemed to have been "Threatened" if any demand or statement has been made (orally or in writing) or any notice has been given (orally or in writing), or if any other event has occurred or any other circumstances exist, that would lead a prudent Person to conclude that such a claim, Proceeding, dispute, action, or other matter is likely to be asserted, commenced, taken, or otherwise pursued in the future.

"Wastewater System" means the wastewater collection, conveyance and treatment facilities together with real property on which the treatment facilities are located, that are located within Oldham County, Kentucky.

ARTICLE II

SALE AND PURCHASE

Section 2.01. Transfer of Interest. Subject to the terms and conditions herein set forth, at the Closing, Seller will sell and transfer the Interest to OCSD, and OCSD will purchase from Seller, the Interest. The parties also agree that the Recitals on page 1 of this Agreement are true, agreed to and are a part of this Agreement.

ARTICLE III

PURCHASE PRICE

Section 3.01. Purchase Price. The purchase price (the "Purchase Price") for the Interest shall be \$675,000.00.). The parties further agree: (i) that any indebtedness of Seller as of the Closing date shall be paid from proceeds at Closing; (ii) that real and personal property taxes due and payable for 2004 shall be pro-rated and paid as of the date of Closing; and (iii) that customer receivables for service provided by the Seller prior to the date of Closing shall be retained by Seller and paid within ten (10) days of collection by OCSD.

ARTICLE IV

CLOSING

Section 4.01. Closing. The purchase and sale (the "Closing") provided for in this Agreement will take place at the offices of Hall, Render, Killian, Heath & Lyman, P.S.C., The KHA Building, Suite 102, 2501 Nelson Miller Parkway, Louisville, Kentucky 40223, within

thirty (30) days of the date of the order from the Public Service Commission approving the transfer, or at such other time and place as the parties agree.

Section 4.02. Closing Obligations. At the Closing:

(a) Seller will deliver to OCSD:

(i) certificates representing the Interest, duly endorsed (or accompanied by duly executed stock powers);

(ii) a certificate executed by Seller representing and warranting to OCSD that each of Seller's representations and warranties in this Agreement was accurate in all material respects as of the date of this Agreement and is accurate in all material respects as of the Closing Date as if made on the Closing Date (giving full effect to any supplements that were duly delivered by Seller to OCSD prior to the Closing Date pursuant to the terms of this Agreement);

(iii) a certificate from the Kentucky Revenue Cabinet dated not more than thirty (30) days prior to the Closing Date which verifies that Company or Seller does not owe any delinquent taxes, assessments or other obligations to the Commonwealth of Kentucky which could in any way adversely affect the value of the Interest transferred herein; and

(b) OCSD will deliver to Seller:

(i) payment in full of the Purchase Price; and

(ii) a certificate executed by OCSD to the effect that, except as otherwise stated in such certificate, each of OCSD's representations and warranties in this Agreement was accurate in all material respects as of the date of this Agreement and is accurate in all material respects as of the Closing Date as if made on the Closing Date.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF SELLER.

Section 6.01. Organization Power. The Company is a for-profit corporation duly organized and in existence under the laws of the Commonwealth of Kentucky, for which Seller states that all reports required to be filed with the Kentucky Secretary of State have been filed, and for which no articles of dissolution have been filed with the Kentucky Secretary of State. The Company is not required to be qualified as a foreign corporation in any other state or jurisdiction. The Company has all requisite power and authority to own, lease, and operate the assets used in the conduct of its business and to carry on its business as it is now being conducted and Seller does not know anything to the contrary. The Company has delivered to OCSD true, complete, and accurate copies of its Article of Incorporation and Bylaws as presently in effect.

Section 6.02. Authority, No Conflict. This Agreement constitutes the legal, valid, and binding obligation of Seller, enforceable against Seller in accordance with its terms. Upon the execution and delivery by Seller of Documents to which he is a party (collectively, the "Seller's Closing Documents"), the Seller's Closing Documents will constitute the legal, valid, and binding obligations of Seller, enforceable against Seller in accordance with their respective terms. Seller has the absolute and unrestricted right, power, authority, and capacity to execute and deliver this Agreement and the Seller's Closing Documents and to perform his obligations under this Agreement and the Seller's Closing Documents.

Section 5.03. Capitalization. Seller is and will be on the Closing Date the record and beneficial owner and holder of the Interest, free and clear of all Encumbrances. Seller owns 100% of the total Interests in Company. All of the outstanding equity securities of the Company have been duly authorized and validly issued and are fully paid and non-assessable. There are no Contracts relating to the issuance, sale, or transfer of any equity securities or other securities of the Company. None of the outstanding equity securities or other securities of the Company was issued in violation of the Securities Act or any other Legal Requirement.

Section 5.04. Financial Statements. The financial records of the Company, all of which have been made available to OCSD, are complete and correct. At the Closing, all of those financial records will be in the possession of the Company.

Section 5.05. Books and Records. The books of account, record books, record of Interests, and other records of the Company, all of which have been made available to OCSD, are complete and correct. At the Closing, all of those books and records will be in the possession of the Company.

Section 5.06. No Undisclosed Liabilities. Seller is not aware of any Company liabilities or obligations of any nature (whether known or unknown and whether absolute, accrued, contingent, or otherwise) except for current liabilities incurred in the Ordinary Course of Business which are known to OCSD.

Section 5.07. Compliance with Legal Requirements; Governmental Authorizations.

(a) Seller believes the following to be true:

(i) The Company is in full compliance with each Legal Requirement that is or was applicable to it or to the conduct or operation of its business or the ownership, use or transfer of any of its assets;

(ii) no event has occurred or circumstance exists that (with or without notice or lapse of time) (A) may constitute or result in a violation by the Company of, or a failure on the part of the Company to comply with, any Legal Requirement, or (B) may give rise to any obligation on the part of the Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature; and

(iii) the Company has not received any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (A) any actual, alleged, possible, or potential violation of, or failure to comply with, any Legal Requirement, or (B) any actual, alleged, possible, or potential obligation on the part of the Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

Section 5.08. Legal Proceedings, Orders.

(a) Seller does not know of any pending Proceeding:

(i) that has been commenced by or against the Company or that otherwise relates to or may affect the business of, or any of the assets owned or used by, the Company; or

(ii) that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions.

To the Knowledge of Seller: (1) no such Proceeding has been Threatened, and (2) no event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any such Proceeding. Seller has delivered to OCSD copies of all pleadings, correspondence, and other documents relating to each Proceeding known to Seller.

Section 5.09. Environmental Matters. Seller warrants that:

(a) The Company is in full compliance with, and has not been and is not in violation of or liable under, any Environmental Law. Neither Seller nor the Company has any basis to expect, any actual or Threatened order, notice, or other communication from (i) any Governmental Body or private citizen acting in the public interest, or (ii) the current or prior owner or operator of any Facilities, of any actual or potential violation or failure to comply with any Environmental Law, or of any actual or threatened obligation to undertake or bear the cost of any Environmental, Health, and Safety Liabilities with respect to any of the Facilities or any other properties or assets (whether real, personal, or mixed) in which the Company has had an interest, or with respect to any property or Facility at or to which Hazardous Materials were generated, manufactured, refined, transferred, imported, used, or processed by the Company, or from which Hazardous Materials have been transported, treated, stored, handled, transferred, disposed, recycled, or received.

(b) There are no pending or, to the Knowledge of Seller and the Company, Threatened claims, Encumbrances, or other restrictions of any nature, resulting from any Environmental, Health, and Safety Liabilities or arising under or pursuant to any Environmental Law, with respect to or affecting any of the Facilities or any other

properties and assets (whether real, personal, or mixed) in which the Company has or had an interest.

(c) Neither Seller nor the Company has any basis to expect, nor has any of them or any other Person for whose conduct they are or may be held responsible, received, any citation, directive, inquiry, notice, Order, summons, warning, or other communication that relates to Hazardous Activity, Hazardous Materials, or any alleged, actual, or potential violation or failure to comply with any Environmental Law, or of any alleged, actual, or potential obligation to undertake or bear the cost of any Environmental, Health, and Safety Liabilities with respect to any of the Facilities or any other properties or assets (whether real, personal, or mixed) in which the Company had an interest, or with respect to any property or facility to which Hazardous Materials generated, manufactured, refined, transferred, imported, used, or processed by the Company, have been transported, treated, stored, handled, transferred, disposed, recycled, or received.

(d) Neither Seller nor the Company, or any other Person for whose conduct they are or may be held responsible, has any Environmental, Health, and Safety Liabilities with respect to the Facilities or at any property geologically or hydrologically adjoining the Facilities.

(e) Except for treatment or holding tanks at the wastewater treatment plant site, or any other material specifically identified by addendum hereto referencing this provision, there are no Hazardous Materials present on or in the Environment at the Facilities or at any geologically or hydrologically adjoining property, including any Hazardous Materials contained in barrels, above or underground storage tanks, landfills, land deposits, dumps, equipment (whether moveable or fixed) or other containers, either temporary or permanent, and deposited or located in land, water, sumps, or any other part of the Facilities or such adjoining property, or incorporated into any structure therein or thereon. Neither Seller, nor the Company, has permitted or conducted, or is aware of, any Hazardous Activity conducted with respect to the Facilities or any other properties or assets (whether real, personal, or mixed) in which the Company has or had an interest except in full compliance with all applicable Environmental Laws.

(f) There has been no Release or, to the Knowledge of Seller and the Company, Threat of Release, of any Hazardous Materials at or from the Facilities or at any other locations where any Hazardous Materials were generated, manufactured, refined, transferred, produced, imported, used, or processed from or by the Facilities, or from or by any other properties and assets (whether real, personal, or mixed) in which the Company has or had an interest.

(g) Seller has delivered to OCSD true and complete copies and results of any reports, studies, analyses, tests, or monitoring possessed or initiated by Seller or the Company pertaining to Hazardous Materials or Hazardous Activities in, on, or under the Facilities, or concerning compliance by the Company with Environmental Laws.

Section 5.10. Disclosure.

(a) No representation or warranty of Seller in this Agreement, including any schedule attached to this Agreement, omits to state a material fact necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading.

(b) No notice given pursuant to Section 7.05 will contain any untrue statement or omit to state a material fact necessary to make the statements therein or in this Agreement, in light of the circumstances in which they were made, not misleading.

(c) There is no fact known to either Seller that has specific application to either Seller or the Company (other than general economic or industry conditions) and that materially adversely affects or, as far as either Seller can reasonably foresee, materially threatens, the assets, business, prospects, financial condition, or results of operations of the Company that has not been set forth in this Agreement, including the schedules attached to this Agreement.

Section 5.11. Relationships With Related Persons. Neither Seller nor any Related Person of Seller has any interest in any property (whether real, personal, or mixed and whether tangible or intangible), used in or pertaining to the Company's business.

Section 5.12. Brokers or Finders. Seller and his agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF OCSD

OCSD represents and warrants to Seller as follows:

Section 6.01. Organization Power. OCSD is a municipal corporation duly organized and in existence under the laws of the Commonwealth of Kentucky, for which OCSD states that all reports required to be filed with the Kentucky Secretary of State have been filed, and for which no articles of dissolution have been filed with the Kentucky Secretary of State. OCSD is not required to be qualified as a foreign corporation in any other state or jurisdiction. OCSD has all requisite power and authority to own, lease, and operate the assets used in the conduct of its business and to carry on its business as it is now being conducted and does not know anything to the contrary. OCSD has delivered to Seller true, complete, and accurate copies of its Article of Organization as presently in effect.

Section 6.02. Authority, No Conflict. This Agreement constitutes the legal, valid, and binding obligation of OCSD, enforceable against OCSD in accordance with its terms. Upon the

execution and delivery by OCSD of Documents to which it is a party (collectively, the "OCSD's Closing Documents"), OCSD's Closing Documents will constitute the legal, valid, and binding obligations of OCSD, enforceable against OCSD in accordance with their respective terms. OCSD has the absolute and unrestricted right, power, authority, and capacity to execute and deliver this Agreement and OCSD's Closing Documents and to perform its obligations under this Agreement and the OCSD's Closing Documents, subject only to review and approval of the Oldham County Fiscal Court pursuant to KRS 220.035.

Section 6.03. Investment Intent. OCSD is acquiring the Interest for the limited purpose of acquiring the assets of the Company for a public purpose and immediately dissolving the Company, and not with a view to its distribution within the meaning of the Securities Act of 1933 or any successor law.

Section 6.04. Certain Proceedings. There is no pending Proceeding that has been commenced against OCSD and that challenges, or may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions. To OCSD's Knowledge, no such Proceeding has been Threatened.

Section 6.05. Brokers or Finders. OCSD and his agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement and will indemnify and hold Seller harmless from any such payment alleged to be due by or through OCSD as a result of the action of OCSD or its officers or agents.

ARTICLE VII

COVENANTS OF SELLER

Section 7.01. Access and Investigation. Between the date hereof and the Closing Date, Seller will, and will cause the Company and its Representatives to (a) afford OCSD and their Representatives (collectively, "OCSD's Advisors") full and free access to the Company's personnel, properties (including subsurface testing), contracts, books and records, and other documents and data, (b) furnish OCSD and OCSD's Advisors with copies of all such contracts, books and records, and other existing documents and data as OCSD may reasonably request, and (c) furnish OCSD and OCSD's Advisors with such additional financial, operating, and other data and information as OCSD may reasonably request.

Section 7.02. Operation of the Businesses of the Company. Between the date hereof and the Closing Date, Seller will:

- (a) conduct the business of the Company only in the Ordinary Course of Business;
- (b) use his Best Efforts to preserve intact the current business organization of the Company, keep available the services of the current officers, employees, and agents of the Company, and maintain the relations and good will with suppliers, customers, landlords,

creditors, employees, agents, and others having business relationships with the Company; and

(c) confer with OCSD concerning operational matters of a material nature.

Section 7.03. Negative Covenant. Except as otherwise expressly permitted by this Agreement, between the date of this Agreement and the Closing Date, Seller will not, and will cause the Company not to, without the prior consent of OCSD, take any affirmative action, or fail to take any reasonable action within his control, as a result of which any material negative change or event may take place.

Section 7.04. Required Approvals. As promptly as practicable after the date hereof, Seller will, and will cause the Company to, make all filings required by Legal Requirements to be made by them in order to consummate the Contemplated Transactions (including all filings with professional licensing authorities). Between the date hereof and the Closing Date, Seller will, and will cause the Company to cooperate with OCSD with respect to all filings that OCSD elects to make or is required by Legal Requirements to make in connection with the Contemplated Transactions.

Section 7.05. Notification. Between the date hereof and the Closing Date, Seller will promptly notify OCSD in writing if Seller or the Company becomes aware of any fact or condition that causes or constitutes a Breach of any of Seller' representations and warranties as of the date of this Agreement, or if such Seller or the Company becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a Breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Should any such fact or condition require any change in the Schedules to this Agreement if this Agreement were dated the date of the occurrence or discovery of any such fact or condition, Seller will promptly deliver to OCSD a supplement to the Schedules to this Agreement specifying such change. During the same period, Seller will promptly notify OCSD of the occurrence of any Breach of any covenant of Seller in this Article VII or of the occurrence of any event that may make the satisfaction of the conditions in this Agreement impossible or unlikely.

Section 7.06. Payment of Indebtedness by Related Persons. Except as expressly provided in this Agreement, Seller will cause all indebtedness owed to the Company by Seller or any Related Person of Seller to be paid in full prior to Closing.

Section 7.07. No Negotiation. Until such time, if any, as this Agreement is terminated pursuant to Article XI, Seller will not, and will cause the Company and each of its Representatives not to, directly or indirectly solicit, initiate, or encourage any inquiries or proposals from, discuss or negotiate with, provide any non-public information to, or consider the merits of any unsolicited inquiries or proposals from, any Person (other than OCSD) relating to any transaction involving the sale of the business or assets (other than in the Ordinary Course of Business) of the Company, or any of the ownership interests of the Company, or any merger, consolidation, business combination, or similar transaction involving the Company.

Section 7.08. Best Efforts. Between the date of this Agreement and the Closing Date, Seller will use his Best Efforts to cause the conditions in Articles IX and X to be satisfied.

ARTICLE VIII

COVENANTS OF OCSD

Section 8.01. Approvals of Governmental Bodies. As promptly as practicable after the date of this Agreement, OCSD will make all filings required by Legal Requirements to be made by it to consummate the Contemplated Transactions.

Section 8.02. Records. From the Closing Date and through and until all customer receivables have been paid to Seller by OCSD, the OCSD shall provide Seller with all copies of all records reflecting the receipt of customer receivables for service provided by Seller up to the Closing Date and payment of same to Seller pursuant to Section 3.01.

Section 8.03. Best Efforts. Between the date of this Agreement and the Closing Date, OCSD will use its Best Efforts to cause the conditions in Sections IX and X to be satisfied.

Section 8.04 Notification. Between the date hereof and the Closing Date, OCSD will promptly notify OCSD in writing if OCSD becomes aware of any fact or condition that causes or constitutes a Breach of any of OCSD's representations and warranties as of the date of this Agreement, or if OCSD becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a Breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Should any such fact or condition require any change in the Schedules to this Agreement if this Agreement were dated the date of the occurrence or discovery of any such fact or condition, OCSD will promptly deliver to Seller a supplement to the Schedules to this Agreement specifying such change. During the same period, OCSD will promptly notify Seller of the occurrence of any Breach of any covenant of OCSD in this Article VIII or of the occurrence of any event that may make the satisfaction of the conditions in this Agreement impossible or unlikely.

ARTICLE IX

CONDITIONS PRECEDENT TO OCSD'S OBLIGATION TO CLOSE

OCSD's obligation to purchase the Interest and to take the other actions required to be taken by OCSD at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by OCSD, in whole or in part):

Section 9.01. Accuracy of Representations.

(a) All of Seller's representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), must have been accurate in all material respects as of the date of this Agreement, and must be accurate in all material respects as of the Closing Date as if made on the Closing Date, without giving effect to any supplement to the Schedules to this Agreement.

Section 9.02. Seller's Performance.

(a) All of the covenants and obligations that Seller is required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), must have been duly performed and complied with in all material respects.

(b) Each document required to be delivered pursuant to Section 4.02 must have been delivered, and each of the other covenants and obligations in this Agreement must have been performed and complied with in all material respects.

Section 9.03. No Proceedings. Since the date of this Agreement, there must not have been commenced or threatened against OCSD or Company, or against any Person affiliated with OCSD or Company, any Proceeding (a) involving any challenge to, or seeking damages or other relief in connection with, any of the Contemplated Transactions, or (b) that may have the effect of preventing, delaying, making illegal, or otherwise interfering with any of the Contemplated Transactions.

Section 9.04. No Claim Regarding Interest Ownership or Sale Proceeds.

There must not have been made or Threatened by any Person any claim asserting that such Person (a) is the holder or the beneficial owner of, or has the right to acquire or to obtain beneficial ownership of, any Interest of, or any other voting, equity, or ownership interest in, the Company, or (b) is entitled to all or any portion of the Purchase Price payable for the Interest.

Section 9.05. No Prohibition. Neither the consummation nor the performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time), materially contravene, or conflict with, or result in a material violation of, or cause OCSD or any Person affiliated with OCSD to suffer any material adverse consequence under: (a) any applicable Legal Requirement or Order, or (b) any Legal Requirement or Order that has been published, introduced, or otherwise formally proposed by or before any Governmental Body.

ARTICLE X

CONDITIONS PRECEDENT TO SELLER'S OBLIGATION TO CLOSE

Seller's obligation to sell the Interest and to take the other actions required to be taken by

Seller at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Seller, in whole or in part):

Section 10.01. Accuracy of Representations. All of OCSD's representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), must have been accurate in all material respects as of the date of this Agreement and must be accurate in all material respects as of the Closing Date as if made on the Closing Date.

Section 10.02. OCSD's Performance. OCSD must have delivered each of the documents required to be delivered by OCSD pursuant to Section 4.02 and must have made the cash payments required to be made by OCSD pursuant to Section 4.02.

Section 10.03. No Injunction. There must not be in effect any Legal Requirement or any injunction or other Order that (a) prohibits the sale of the Interest by Seller to OCSD, and (b) has been adopted or issued, or has otherwise become effective, since the date of this Agreement.

ARTICLE XI

TERMINATION

Section 11.01. Termination Events. This Agreement may, by notice given prior to or at the Closing, be terminated:

(a) by either OCSD or Seller if a material Breach of any provision of this Agreement has been committed by the other party and such Breach has not been waived,

(a) (i) by OCSD if any of the conditions in Article IX has not been satisfied as of the Closing Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of OCSD to comply with his obligations under this Agreement) and OCSD has not waived such condition on or before the Closing Date; or (ii) by Seller, if any of the conditions in Article X has not been satisfied of the Closing Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of Seller to comply with his obligations under this Agreement) and Seller has not waived such condition on or before the Closing Date;

(b) by mutual consent of OCSD and Seller; or

(c) by either OCSD or Seller if the Closing has not occurred (other than through the failure of any party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before or such later date as the parties may agree upon.; or

(d) by either party should additional information disclosed after execution of this Agreement, by way of Schedules, document review, disclosure, or any other means, have a material and adverse affect on the terms of this Agreement.

Section 11.02. Effect of Termination. Each party's right of termination under Section 11.01 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 11.01, all further obligations of the parties under this Agreement will terminate, except that the obligations in Sections 11.01 will survive; provided, however, that if this Agreement is terminated by a party because of the Breach of the Agreement by the other party or because one or more of the conditions to the terminating party's obligations under this Agreement is not satisfied as a result of the other party's failure to comply with its obligations under this Agreement, the terminating party's right to pursue all legal remedies will survive such termination unimpaired.

ARTICLE XII

INDEMNIFICATION; REMEDIES

Section 12.01. Survival; Right to Indemnification Not Affected by Knowledge. All representations, warranties, covenants, and obligations in this Agreement, the Schedules to this Agreement, the supplements to this Agreement, the certificates delivered pursuant to Section 4.02, and any other certificate or document delivered pursuant to this Agreement will survive the Closing. The right to indemnification, payment of Damages or other remedy based on such representations, warranties, covenants, and obligations will not be affected by any investigation conducted with respect to, or any Knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, or obligation. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, payment of Damages, or other remedy based on such representations, warranties, covenants, and obligations.

Section 12.02. Indemnification and Payment of Damages by Seller. Seller, will indemnify and hold harmless OCSD, the Company, and its respective Representatives (collectively, the "Indemnified Persons") for, and will pay to the Indemnified Persons the amount of, any loss, liability, claim, damage (including incidental and consequential damages), expense (including costs of investigation and defense and reasonable attorneys' fees) or diminution of value, whether or not involving a third-party claim (collectively, "Damages"), arising, directly or indirectly, from or in connection with:

(a) any Breach of any representation or warranty made by Seller in this Agreement, including the Schedules to this Agreement (without giving effect to any supplement to the Schedules to this Agreement), the supplements to the Schedules to this

Agreement, or any other certificate or document delivered by Seller pursuant to this Agreement;

(b) any Breach by any Seller of any covenant or obligation of such Seller in this Agreement;

The remedies provided in this Section 12.02 will not be exclusive of or limit any other remedies that may be available to OCSD or the other Indemnified Persons.

Section 12.03. Indemnification and Payment of Damages by Seller—
Environmental Matters.

In addition to the provisions of Section 12.02, Seller will indemnify and hold harmless OCSD, the Company, and the other Indemnified Persons for, and will pay to OCSD, the Company, and the other Indemnified Persons the amount of, any Damages (including costs of cleanup, containment, or other remediation) arising, directly or indirectly, from or in connection with:

(a) any Environmental, Health, and Safety Liabilities arising out of or relating to:
(i) (A) the ownership, operation, or condition at any time on or prior to the Closing Date of the Facilities or any other properties and assets (whether real, personal, or mixed and whether tangible or intangible) in which the Company has or had an interest, or (B) any Hazardous Materials or other contaminants that were present on the Facilities or such other properties and assets at any time on or prior to the Closing Date; or (ii) (A) any Hazardous Materials or other contaminants, wherever located, that were, or were allegedly, generated, transported, stored, treated, Released, or otherwise handled by the Company or by any other Person for whose conduct they are or may be held responsible at any time on or prior to the Closing Date, or (B) any Hazardous Activities that were, or were allegedly, conducted by the Company or by any other Person for whose conduct they are or may be held responsible at any time on or prior to the Closing Date; or

(b) any bodily injury (including illness, disability, and death, and regardless of when any such bodily injury occurred, was incurred, or manifested itself), personal injury, property damage (including trespass, nuisance, wrongful eviction, and deprivation of the use of real property), or other damage of or to any Person, including any employee or former employee of the Company or any other Person for whose conduct they are or may be held responsible, in any way arising from or allegedly arising from any Hazardous Activity conducted or allegedly conducted with respect to the Facilities or the operation of the Company prior to the Closing Date, or from Hazardous Material that was (i) present on or before the Closing Date on or at the Facilities (or present on any other property, if such Hazardous Material emanated or allegedly emanated from any of the Facilities and was present on any of the Facilities on or prior to the Closing Date) or (ii) Released or allegedly Released by the Company or any other Person for whose conduct they are or may be held responsible, at any time on or prior to the Closing Date.

OCS D will be entitled to control any Cleanup, any related Proceeding, and, except as provided in the following sentence, any other Proceeding with respect to which indemnity may be sought under this Section 12.03. The procedure described in Section 12.09 will apply to any claim solely for monetary damages relating to a matter covered by this Section 12.03.

Section 12.04. Indemnification and Payment of Damages by OCS D. OCS D will indemnify and hold harmless Seller, and will pay to Seller the amount of any Damages, including but not limited to incidental and consequential damages, expenses of investigation, defense, court costs and reasonable attorneys' fees, whether or not involving a third-party claim, arising, directly or indirectly, from or in connection with (a) any Breach of any representation or warranty made by OCS D in this Agreement or in any certificate delivered by OCS D pursuant to this Agreement, or (b) any Breach by OCS D of any covenant or obligation of OCS D in this Agreement, or (c) any liability at Company for an occurrence after the Closing Date which was not caused in any manner by Seller.

Section 12.05. Escrow, Right of Set-Off. Upon notice to Seller specifying in reasonable detail the basis for such set-off, OCS D may set off any amount to which it may be entitled under this Article XII against amounts otherwise payable under any indebtedness owed to Seller by OCS D. The exercise of such right of set-off by OCS D in good faith, whether or not ultimately determined to be justified, will not constitute an event of default under any indebtedness owed to Seller by OCS D or any instrument securing such indebtedness. Neither the exercise of nor the failure to exercise such right of set-off will constitute an election of remedies or limit OCS D in any manner in the enforcement of any other remedies that may be available to it.

Section 12.06. Procedure for Indemnification-Third Party Claims.

(a) Promptly after receipt by an indemnified party of notice of the commencement of any Proceeding against it, such indemnified party will, if a claim is to be made against an indemnifying party under such Section, give notice to the indemnifying party of the commencement of such claim, but the failure to notify the indemnifying party will not relieve the indemnifying party of any liability that it may have to any indemnified party, except to the extent that the indemnifying party demonstrates that the defense of such action is prejudiced by the indemnifying party's failure to give such notice.

(b) If any Proceeding is brought against an indemnified party and it gives notice to the indemnifying party of the commencement of such Proceeding, the indemnifying party will, unless the claim involves Taxes, be entitled to participate in such Proceeding and, to the extent that it wishes (unless (i) the indemnifying party is also a party to such Proceeding and the indemnified party determines in good faith that joint representation would be inappropriate, or (ii) the indemnifying party fails to provide reasonable assurance to the indemnified party of its financial capacity to defend such Proceeding and provide indemnification with respect to such Proceeding), to assume the defense of such Proceeding with counsel satisfactory to the indemnified party and, after

notice from the indemnifying party to the indemnified party of its election to assume the defense of such Proceeding, the indemnifying party will not, as long as it diligently conducts such defense, be liable to the indemnified party under this Article XII for any fees of other counsel or any other expenses with respect to the defense of such Proceeding, in each case subsequently incurred by the indemnified party in connection with the defense of such Proceeding, other than reasonable costs of investigation. If the indemnifying party assumes the defense of a Proceeding, (i) it will be conclusively established for purposes of this Agreement that the claims made in that Proceeding are within the scope of and subject to indemnification; (ii) no compromise or settlement of such claims may be effected by the indemnifying party without the indemnified party's consent unless (A) there is no finding or admission of any violation of Legal Requirements or any violation of the rights of any Person and no effect on any other claims that may be made against the indemnified party, and (B) the sole relief provided is monetary damages that are paid in full by the indemnifying party; and (iii) the indemnified party will have no liability with respect to any compromise or settlement of such claims effected without its consent. If notice is given to an indemnifying party of the commencement of any Proceeding and the indemnifying party does not, within ten days after the indemnified party's notice is given, give notice to the indemnified party of its election to assume the defense of such Proceeding, the indemnifying party will be bound by any determination made in such Proceeding or any compromise or settlement effected by the indemnified party.

(c) Notwithstanding the foregoing, if an indemnified party determines in good faith that there is a reasonable probability that a Proceeding may adversely affect it or its affiliates other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement, the indemnified party may, by notice to the indemnifying party, assume the exclusive right to defend, compromise, or settle such Proceeding, but the indemnifying party will not be bound by any determination of a Proceeding so defended or any compromise or settlement effected without its consent (which may not be unreasonably withheld).

(d) Seller hereby consents to the non-exclusive jurisdiction of any court in which a Proceeding is brought against any Indemnified Person for purposes of any claim that an Indemnified Person may have under this Agreement with respect to such Proceeding or the matters alleged therein, and agree that process may be served on Seller with respect to such a claim anywhere in Kentucky.

Section 12.07. Procedure for Indemnification--Other Claims. A claim for indemnification for any matter not involving a third-party claim may be asserted by notice to the party from whom indemnification is sought.

ARTICLE XIII

GENERAL PROVISIONS

Section 13.01. Expenses. Each party will bear their own expenses regarding the preparation and closing of this Agreement.

Section 13.02. Public Announcements. Any public announcement or similar publicity with respect to this Agreement or the Contemplated Transactions will be issued, if at all, at such time and in such manner as OCSD determines. Unless consented to by OCSD in advance or required by Legal Requirements, prior to the Closing Seller shall, and shall cause the Company to, keep this Agreement strictly confidential and may not make any disclosure of this Agreement to any Person other than to its attorney and accountant. Seller and OCSD will consult with each other concerning the means by which the Company's employees, customers, and suppliers and others having dealings with the Company will be informed of the Contemplated Transactions, and OCSD will have, the right to be present for any such communication.

Section 13.03. Confidentiality. Between the date of this Agreement and the Closing Date, OCSD and Seller will maintain in confidence, and will cause the directors, officers, employees, agents, and advisors of OCSD and the Company to maintain in confidence, any written, oral, or other information obtained in confidence from another party or the Company in connection with this Agreement or the Contemplated Transactions, unless (a) such information is already known to such party or to others not bound by a duty of confidentiality or such information becomes publicly available through no fault of such party, (b) the use of such information is necessary or appropriate in making any filing or obtaining any consent or approval required for the consummation of the Contemplated Transactions, or (c) the furnishing or use of such information is required by or necessary or appropriate in connection with legal proceedings or preparation of accounting records.

If the Contemplated Transactions are not consummated, each party will return or destroy as much of such written information as the other party may reasonably request. Whether or not the Closing takes place, Seller waives, and will upon OCSD's request cause the Company to waive, any cause of action, right, or claim arising out of the access of OCSD or its representatives to any trade secrets or other confidential information of the Company except for the intentional competitive misuse by OCSD of such trade secrets or confidential information.

Section 13.04. Notices. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of service if served personally on the party to whom notice is to be given, (b) on the day of transmission if sent via facsimile transmission to the facsimile number given below, provided that telephonic confirmation of receipt is obtained promptly after completion of transmission, (c) on the day after delivery to a nationally recognized overnight courier service, or the Express Mail service maintained by the United States Postal Service for overnight service, or (d) on the fifth (5th) day after mailing, if mailed to the party to whom notice is to be given, by first class mail, registered or certified, postage prepaid, and addressed as follows:

If to Seller, to:

Carroll F. Cogan
1706 Bardstown Road
Louisville, Kentucky 40205-1212

If to OCSD, to:

Oldham County Sanitation District
Attn: John M. Bennett, Jr., PE, Chief Engineer
P.O. Box 809
Crestwood, Kentucky 40014

With a copy to:

Edward L. Schoenbaechler, Esq.
Hall, Render, Killian, Heath & Lyman, P.S.C.
The KHA Building, Suite 102
2501 Nelson Miller Parkway
Louisville, Kentucky 40223

which copy shall not constitute notice for the purposes of this Agreement.

Any party may change its address for the purpose of this Section 13.04 by giving the other parties written notice of its new address in the manner set forth above.

Section 13.05. Headings. The article, section, and paragraph headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

Section 13.06. Construction.

(a) The parties have participated jointly in the negotiation and drafting of this Agreement, and, in the event of an ambiguity, or, a question of intent or a need for interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

(b) Except as otherwise specifically provided in this Agreement (such as by "sole," "absolute discretion," "complete discretion", or words of similar import), if any provision of this Agreement requires or provides for the consent, waiver, or approval of a party, such consent, waiver, and/or approval shall not be unreasonably withheld.

(c) (i) Nothing in the schedules and/or exhibits to the Agreement shall be deemed adequate to disclose an exception to a representation or warranty made herein unless the Schedule or Exhibit identifies the exception with particularity and describes the relevant facts in reasonable detail.

(ii) The parties intend that each representation, warranty, and covenant herein shall have independent significance. If any party has breached any representation, warranty, or covenant contained herein in any material respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the party has not breached shall not detract from or mitigate the fact that the party is in breach of the first representation, warranty, or covenant, as the case may be.

(d) (i) Words of any gender used in this Agreement shall be held and construed to include any other gender; words in the singular shall be held to include the plural; and words in the plural shall be held to include the singular; unless and only to the extent the context indicates otherwise.

(ii) Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

(iii) The word "including" means "including, without limitation."

Section 13.07. Severability. If any provision of this Agreement is declared by any court or other governmental body to be null, void, or unenforceable, this Agreement shall be construed so that the provision at issue shall survive to the extent it is not so declared and that all of the other provisions of this Agreement shall remain in full force and effect.

Section 13.08. Entire Agreement. This Agreement contains the entire understanding between the parties to this Agreement with respect to the transactions contemplated by this Agreement and supersedes and replaces all prior and contemporaneous agreements and understandings, oral or written, with regard to those transactions. All exhibits and schedules to this Agreement are expressly made a part of this Agreement as fully as though completely set forth herein.

Section 13.09. Amendments; Waivers. This Agreement may be amended or modified, and any of the terms, covenants, representations, warranties, or conditions hereof may be waived, only by a written instrument executed by the parties to this Agreement, or in the case of a waiver, by the party waiving compliance. Any waiver by any party of any condition, or of the breach of any provision, term, covenant, representation, or warranty contained in this Agreement, in any one or more instances, shall not be deemed to be or construed as a further or continuing waiver of any condition or of the breach of any other provision, term, covenant, representation, or warranty of this Agreement.

Section 13.10. Parties in Interest. Nothing in this Agreement is intended to confer any rights or remedies under or by reason of this Agreement on any Person other than Seller and OCSD and their respective successors and permitted assigns.

Section 13.11. Successors and Assigns. No party to this Agreement shall assign or delegate this Agreement or any rights or obligations hereunder without the prior written consent of the other parties to this Agreement, and any attempted assignment or delegation without prior written consent shall be void and of no force or effect; provided, however, OCSD may, without consent but upon notice given to Seller at least five days prior to the Closing Date, assign all its rights and delegate its obligations hereunder to a corporation or other entity under direct or indirect common control with OCSD. This Agreement shall inure to the benefit of and shall be binding upon the successors and permitted assigns of the parties to this Agreement.

Section 13.12. Governing Law, Jurisdiction. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the Commonwealth of Kentucky (without giving effect to the principles of conflicts of laws thereof). The parties to this Agreement irrevocably agree and consent to the jurisdiction of the courts of the Commonwealth of Kentucky for the adjudication of any matters arising under or in connection with this Agreement.

Section 13.13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall together constitute the same instrument.

IN WITNESS WHEREOF, the parties to this Agreement have executed this Agreement effective as of the date first above written.

ORCHARD GRASS UTILITIES, INC.

By: _____
Carroll F. Cogan, President

Date

Carroll F. Cogan, Individually as sole Shareholder

Date

OLDHAM COUNTY SEWER DISTRICT

By: _____
Forrest B. Ewen, President

Date

40735_2\mmmm

Section 13.10. Parties in Interest. Nothing in this Agreement is intended to confer any rights or remedies under or by reason of this Agreement on any Person other than Seller and OCSD and their respective successors and permitted assigns.

Section 13.11. Successors and Assigns. No party to this Agreement shall assign or delegate this Agreement or any rights or obligations hereunder without the prior written consent of the other parties to this Agreement, and any attempted assignment or delegation without prior written consent shall be void and of no force or effect; provided, however, OCSD may, without consent but upon notice given to Seller at least five days prior to the Closing Date, assign all its rights and delegate its obligations hereunder to a corporation or other entity under direct or indirect common control with OCSD. This Agreement shall inure to the benefit of and shall be binding upon the successors and permitted assigns of the parties to this Agreement.

Section 13.12. Governing Law, Jurisdiction. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the Commonwealth of Kentucky (without giving effect to the principles of conflicts of laws thereof). The parties to this Agreement irrevocably agree and consent to the jurisdiction of the courts of the Commonwealth of Kentucky for the adjudication of any matters arising under or in connection with this Agreement.

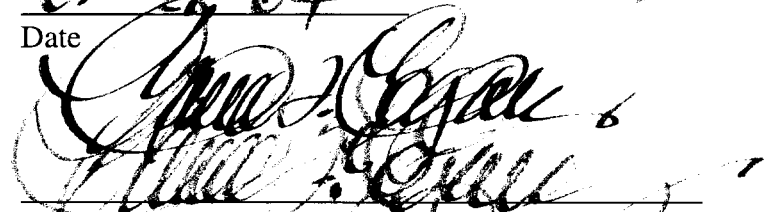
Section 13.13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall together constitute the same instrument.

IN WITNESS WHEREOF, the parties to this Agreement have executed this Agreement effective as of the date first above written.

ORCHARD ASSOCIATED UTILITIES, INC.

By: 
Carroll F. Cogan, President

01-21-04
Date


Carroll F. Cogan, Individually as sole Shareholder

01-21-04
Date

Commonwealth of Kentucky

OFFICE OF
SECRETARY OF STATE

DREXELL R. DAVIS
Secretary



FRANKFORT,
KENTUCKY

CERTIFICATE OF INCORPORATION

I, DREXELL R. DAVIS, Secretary of State of the Commonwealth of Kentucky, do hereby certify that Articles of Incorporation of

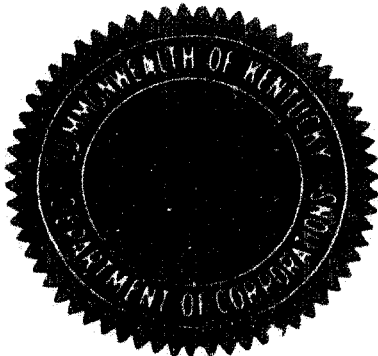
ORCHARD GRASS UTILITIES, INC.

whose initial agent for process is **Carroll F. Cogan**

4141 Bardstown Road

and whose address is **Louisville, Kentucky**

duly signed according to law, have been filed in my office. I further certify that all taxes, fees and charges payable upon the filing of said Articles of Incorporation have been paid.

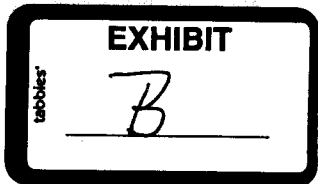


SECRETARY OF STATE

Given under my hand and seal of Office as Secretary of State, at Frankfort, Kentucky, this **28th**
day of **November** **19 84**

[Signature]
SECRETARY OF STATE

ASSISTANT SECRETARY OF STATE



ORIGINAL COPY
FILED AND RECORDED
SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY

ARTICLE OF INCORPORATION
OF
ORCHARD COGNAC UTILITIES, INC.

SECRETARY OF STATE
RECEIVED
NOV 28 1984
Ch. #25-02
Commonwealth of Kentucky

RECEIVED BY
AV

Baynell D. ...

The undersigned, desiring to form a business corporation
pursuant to the provisions of Chapter 20A and adopted laws following Article I
of the Constitution of the Commonwealth of Kentucky, do hereby certify that the following
articles of incorporation for such corporation:

373088

ARTICLE I

The name of the corporation is ORCHARD COGNAC UTILITIES, INC.

ARTICLE II

The duration of the corporation shall be perpetual.

ARTICLE III

The corporation shall be organized for the transaction of
any and all lawful business which corporations may be
incorporated.

ARTICLE IV

The corporation makes and authorizes the issue of the
corporation is authorized to issue shall be 1,000 shares of
stock, having no par value. Each share shall have equal voting
rights and shall be of one class.

ARTICLE V

The address of the registered office of the Corporation
shall be 4141 Bardtown Road, Louisville, Kentucky 40218, and the
name of its registered agent at such address shall be Carroll E.
Cogan.

ARTICLE VI

The initial Board of Directors shall consist of three (3)
Directors until the first annual meeting of shareholders, or

and the directors shall be elected and qualified. The initial directors shall be:

Carroll E. Cogan
4151 Bardstown Road
Louisville, Kentucky 40218 President

Marion G. Cogan
4151 Bardstown Road
Louisville, Kentucky 40218 Vice President

Doris M. Cogan
4151 Bardstown Road
Louisville, KY 40218 Secretary/Treasurer

The number of Directors hereafter shall be as the By Laws of the corporation may provide from time to time.

ARTICLE VII

The names and addresses of the incorporators and the number of shares subscribed are as follows:

Carroll E. Cogan
4151 Bardstown Road
Louisville, KY 40218 100 shares

ARTICLE VIII

The stock of the corporation shall be issued pursuant to the provisions of Section 1254 of the Internal Revenue Code of 1954 and all rules under the said section shall be complied with so as to qualify the said corporation. Said section covers small business stock issues.

ARTICLE IX

The highest amount of indebtedness or liability which the corporation may incur is unlimited.

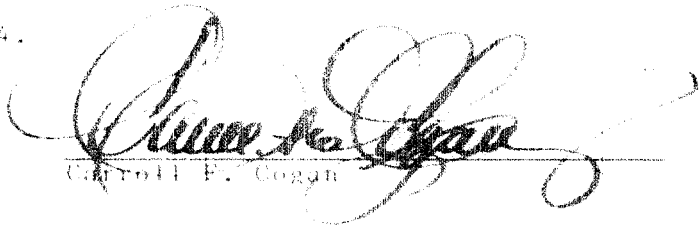
ARTICLE X

The private property of the shareholders shall not be subject to the payment of the corporate debts to any extent.

ARTICLE XI


The corporation reserves the right to amend, alter, change, add to, or repeal any provisions contained in these Articles of Incorporation, to the fullest extent permitted and in the manner now or hereafter prescribed by law and all rights conferred upon shareholders herein are hereby subject to this reservation.

IN WITNESS WHEREOF, the incorporator has hereto subscribed his signature in triplicate originals this 5th day of November, 1984.


Carroll F. Cogan

Subscribed, acknowledged and sworn to before me by Carroll F. Cogan to be his voluntary act and deed on this 5th day of November, 1984.

My Commission expires: January 9, 1987.


Notary Public

THIS INSTRUMENT PREPARED BY:

Wallace H. Spalding III, Atty.
539 W. Market Street, Ste. 300
Louisville, KY 40202
584-0681

MINUTES OF ORCHARD GRASS UTILITIES, INC.

A special meeting of the Board of Directors of Orchard Grass Utilities, Inc., was held at 1706 Bardstown Road, Suite 200, Louisville, Kentucky, at approximately 9:00 a.m., on January 23, 2004. Present were Carroll F. Cogan, Doris M. Cogan and Martin G. Cogan, constituting the full membership of the said Board, and the Secretary. All members of the Board of Directors waived formal written notice of said Special Meeting. By unanimous consent, Carroll F. Cogan presided as Chairman of the meeting and acted as Secretary thereof.

The Chairman discussed the negotiation of the transfer and sale of one hundred percent of the shares of the stock of Orchard Grass Utilities, Inc., to the Oldham County Sewer District. On motion duly made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED, that Carroll F. Cogan, the sole shareholder of the shares of stock of Orchard Grass Utilities, inc., is hereby authorized to transfer and sell one hundred percent of said shares of stock to the Oldham County Sewer District and to execute, on his behalf and on behalf of Orchard Grass Utilities, Inc., an Agreement for Purchase and Sale of Corporate Stock entered into with the Oldham County Sewer District.

There being no further business to come before the meeting, the same was adjourned by unanimous consent.

Secretary

Date: _____

Carroll F. Cogan, Jr., President

Date: _____

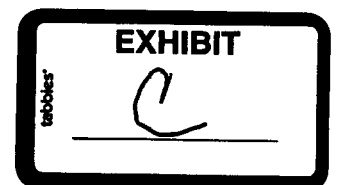
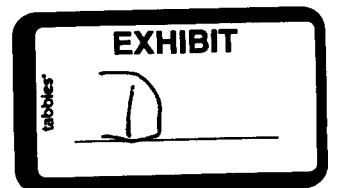


Exhibit D

Oldham County Ordinance No. 96-830-26



COMMONWEALTH OF KENTUCKY
OLDHAM COUNTY

ORDINANCE NO. 96-830-26

AN ORDINANCE RELATING TO THE CREATION OF A
SANITATION DISTRICT IN OLDHAM COUNTY, KENTUCKY.

WHEREAS, the Oldham County Fiscal Court recognizes the need for a Sanitation District to provide for the collection and disposal of sewage and other liquid wastes in Oldham County, Kentucky, as to prevent and correct the pollution of streams and provide for the general public health, safety, and welfare; and, recognizes the necessity that such a special district be empowered to construct sanitation facilities conducive to the public health, safety, comfort, convenience, or welfare; and,

WHEREAS, the Kentucky Revised Statutes Chapter 67.715 as enacted by the Kentucky General Assembly authorizes the County Judge/Executive, with the approval of the Fiscal Court to create and establish any special district, and KRS 67.083 provides for the establishment of necessary governmental services; and,

WHEREAS, it is the desire of the Fiscal Court of Oldham County, Kentucky, to provide for the establishment of a Sanitation District within the County exclusive of the cities of LaGrange and Crestwood.

**NOW, THEREFORE, BE IT ORDAINED BY THE FISCAL COURT
OF THE COUNTY OF OLDHAM, COMMONWEALTH OF KENTUCKY THAT:**

In accordance with KRS Chapter 67.715(2) and KRS Chapter 67.033(3)(c), (h) and (r) the Oldham County Fiscal Court grants its approval for the County Judge/Executive to establish a special district and said special district shall be known as Oldham County Sanitation District. The Oldham County Sanitation District shall be created and formed so that it shall have all powers and duties to reasonably, necessarily and effectively implement the provisions of and carry out the duties prescribed

by KRS Chapter 220. The District shall be structured consistent with the provisions of KRS Chapter 220.

The Fiscal Court, pursuant to KRS Chapter 220.035, reserves power and authority to: review and approve, amend or disapprove proposed district land acquisitions; review and approve, amend or disapprove proposed district construction of capital improvements; review and approve, amend or disapprove proposed service charges or user fees; and review and approve, amend or disapprove proposed budget.

The District shall submit to the Fiscal Court all plans and documentation for review and approval, amendment or disapproval by tendering any such documents or plans to the Fiscal Court through the County Judge/Executive at least forty-five (45) days prior to the proposed effective date or time for submission to any entity.

The proposed work of the District is necessary and conducive to the public health, comfort, convenience and welfare. The District is established for the purposes enumerated in KRS Chapter 220.030 which includes providing for the collection and disposal of sewage and other liquid wastes produced within the district; and incident to such purposes and to enable their accomplishment, to construct, with all appurtenances thereto, laterals, trunk sewers, intercepting sewers, siphons, pumping stations, treatment and disposal works, to maintain, operate and repair same, and do all other things necessary for the fulfillment of the purposes of KRS 220.010 to 220.520.

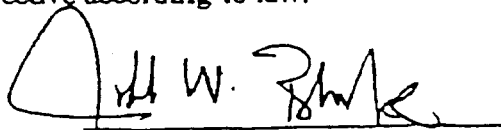
The District boundaries shall follow and be the same as those of Oldham County and include all territory therein, except that the cities of LaGrange and Crestwood shall not be included as part of or within the District boundaries. Further, those properties, within the described boundaries, which are currently served by or which have contract for service with the cities of LaGrange and Crestwood and their Municipal Sewer Boards prior to the enactment of this ordinance, or contract for said service within 90 days of the enactment of this ordinance, shall not be subject to the Oldham County Sanitation District except and unless it is necessary for the District to exercise its authority to acquire

easements or otherwise facilitate the operation of the District. The District as a creation of Oldham Fiscal Court shall be bound by the Interlocal Agreement concerning the Crestwood Wastewater Collection System entered into by Oldham Fiscal Court, City of Crestwood and Metropolitan Sewer District.

The District shall have the powers stated in KRS Chapter 220 including the power to sue and be sued, contract and be contracted with, incur liabilities and obligations, exercise the right of eminent domain, assess, tax, contract for rentals, issue bonds, and do and perform all acts necessary and proper for the carrying out of the purposes for which the District is created, and for executing the powers with which it is vested as provided in KRS Chapter 220.510.

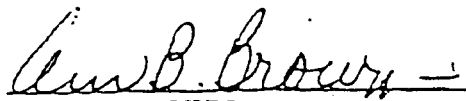
The District shall have the power of condemnation, as provided and described in KRS Chapter 220.310; and may provide for a sewer service charge to be imposed and collected, as provided in KRS Chapter 220.510.

This ordinance shall become effective according to law.



JOHN W. BLACK
Oldham County Judge/Executive

ATTESTED:



ANN B. BROWN
Oldham County Fiscal Court Clerk

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
OLDHAM COUNTY SEWER DISTRICT**

WHEREAS, the Board of Directors of the Oldham County Sewer District, a Kentucky municipal corporation, ("OCSD") desires to consummate the purchase of corporate stock in accordance with the Agreement for Purchase and Sale of Corporate Stock ("Agreement") entered into by and between the Oldham County Sewer District and Orchard Grass Utilities, Inc.,

NOW, THEREFORE, BE IT RESOLVED that the members of the Board of Directors of OCSD hereby ratify, approve and authorize the execution and delivery of the Agreement, the form of which is attached hereto, by the President of the District.

This resolution was adopted by the Board of Directors at its regular monthly meeting on February 9,2004.

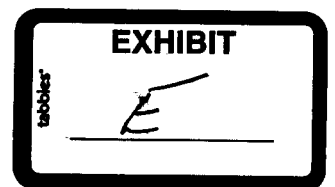
BOARD OF DIRECTORS
OLDHAM COUNTY SEWER DISTRICT

By: _____
Forrest B. Ewen, President

ATTEST:

By: _____
John Malueg, Secretary

75865_1/ELS



OLDHAM COUNTY SEWER DISTRICT

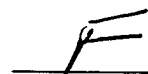
AUDIT REPORT

JUNE 30, 2003 AND 2002



Charles T. Mitchell Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT

tabbes


OLDHAM COUNTY SEWER DISTRICT
AUDIT REPORT
JUNE 30, 2003 AND 2002

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	2-5
Statement of Net Assets	6
Statement of Revenues, Expenses, and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-12
Report on Compliance and on Internal Control Over Financial Reporting Based On an Audit of Financial Statements Performed In Accordance with <u>Government Auditing Standards</u>	13
Statement of Revenues, Expenses, and Changes in Net Assets – By Project	14-15
Statement of Expenses - Budget vs. Actual	16

Charles T. Mitchell Company, LLP

Certified Public Accountants

WILLIAM G. JOHNSON, JR., C.P.A.
JAMES CLOUSE, C.P.A.
BERNADETTE SMITH, C.P.A.
KIM FIELD, C.P.A.
GREG MIKLAVCIC, C.P.A.

Consultants

CHARLES T. MITCHELL, C.P.A.
DON C. GILES, C.P.A.



201 WEST MAIN, P.O. BOX 698
FRANKFORT, KENTUCKY 40602-0698
TELEPHONE (502) 227-7395
TELECOPIER (502) 227-8005
[HTTP://WWW.CTMCPA.COM](http://www.ctmcpa.com)

INDEPENDENT AUDITOR'S REPORT

Oldham County Sewer District
Crestwood, Kentucky

We have audited the accompanying financial statements of Oldham County Sewer District as of June 30, 2003 and 2002, and for the years then ended as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oldham County Sewer District as of June 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2 through 5 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Charles T. Mitchell

January 4, 2004

Oldham County Sewer District Management's Discussion & Analysis

Oldham County Sewer District (OCSD) is presenting this discussion and analysis in order to provide an overall review of significant financial activities for the fiscal year ended June 30, 2003. Readers are encouraged to consider information presented here in conjunction with OCSD financial statements to enhance their understanding of the year's performance.

Overview

OCSD was established by Oldham County Fiscal Court Ordinance No. 96-830-26 in December 1996 as empowered by KRS 67.083 et. seq. and KRS 220.140 as a countywide sewer district to construct, acquire, operate and maintain sewers. The mission of OCSD is to provide more comprehensive solutions for wastewater service in Oldham County. It is intended that OCSD facilitate sanitary sewer service where needed or requested within a planned and regional context to benefit the customer, community and environment. There are a number of public, private and institutional wastewater systems that operate within the OCSD service area. Future wastewater collection, conveyance and treatment facility projects will be reviewed by OCSD for conformance to regionalization objectives. Efforts to complete regional systems are underway in areas where OCSD owns the wastewater facilities. Acquisition of private systems controls the success in other areas of the County.

System Acquisitions

In 2000, with approval of Fiscal Court, OCSD borrowed \$4,000,000 from the Kentucky Association of Counties Leasing Trust program. The purpose of this loan was to purchase privately owned sewer utilities throughout Oldham County. OCSD is now approximately two thirds complete with the acquisition process and has actually expanded the list facilities to eventually encompass. Approximately 2,800 sewer customers have been secured by OCSD through the utility acquisition process. To date a total of \$1,709,700 has been spent to acquire private sewer utility companies. Ten sewage treatment plants have been acquired by OCSD in the last three years. The following table provides a summary of the OCSD private utility acquisition program.

Privately Owned Sewer Utility	Acquisition Date	Acquisition Cost
Covered Bridge Utilities	March-00	\$380,000
Hayfield Utilities	June-01	53,800
Country Village Sewer Co.	June-00	56,600
Heather Hill Sewer Co.	June-00	120,900
Lakewood Valley Sewer Co.	June-00	124,100
Mockingbird Valley Sanitation	August-01	64,300
Goshen Utilities	February-02	910,000
Green Valley Apartments	March-02	0
Lockwood Estates	February-03	0
Total Acquisition Amount		\$1,709,700

When the acquisition process is completed OCSD will own sixteen treatment plants and be in a position to further the regional system program. An additional 2,400 customers will be acquired for a total of approximately 5,200 gained.

Capital Improvements

In 1997 OCSD initiated a five year, \$3.7 million capital construction program in the Buckner area. This program was initiated to bring sanitary sewers to the Oldham County Community Center in Buckner. The program was also necessary to provide sewers to the Oldham County Business Park and construct the first phase of a regional wastewater treatment facility. A \$3.0 million grant was used to fund a substantial portion of the project cost. Work on all the projects was completed in 2002 with 5 small package treatment plants being eliminated. OCSD initiated a \$1,175,000 sewer project to provide sanitary sewer to property owners in the Buckner area. Another \$400,000 project was initiated in 2002 to construct a pump station and force main necessary to eliminate the Heather Hill sewage treatment plant. Other capital improvements in the Buckner area within the next five years is an \$112,200 project to eliminate the Mockingbird Valley sewage treatment plant.

Construction of a regional treatment facility near the Ohio River has the highest priority and is the most cost-effective wastewater management plan for the Goshen area. A regional wastewater treatment facility in the Goshen area will allow OCSD to phase all smaller treatment plants out of service. A regional wastewater treatment plant of adequate size to serve the Goshen area is estimated to cost \$11,100,000. Approximately \$2,279,000 in capital improvements are planned for the Goshen area within the next five years.

Operations

There are approximately 40 miles of sewer, 30 pumping stations and 11 wastewater treatment plants, serving OCSD customers. Total treatment plant capacity is approximately 1.0 million gallons. Five OCSD wastewater treatment plants have a capacity exceeding 100,000 gallons per day and have 80% of the total plant capacity. The largest is the Trails End treatment plant with a capacity of roughly 314,000 gpd and next are Covered Bridge at 140,000 gpd, Buckner at 135,000 gpd, Cardinal Harbour at 110,000 gpd and Lakewood Valley at 100,000 gpd.

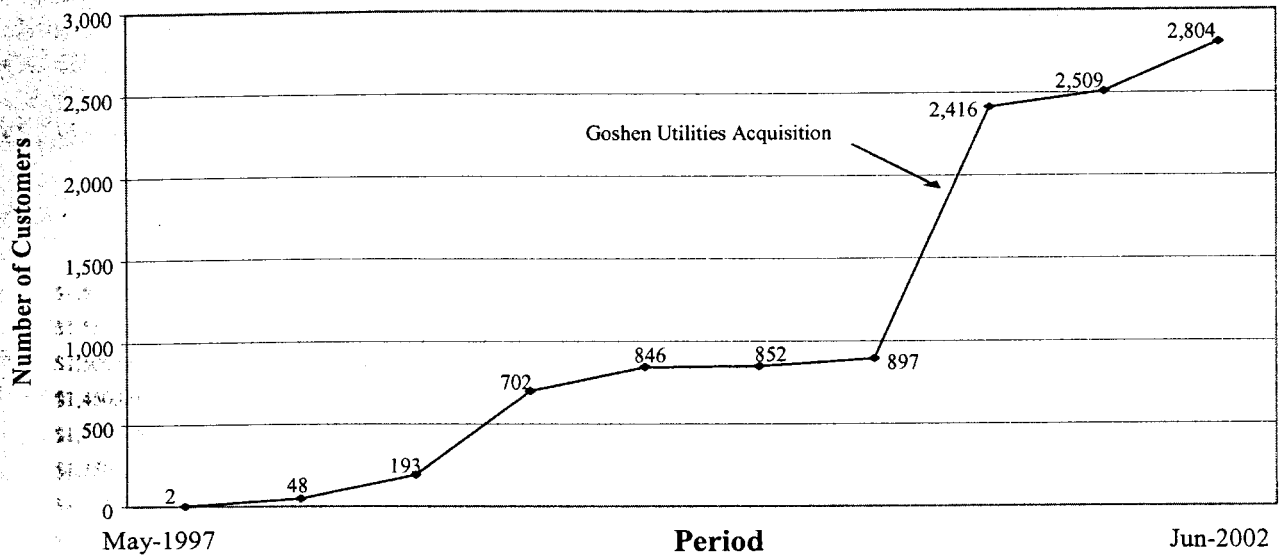
Assets and Liabilities

As can be seen in the Audit Report, OCSD assets in cash and cash equivalents, accounts receivable, and net capital assets decreased from \$7,112,927 for 2002 to \$6,917,404 for 2003. OCSD total net assets for 2003 are \$2,802,679. The Audit Report indicates that most of OCSD liabilities consist of long term debt of \$3,810,000 which is the balance of the loan with the Kentucky Association of Counties. Other significant debt includes accounts payable and payments on the purchase of Covered Bridge Utilities.

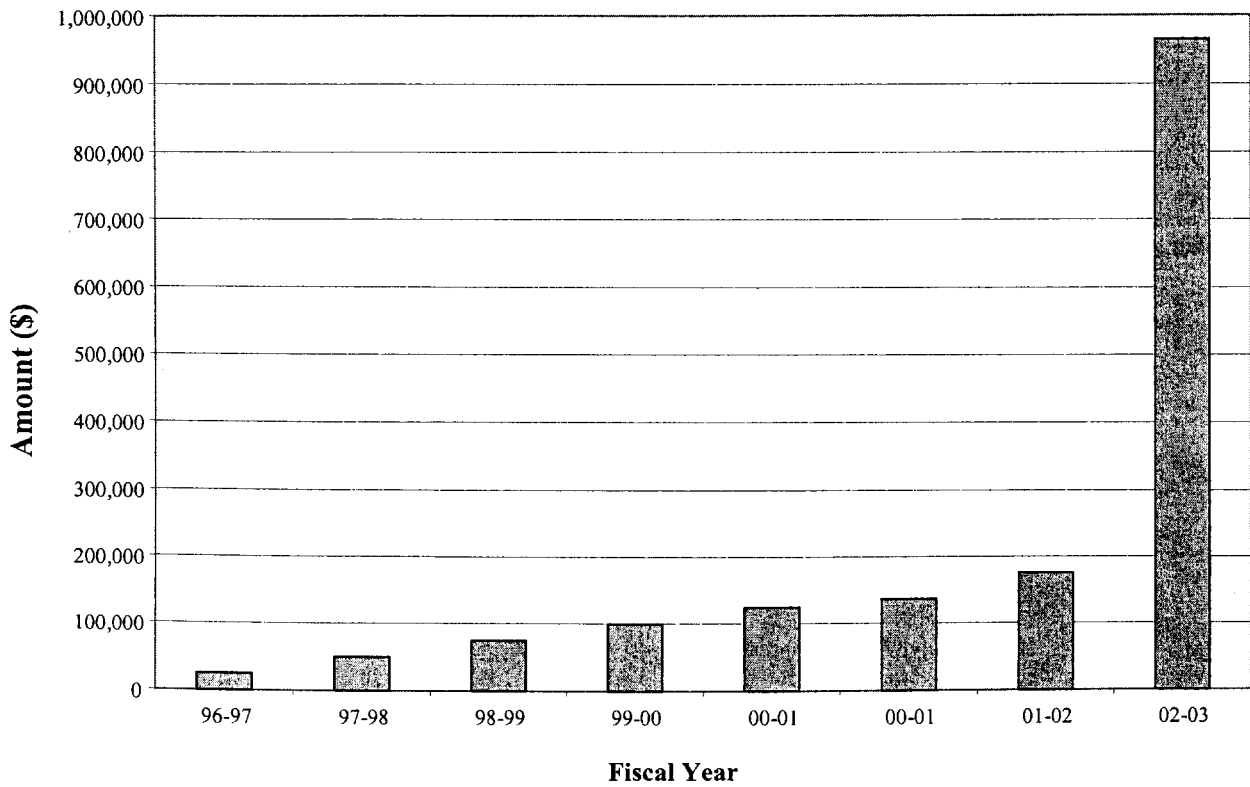
Revenues & Expenses

The financial integrity of OCSD changed dramatically in 2002. Acquisition of Goshen Utilities wastewater system increased the number of OCSD customers threefold. The OCSD budget for the fiscal year beginning July 1, 2003 and ending June 30, 2004 is \$1,259,349. For the previous fiscal year the annual OCSD budget was \$176,000. In 1996 the OCSD budget which was funded by Oldham County Fiscal Court, was \$25,000. OCSD budget and customer growth since 1996 is depicted below.

OCSD Customer Growth



OCSD Annual Budget

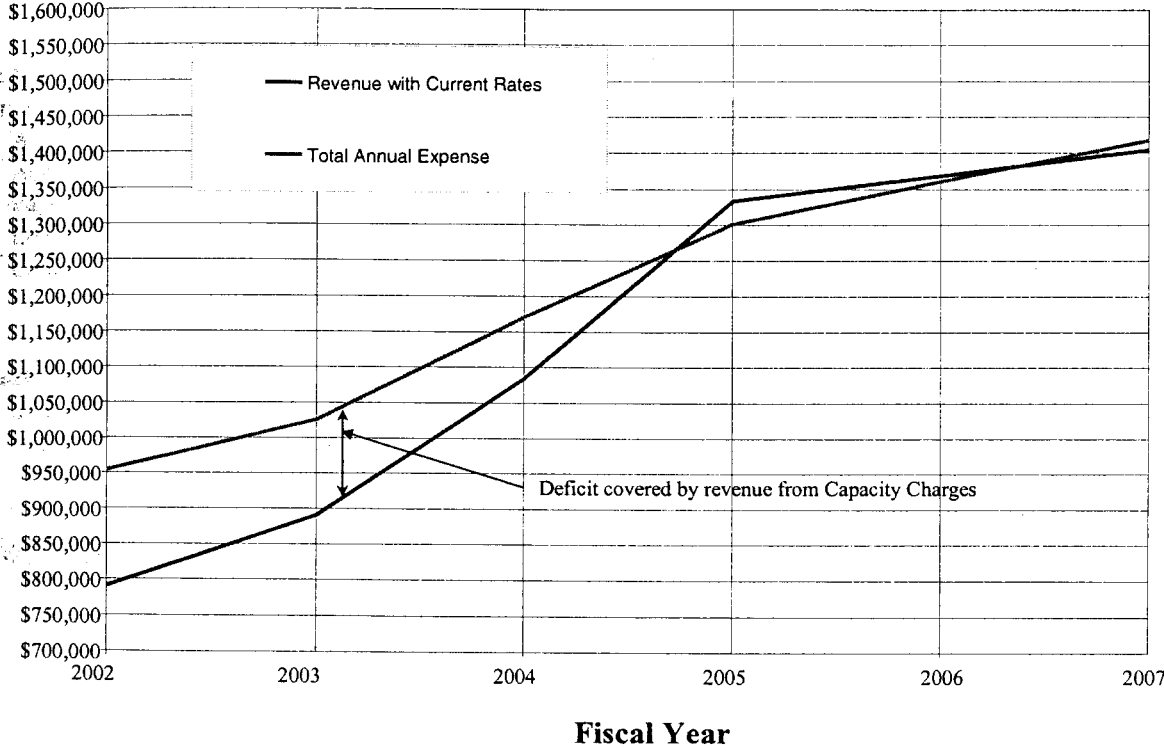


The Future

Over the next five years OCSD revenue is expected to increase to approximately \$1.⁸ million. This revenue increase can be attributed to customer growth through new housing connections and private

sewer utility acquisitions. By the year 2004 OCSD revenue should slightly exceed total annual expenses. Reducing annual operation expense over the next several years is possible with elimination of the number of treatment plants being operated. Current monthly sewer rates for OCSD customers range from approximately \$15 per month to \$46 per month. In the next fiscal year OCSD should be able to equalize monthly sewer rates for customers in all areas of the County. An OCSD revenue and expense projection with current monthly sewer rates is shown below.

OCSD Revenue and Expense Projections



OLDHAM COUNTY SEWER DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2003 AND 2002

	2003	2002
Assets		
Cash & Cash & Equivalents	\$ 1,590,103	\$ 2,074,110
Accounts Receivable	195,117	64,536
Construction in Progress	82,349	
Net Capital Assets	<u>5,049,834</u>	<u>4,974,281</u>
Total Assets	<u>\$ 6,917,403</u>	<u>\$ 7,112,927</u>
Liabilities & Net Assets		
Liabilities		
Accounts Payable	\$ 207,240	\$ 55,094
Accrued Interest Payable	18,153	
Payroll Taxes Payable	4,331	1,754
Long Term Debt Due in One Year	75,000	30,000
Long Term Debt	<u>3,810,000</u>	<u>3,940,000</u>
Total Liabilities	<u>4,114,724</u>	<u>4,026,848</u>
Net Assets		
Invested in capital assets, net of related debt	2,185,193	2,284,525
Unrestricted	<u>617,486</u>	<u>801,554</u>
Total Net Assets	<u>2,802,679</u>	<u>3,086,079</u>
Total Liabilities & Net Assets	<u>\$ 6,917,403</u>	<u>\$ 7,112,927</u>

Change in Net Assets

Net Assets, Beginning of Year

The accompanying notes are an integral part of these financial statements.

Net Assets, End of Year

OLDHAM COUNTY SEWER DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
Revenues:		
Governmental Grants	\$	\$ 295,508
Fees	998,322	472,236
Capacity Charges	75,770	370,240
Plan Reviews	7,860	6,860
Other Income	10,696	1,766
Interest	29,796	62,434
Total Revenues	1,122,444	1,209,044
Expenses:		
Operating Services	64,720	76,495
Lab Expense	70,860	40,045
Salaries & Wages	164,068	94,123
Payroll Taxes	14,505	7,009
Fringe Benefits	15,270	7,159
Retirement	10,052	5,596
Insurance	18,289	11,571
Consulting	1,971	30,238
Billing Fees	48,308	18,585
Rent	4,665	3,822
Utilities		23
Printing	227	608
Legal & Professional	67,417	78,436
Postage	1,117	767
Repairs & Maintenance	286,432	172,883
Office Supplies	4,895	5,483
Contract Labor	112	3,023
Licenses & Permits	368	152
Telephone	11,098	6,831
Director's Fees	8,400	8,400
Interest Expense	193,294	178,123
Administrative Fees	26,669	
Electric	105,709	62,937
Water	34,000	21,459
Easements		703
Travel	1,814	5,603
Advertising	1,369	
Bad Debt Expense	1,527	
Chemical Supplies	1,587	
Training & Education	95	
Automobile Expense	11,053	
Depreciation	188,638	140,014
Capacity Charges	39,029	
Miscellaneous	8,286	3,859
Total Expenses	1,405,844	983,947
Change in Net Assets	(283,400)	225,097
Net Assets, Beginning of Year	3,086,079	2,860,982
Net Assets, End of Year	\$ 2,802,679	\$ 3,086,079

OLDHAM COUNTY SEWER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (283,400)	\$ 225,097
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	188,638	140,013
(Increase)/Decrease in Accounts Receivable	(130,581)	(53,027)
Increase/(Decrease) In Accounts Payable	152,147	(7,733)
Increase/(Decrease) in Accrued Interest Payable	18,153	(8,662)
Increase/(Decrease) in Payroll Taxes Payable	2,577	1,754
Total adjustments	230,934	72,345
Net cash provided/(used) by operating activities	(52,466)	297,442
Cash Flows From Investing Activities:		
Net increase in construction-in-progress and equipment	(346,541)	(1,484,513)
Net cash (used) in investing activities	(346,541)	(1,484,513)
Cash Flows From Financing Activities:		
(Decrease)/ Increase in long term debt	(85,000)	(90,000)
Net cash (used)/provided in financing activities	(85,000)	(90,000)
Net increase/(decrease) in cash	(484,007)	(1,277,071)
Cash and Cash Equivalents at Beginning of Year	2,074,110	3,351,181
Cash and Cash Equivalents at End of Year	\$ 1,590,103	\$ 2,074,110

For purposes of the statement of cash flows, Oldham County Sanitation District considers all highly liquid instruments with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of these financial statements.

Note 1 Summary of Significant Accounting Policies

The Oldham County Sewer District was created and exists pursuant to the provisions of the Kentucky Revised Statutes 67.033(3)(c)(h) and (r) and 67.715(2) and by Oldham County Fiscal Court. Oldham County Sewer District was created, formed and structured so that it has all powers and duties to reasonably, necessarily and effectively implement the provisions of and carry out the duties prescribed by and consistent with KRS Chapter 220.

The Oldham County Fiscal Court and the Louisville and Jefferson County Metropolitan Sewer District (MSD) commissioned PDR Engineers, Inc. to prepare the Oldham County Action Plan (OCAP). This plan is a comprehensive sanitary study funded by the Oldham County Fiscal Court to define the potential regional sewer service areas in Oldham County for wastewater facilities in three priority areas in Oldham County. OCAP is the planning guide for the Oldham County Sewer District to manage sewage collection, conveyance, treatment and disposal in Oldham County.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Oldham County Sewer District is accounted for as an enterprise fund. Enterprise funds are used to account for operations (A) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (B) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus and Basis of Accounting and Financial Statement Presentation

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

Enterprise funds are accounted for using the accrual basis of accounting. Revenues and the related assets are recognized when earned, rather than when received. Expenses and the related liabilities are recognized when the obligation is incurred rather than when paid.

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

The financial statements of the Oldham County Sewer District (OCS D) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by OCS D are described below:

On July 1, 2001, OCS D adopted the provisions of Government Accounting Standards Board Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – The component of net asset consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

OLDHAM COUNTY SEWER DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2003 AND 2002

Note 1 – Summary of Significant Accounting Policies - continued

On July 1, 2001 OCSD also adopted the provisions of Governmental Accounting Standards Board Statement No. 33 Accounting and Financial Reporting for Nonexchange Transactions. This statement requires that capital contributions to OCSD be presented as a change in net assets.

Note 2 – Property, Plant & Equipment

The accounting treatment applied to property, plant, and equipment associated with a fund are determined by its measurement focus. Enterprise funds are accounted for on a cost of services or "Capital Maintenance" measurement focus. This means that all assets and liabilities associated with their activity are included on their balance sheets. All property, plant and equipment are valued at historical cost or estimated historical cost if historical cost is not available. Depreciation is provided in the enterprise fund in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis.

Capital Assets	2003		
	Cost	Accumulated Depreciation	Book Value
Construction in Progress	\$ 82,349	\$	\$ 82,349
Sewer Distribution System	2,482,988	176,109	2,306,879
Utility Acquisition	17,127	962	16,165
Office Equipment	19,593	7,677	11,916
Capital Improvements	92,124	3,525	88,599
Vehicles	33,447	4,181	29,266
Sewer Treatment Plants	2,851,964	254,955	2,597,009
Total	\$ 5,579,592	\$ 447,409	\$ 5,132,183

Capital Assets	2002		
	Cost	Accumulated Depreciation	Book Value
Sewer Distribution System	\$ 2,369,324	\$ 111,689	\$ 2,257,635
Utility Acquisition	12,159	644	11,515
Office Equipment	7,974	4,420	3,554
Sewer Treatment Plants	2,843,595	142,018	2,701,577
Total	\$ 5,233,052	\$ 258,771	\$ 4,974,281

Note 3 – Long Term Liabilities

The District purchased Covered Bridge Utilities with a note payable from the Bank of Oldham County and note payable to the former owner. This note will be paid off over the next year in the following payment:

2004	\$ 10,000
Total	\$ 10,000

OLDHAM COUNTY SEWER DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2003 AND 2002

Note 3 – Long Term Liabilities – continued

On June 14, 2001, Oldham County Sewer District entered into a long-term debt lease agreement with the Kentucky Association of Counties Leasing Trust. Proceeds are to be used for the construction and purchase of wastewater treatment plants as well as any construction of sewer distribution system in Oldham County. The debt service schedule for remaining payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Net Fees</u>	<u>Total</u>
2004	\$ 65,000	\$ 190,087	\$ 26,222	\$ 281,309
2005	70,000	186,773	25,765	282,538
2006	75,000	183,212	25,274	283,486
2007	75,000	179,507	24,763	279,270
2008	80,000	175,699	24,237	279,936
Thereafter	3,510,000	2,389,601	72,558	5,972,159
Total	<u>\$ 3,875,000</u>	<u>\$ 3,304,879</u>	<u>\$ 198,819</u>	<u>\$ 7,378,698</u>

Note 4 – Pension Plan

The District's employee is covered under the County Employee's Retirement System (CERS), a cost-sharing, multiple-employer, public employers' retirement system established under the provisions of Kentucky Revised Statute Section 61.645. Funding for the plan is provided through payroll withholdings of 5.00% and a district contribution of 6.34% of the employee's total compensation subject to contribution.

The District's total payroll for the year was \$164,068. CERS participation began in the fiscal year ended June 30, 2000. Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

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

Ten-year historical trend information showing CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2003 comprehensive annual financial reports.

Note 5 – Related Party Transaction

In the fiscal year ended June 30, 2003, the District used the services of Hettinger and Shuck and Hescho for repairs and maintenance and capital additions. The former District chairman was a partner in these entities. The total expended by the District was \$75,649.

Note 6 – Concentration of Credit Risk

At June 30, 2003 and 2002, cash deposits exceeding federally insured limits were fully insured or collateralized with securities held by the District's agent in the District's name.

Note 7 – Cash, Cash Equivalents and Investments

The District holds certain investments which are stated at cost and held by National City Bank. For the purpose of these financial statements, the District considers all highly liquid investment vehicles with an original maturity of three months or less to be cash equivalents. At the end of the fiscal year, the carrying amount of the Board's deposits and investments were \$1,590,103.

The following is a chart categorizing the investments in order to give an indication of the level of risk assumed by the District at June 30, 2003 and 2002. Category 1 includes investments that are insured or registered or for which the securities are held by the District's custodial agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

OLDHAM COUNTY SEWER DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2003 AND 2002

Note 7 – Cash, Cash Equivalents and Investments – continued

	2003 Category			Carrying Amount	Market Value
	1	2	3		
U. S. Government Securities	<u>\$ 938,009</u>	<u>\$</u>	<u>\$</u>	<u>\$ 938,009</u>	<u>\$ 938,009</u>
	2002 Category			Carrying Amount	Market Value
	1	2	3		
U.S. Government Securities	<u>\$ 1,250,243</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,250,243</u>	<u>\$ 1,250,243</u>

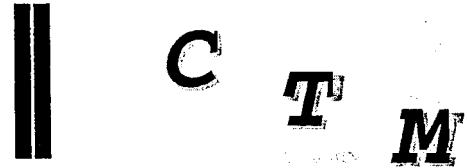
Charles T. Mitchell Company, LLP

Certified Public Accountants

WILLIAM G. JOHNSON, JR., C.P.A.
JAMES CLOUSE, C.P.A.
BERNADETTE SMITH, C.P.A.
KIM FIELD, C.P.A.
GREG MIKLAVCIC, C.P.A.

Consultants

CHARLES T. MITCHELL, C.P.A.
DON C. GILES, C.P.A.



201 WEST MAIN, P.O. BOX 698
FRANKFORT, KENTUCKY 40602-0698
TELEPHONE (502) 227-7395
TELECOPIER (502) 227-8005
[HTTP://WWW.CTMCPA.COM](http://www.ctmcpa.com)

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

To the Board of Directors
Oldham County Sewer District
Crestwood, Kentucky

We have audited the financial statements of Oldham County Sewer District as of and for the year ended June 30, 2003 and 2002 and have issued our report thereon dated January 4, 2004. We conducted our audit in accordance with financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Oldham County Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Oldham County Sewer District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expression our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Charles T. Mitchell

January 4, 2004

	General	Buckner	Business Park	Mattingly Interceptor	Covered Bridge	Lakewood Valley	Country Village
Revenues:							
Fees	\$ 1,415	\$	\$	\$	\$ 160,736	\$ 60,751	\$ 43,787
Capacity Charges	25,457	34,414					
Plan Reviews	7,860	50,313					
Other Income	609						
Interest	29,796						
Total	65,137	84,727			160,736	60,751	43,787
Expenses:							
Operating Services		8,750			3,898	8,750	8,750
Lab Expense		9,540			9,360	9,360	4,480
Salaries & Wages	164,068						
Payroll Taxes	14,505						
Fringe Benefits	15,270						
Retirement	10,052						
Insurance	18,289						
Consulting	437	1,534					
Billing Fees		1,667			4,495	7,756	4,683
Rent	4,665						
Printing	227						
Legal & Professional	52,612		495	322			
Postage	1,117						
Repairs & Maintenance	1,520	14,122	130		31,622	5,104	11,405
Office Supplies	4,895						
Contract Labor	112						
Licenses & Permits	368						
Telephone	9,479	850					
Director's Fees	8,400						
Interest Expense	193,294						
Administrative Fees	26,669						
Electric	1,004	18,824			19,684	6,001	4,268
Water	55	333			10,444	3,216	3,846
Travel	1,814						
Advertising	532	415					
Bad Debt Expense	126				9	1,065	245
Chemical Supplies							
Training & Education	95						
Automobile Expense	11,053						
Depreciation	17,667	30,323	18,380	8,961	19,734	6,905	5,283
Capacity Charges	39,029						
Miscellaneous	3,963				11	1,824	
Total Expenses	601,317	86,358	19,005	9,283	99,257	49,981	42,960
Change in Net Assets	(536,180)	(1,631)	(19,005)	(9,283)	61,479	10,770	827
Net Assets, Beginning of Year	3,086,079						
Net Assets, End of Year	\$ 2,549,899	\$ (1,631)	\$ (19,005)	\$ (9,283)	\$ 61,479	\$ 10,770	\$ 827

OLDHAM COUNTY SEWER DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - BY PROJECT
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

Heather Hills	Green Valley	Ky 393	Hayfield	Mockingbird Valley	Goshen	Lockwood Estates	Ash Ave	Torbitt & Castle	Total
\$ 49,726	\$ 24,502	\$	\$	\$ 25,151	\$ 588,592	\$ 9,248	\$	\$	\$ 963,908
									59,871
									58,173
					10,087				10,696
									29,796
49,726	24,502			25,151	598,679	9,248			1,122,444
8,750	8,750			5,750	8,922	2,400			64,720
9,360	4,660.00			4,480	16,920	2,700			70,860
									164,068
									14,505
									15,270
									10,052
									18,289
									1,971
5,335	2,181			1,521	20,005	665			48,308
									4,665
									227
					4,455	6,440	1,390	1,703	67,417
									1,117
8,382	11,701			10,151	188,427	3,418	450		286,432
									4,895
									112
									368
					769				11,098
									8,400
									193,294
									26,669
6,311	2,062	26		3,593	42,489	1,447			105,709
2,718	4,600			691	7,913	184			34,000
									1,814
422									1,369
	41				41				1,527
	1,587								1,587
									95
									11,053
6,734	2,073	21,944	2,690	96	47,841	7			188,638
									39,029
				250	2,238				8,286
48,012	37,655	21,970	2,690	26,532	340,020	17,261	1,840	1,703	1,405,844
1,714	(13,153)	(21,970)	(2,690)	(1,381)	258,659	(8,013)	(1,840)	(1,703)	(283,400)
									3,086,079
\$ 1,714	\$ (13,153)	\$ (21,970)	\$ (2,690)	\$ (1,381)	\$ 258,659	\$ (8,013)	\$ (1,840)	\$ (1,703)	\$ 2,802,679

OLDHAM COUNTY SEWER DISTRICT
STATEMENT OF EXPENSES - BUDGET VS. ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	Budget	Actual	Variance
Revenues			
Operating Revenues:			
Buckner	\$ 115,770	\$ 84,726	\$ (31,044)
Country Village	43,000	43,787	787
Covered Bridge	156,000	160,736	4,736
Goshen	518,000	598,679	80,679
Green Valley	34,000	24,502	(9,498)
Heather Hill	49,700	49,726	26
Lakewood Valley	61,200	60,751	(449)
Mockingbird Valley	25,000	25,151	151
Lockwood Estates		9,249	9,249
Interest Income	12,500	29,796	17,296
Other Income		9,884	9,884
Glen Oaks & Moser Farms	26,400	25,457	(943)
Total Revenues	1,041,570	1,122,444	80,874
Expenses:			
Operating Costs:			
Buckner	51,446	86,358	(34,912)
Country Village	24,900	42,960	(18,060)
Covered Bridge	71,553	99,256	(27,703)
Goshen	172,050	341,609	(169,559)
Green Valley	20,800	36,068	(15,268)
Heather Hill	46,700	48,012	(1,312)
Lakewood Valley	40,800	49,980	(9,180)
Business Park		19,005	(19,005)
Mattingly Interceptor		9,283	(9,283)
Ky 393		21,970	(21,970)
Hayfield Utilities		2,690	(2,690)
Lockwood Estates		17,260	(17,260)
Ash Avenue		1,842	(1,842)
Torbit & Castle		1,703	(1,703)
Mockingbird Valley	18,300	26,532	(8,232)
Total Operating Costs	446,549	804,528	(357,979)
Administrative Costs			
Salaries & Wages	181,154	164,068	17,086
Fringe Benefits	11,063	33,559	(22,496)
Payroll Taxes	18,961	14,505	4,456
Commissioner Fees	8,400	8,400	-
Pension Expense	11,570	10,052	1,518
Rent	3,528	4,665	(1,137)
Electric	300	1,004	(704)
Telephone	5,700	9,479	(3,779)
Auto	33,400	11,053	22,347
Auto Expense Reimbursement	3,600	1,814	1,786
Professional Fees	30,000	52,612	(22,612)
Consulting		438	(438)
Printing		227	(227)
Postage	1,000	1,117	(117)
Repairs & Maintenance		1,520	(1,520)
Contract Labor		112	(112)
Licenses & Permits		368	(368)
Water		55	(55)
Liabilities Insurance	10,860		10,860
Treasurer's Bond	710		710
Advertising	1,000	532	468
Bad Debt Expense		126	(126)
Conferences & Meetings		95	4,383
Miscellaneous	4,478	3,963	(3,963)
Depreciation	1,008	17,667	(16,659)
Capacity Charges		39,029	(39,029)
Office Expense	6,000	4,893	1,107
Total Administrative Costs	332,732	381,353	(48,621)
Interest Expense & Adm Fees	221,486	219,963	1,523
Total Expenses	1,000,767	1,405,844	(405,077)
Change In Net Assets	\$ 40,803	\$ (283,400)	\$ (324,203)

Sewer

ANNUAL REPORT

OF

ORCHARD GRASS UTILITIES, INC.

Exact Legal Name of Reporting Utility

1706 BARDSTOWN ROAD

LOUISVILLE, KY 40205

(Address of Utility)

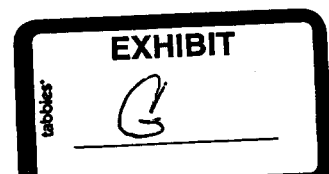
TO THE

PUBLIC SERVICE COMMISSION

OF THE

COMMONWEALTH OF KENTUCKY

FOR THE CALENDAR YEAR ENDED DECEMBER 31, 20 02



PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 20 02

1. Amount of Principal Payment during calendar year \$ 2645
2. Is Principal current? (Yes) ✓ (No) _____
3. Is Interest current? (Yes) ✓ (No) _____

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are your financial statements examined by a Certified Public Accountant?

YES _____ NO ✓

If yes, which service is performed?

Audit _____

Compilation _____

Review _____

Please enclose a copy of the accountant's report with annual report.

AUDIT OF THE ANNUAL REPORT
SEWER UTILITIES

To Be Completed and Returned With Annual Report

<u>Page No.</u>	<u>Line No.</u>	<u>Page No.</u>	<u>Line No.</u>	<u>Yes</u>	<u>No</u>	<u>If No, Explain Why</u>
2	4	4	12	✓		
		agrees with	(Utility Plant)			
2	6	4	15	✓		
		agrees with	(Utility Plant)			
2	7	4	17	✓		
		agrees with	(Utility Plant)			
4	2	5	40	✓		
		agrees with	(Utility Plant)			
4	23	4	15	✓		
		agrees with	(Utility Plant)			
3	4 & 5	6		✓		
		agrees with	Capital Stock			
3	10	7		✓		
		agrees with	Balance End of Year Statement of Retained Earnings			
3	19	6		✓		
		agrees with	Long-Term Debt, Total (d)			
3	23	6		✓		
		agrees with	Notes Payable, Total (e)			
3	29	6		✓		
		agrees with	Interest Accrued, Balance End of Year, Total			
3	30	7	21	✓		
		agrees with	(Depreciation)			
4	3	8	25	✓		
		agrees with	Interest Accrued			
6		8	40	✓		
		agrees with	During Year-LTD			
6		8	43	✓		
		agrees with	Interest Accrued			
8	24	9	52	✓		
		agrees with	During Year-Other			
8	27	10	Acct. 408.1	✓		
		agrees with	Total Income Taxes			
8	28	10	Utility Operating Income	✓		
		agrees with	Utility Operating Income			

AUDIT OF THE ANNUAL REPORT

SEWER UTILITIES

TO BE COMPLETED AND RETURNED WITH ANNUAL REPORT

<u>Page No.</u>	<u>Line No.</u>	<u>Page No.</u>	<u>Line No.</u>	<u>Yes</u>	<u>No</u>	<u>If No, Explain Why</u>
8	26	10	Amortization Expense	✓		
8	44	10	Account 408.2	✓		
8	45	10	Total Income Taxes Nonutility Operating Income	✓		
Pages 11 and 12 have been completed						
The Oath Page has been completed						

Additional Information Required by Commission Orders

Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments.

Case #	Date of Order	Item/Explanation

Attach additional sheets if more room is needed

Employer and Address: L. Zelet + Erdal, Inc.; 304 West Liberty Street; Louisville, KY 40202
Dates of Employment: 10/78 to 6/85
Duties: Manager water supply and wastewater projects, responsible for planning design, construction and start-up services.
Project Experience: Feasibility studies, engineering reports, designs, contract plans, specifications, cost estimates and facility O&M manuals. Projects included a report for expansion of water treatment plant at Bowling Green, KY; expansion of a water treatment plant, a new wastewater treatment plant, interceptor sewers and water main extensions at Campbellsville, KY; a wastewater treatment plant expansion and industrial park utilities at Corbin, KY. Project manager on the Louisville and Jefferson County Riverport Authority barge terminal facility and industrial complexes.

Employer and Address: Vollmer Associates, Inc.; 62 Fifth Avenue; New York, New York 10011
Dates of Employment: 2/76 to 10/78
Duties: Project Engineer providing management consultant services to the Louisville and Jefferson County Metropolitan Sewer District for implementation of a county-wide sewer system and treatment facility expansion program.
Project Experience: West County and North County wastewater treatment plants including technical assistance in administration of design engineer contracts, review of plans, specifications, reports, shop drawings and other documents submitted by the design engineers, and coordination of design engineer submissions. Other experience included liaison with MSD and various approval agencies, assistance with administration of EPA grants, cost effective studies, project planning, contractor procurement and preparation of a preliminary program for industrial wastewater pretreatment.

Employer and Address: City of Atlanta, Georgia
Dates of Employment: 1/74 to 2/76
Duties: Civil Engineer III in Research and Development Division with responsibilities for development of practical programs to improve design, operation and maintenance of water and wastewater facilities.
Project Experience: As process control engineer, supervised operation of a 120-mgd wastewater treatment facility. Responsible for maintaining and improving treatment quality, preparing recommendations for correction of operational and maintenance problems, preparing operation reports, directing personnel and providing liaison with governmental agencies and public.

Employer and Address: Georgia Department of Natural Resources; Atlanta, Georgia 30334
Dates of Employment: 6/72 to 1/74
Duties: Project engineer responsible for regulating design, construction and operation of municipal and county wastewater collection, transmission and treatment facilities.
Project Experience: Review of design studies, reports, grant documents, contract plans, specifications, operation and maintenance manuals, sewer use ordinances and industrial pretreatment programs for conformance with established design criteria and regulations. Performed field inspections of sewer systems, pumping stations and treatment facilities during construction and operation.

PROFESSIONAL ORGANIZATIONS:

Water Environment Federation and KY-TN Water Pollution Control Association

BALANCE SHEET

Line No.	ASSETS AND OTHER DEBITS	Balance First Of Year	Balance Last Of Year
1			
2	UTILITY PLANT		
3			
4	Utility Plant(101-109)	326054	326054
5	Less: Accum. Prov. for Depr. and Amort.		
6	of Utility Plant(110)	321211	324296
7	Net Utility Plant	4843	1758
8			
9	OTHER PROPERTY AND INVESTMENTS		
10			
11	Non-Utility Property(121)		
12	Less: Accum. Prov. for Depr. and Amort.		
13	of Non-Utility Property(122)		
14	Net Non-Utility Property		
15	Other Investments(124)		
16	Special Funds(125)		
17			
18			
19	Total Other Property and Investments		
20			
21	CURRENT AND ACCRUED ASSETS		
22			
23	Cash and Working Funds(131)	12527	8076
24	Temporary Cash Investments(132)		
25	Notes Receivable(141)		
26	Customer Accounts Receivable(142)	3139	1655
27	Other Accounts Receivable(143)	1000	1000
28	Accum. Prov. for Uncollectible Accts.-Cr.(144)		
29	Notes Receivable from Assoc. Companies(145)		
30	Accounts Receivable from Assoc. Companies(146)	90810	119310
31	Materials and Supplies(150)		
32	Prepayments(166)		
33	Other Current and Accrued Assets(170)		
34			
35			
36			
37	Total Current and Accrued Assets	107476	130041
38			
39	DEFERRED DEBITS		
40			
41	Unamortized Debt Discount and Expense(181)		
42	Extraordinary Property Losses(182)		
43	Other Deferred Debits(183)		
44			
45			
46			
47	Total Deferred Debits		
48			
49			
50	TOTAL ASSETS AND OTHER DEBITS	112319	131299

JOHN M. BENNETT, JR., P.E.

EDUCATION: 9/67 - 5/72, University of Louisville; Kentucky; Master of Engineering, May 1973

PROFESSIONAL REGISTRATION: Licensed Engineer in Kentucky; #10203; 1976 Civil; 1979 Sanitary

PROFESSIONAL EXPERIENCE:

Employer and Address Oldham County Sanitation District; P.O. Box 809; Crestwood, KY 40014
Dates of Employment: 7/99 to Present
Position: Chief Engineer
Project Experience: Manage and supervise daily activities of regional sanitary sewer system in Oldham County, Kentucky.

Employer and Address PDR Engineers, Inc.; 400 Meidinger Tower; Louisville, KY 40202
Dates of Employment: 11/93 to 5/99
Position: Civil Department, Senior Project Manager
Project Experience: Manage and supervise personnel on civil and wastewater engineering design projects including Oldham County Action Plan, Buckner Facilities Plan and sewer system, MSD sanitary sewer overflow study, and Fern Creek Interceptor sewer.

Employer and Address James-Winstead & Associates, Inc.; 2300 Meadow Drive; Louisville, KY 40218
Dates of Employment: 7/90 to 11/93
Position: Project Manager
Duties: Manage planning, design, construction and other engineering services relative to water and wastewater projects.
Project Experience: Design of North Hunting Creek, Spring Creek and Covered Bridge Farms (Oldham County) wastewater treatment facilities; Barbour Lane pump station and Little Goose Creek interceptor sewer; Glen Oaks pump station and force main; water system improvements and sewer system in English, Indiana; and sewage pump stations for I-71 Rest Areas in Oldham County.

Employer and Address Skees Engineering, Inc.; 4229 Bardstown Road; Louisville, KY 40218
Dates of Employment: 11/89 to 7/90
Position: Project Manager
Duties: Manage and perform design engineering for various projects including drainage improvements on Second Street in Louisville.

Employer Bennett Corporation, Inc.; 1217 Cedarbrook Road; Goshen, KY 40026
Dates of Employment: 1/88 to 11/89
Position: President
Duties: Direct and supervise all personnel for engineering, planning, surveying and landscape architecture work.
Project Experience: Prepared site development plans including those for three dams and lakes for Oxmoor Golf Course. Prepared construction plans for Gleneagles subdivision in LaGrange, wastewater treatment plant for Maples Springs Apartments in Crestwood; South Louisville Industrial Park in Bullitt County, and water system improvements for Salt River Water District, Jim Beam Distillery and Bernheim Forest in Bullitt County.

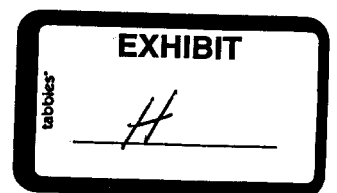
Employer and Address Presnell Associates, Inc.; 717 West Main Street; Louisville, KY 40202
Dates of Employment: 6/85 to 1/88
Position: Project Manager
Duties: Supervise and manage planning, design and other engineering services for water supply and wastewater projects.
Project Experience: Projects included Moores Bridges water treatment plant discharge header and Northampton Blvd. transmission main for the City of Norfolk, water system improvements including two storage tanks, booster pump station and main extensions in Bullitt County, KY., wastewater treatment plant expansion for the Oak Park Conservancy District in Jeffersonville, IN, drainage improvements for the Louisville and Jefferson County Riverport Authority and various sanitary sewer systems for private developments.

BALANCE SHEET

Line No.	LIABILITIES AND OTHER CREDITS	Balance First Of Year	Balance Last Of Year
1			
2	EQUITY CAPITAL		
3			
4	Common Capital Stock(201)	1000	1000
5	Preferred Capital Stock(204)		
6	Other Paid-In Capital(207)		
7	Discount on Capital Stock(213)		
8	Capital Stock Expense(214)		
9	Appropriated Retained Earnings(215)		
10	Unappropriated Retained Earnings(216)	27408217	27253702
11	Non-Corporate Proprietorship(218)		
12	Total Equity Capital	57398217	5743702
13			
14	LONG TERM DEBT		
15			
16	Bonds(221)		
17	Advances From Associated Companies(223)		
18	Other Long Term Debt(224)	30570	27925
19	Total Long Term Debt	30570	27925
20			
21	CURRENT AND ACCRUED LIABILITIES		
22			
23	Notes Payable(231)		
24	Accounts Payable(232)	16649	25223
25	Notes Payable to Associated Companies(233)		
26	Accounts Payable to Associated Companies(234)		
27	Customer Deposits(235)		
28	Taxes Accrued(236)		
29	Interest Accrued(237)		
30	Other Current and Accrued Liabilities(238)		
31	Total Current and Accrued Liabilities	16649	25223
32			
33	DEFERRED CREDITS		
34			
35	Advances for Construction(252)		
36	Other Deferred Credits(253)	343471	343471
37	Accum. Deferred Investment Tax Credits(255)		
38	Total Deferred Credits	343471	343471
39			
40	Operating Reserves(261-265)		
41			
42	Contributions in Aid of Construction(271)	461450	509550
43			
44	ACCUMULATED DEFERRED INCOME TAXES		
45			
46	Accum. Def. Income Taxes-Accel. Amort.(281)		
47	Accum. Def. Income Taxes-Lib. Depr.(282)		
48	Accum. Def. Income Taxes-Other(283)		
49	Total Accum. Deferred Income Taxes		
50	TOTAL LIABILITIES AND OTHER CREDITS	118319	131799

Exhibit H

Resume of John M. Bennett, Jr., PE



SUMMARY OF UTILITY PLANT

Line No.	Acct No.	Item	Amount
		UTILITY PLANT	
1		In Service:	
2	101	Plant in Service Classified(from pg. 5, line 40)	326054
3	102	Completed Construction Not Classified	
4	103	Utility Plant in Process of Reclassification	
5	106	Utility Plant Purchased or Sold	
6		Total-In Service	326054
7	104	Utility Plant Leased to Others	
8	105	Property Held for Future Use	
9	107	Construction Work in Progress	
10	108	Utility Plant Acquisition Adjustments	
11	109	Other Utility Plant Adjustments	
12		Total Utility Plant(to pg. 2, line 4)	326054
13		Less:	
14	110	Accumulated Provision for Depreciation and Amort. of Utility Plant(to pg. 2, line 6)	324296
15			
16			
17		NET UTILITY PLANT(to pg. 2, line 7)	1758

ACCUM. PROV. FOR DEPRECIATION AND AMORTIZATION OF UTILITY PLANT

Line No.	Item	Amount
1	Balance Beginning of Year	321211
2	Accruals for Year:	
3	Depreciation	3085
4	Amortization	
5	Other Accounts(detail):	
6		
7		
8	Total Accruals for Year	3085
9	Credit Adjustments(describe):	
10		
11		
12	Total Credits for Year	
13		
14	Net Charges for Plant Retired:	
15	Book Cost of Plt. Ret.(same as pg. 5, line 40)	
16	Add: Cost of Removal	
17	Less: Salvage	
18	Net Charges for Plant Retired	
19	Debit Adjustments(describe):	
20		
21		
22	Total Debit Adjustments for Year	324296
23	Balance End of Year	

OATH

State of KENTUCKY)
) ss.:
County of JEFFERSON)

Before me, the undersigned officer duly authorized to administer oaths, there personally appeared _____, (Name of affiant)

who, being sworn by me, says on oath that he is in charge of the records of WILLOW CREEK SEWER SYSTEM (Exact legal name of company)

and that the foregoing report is true to the best of his/her knowledge and belief, and that it covers the period from January 1, 2002, to December 31, 2002.

(Signature of affiant)

Subscribed and sworn before me this _____ day of _____, 20_____.

Notary Public, County of _____
My Commission expires _____, 20_____

(Seal)

SEWER UTILITY PLANT IN SERVICE

Report in col. (e) entries reclass. property from one acct. to another. Corrections of entries of the rec. yr. should be recorded in col. (c) or (d) as they are corrections of additions or retirements.

Line No.	Account	Depr. Rate	Balance First of Yr	Additions	Retire-ments	Adj.-Inc. or Dec.	Balance End of Year
1	INTANGIBLE PLANT						
2	Organization(301)	---					
3	Franchise and Consents(302)	---					
4	Miscellaneous Intangible Plant(303)	---					
5	Total Intangible Plant	---					
6	LAND AND STRUCTURES						
7	Land and Land Rights(310)	----	7428				7428
8	Structures and Improvements(311)		296471				296471
9	Total Land and Structures		303899				303899
10	COLLECTION PLANT						
11	Collection Sewers-Force(352.1)						
12	Collection Sewers-Gravity(352.2)						
13	Other Collection Plant Facilities(353)						
14	Services to Customers(354)						
15	Flow Measuring Devices(355)						
16	Total Collection Plant						
17	PUMPING PLANT						
18	Receiving Wells and Pump Pits(362)						
19	Pumping Equipment-Electric(363A)						
20	Pumping Equipment-Diesel(363B)						
21	Pumping Equipment-Other(363C)						
22	Total Pumping Plant						
23	TREATMENT AND DISPOSAL PLANT						
24	Oxidation Lagoon(372)						
25	Treatment and Disposal Equipment(373)						
26	Plant Sewers(374)						
27	Outfall Sewer Lines(375)						
28	Other Treat. & Dis. Plt. Equip.(376)						
29	Total Treatment and Disposal Plant						
30	GENERAL PLANT						
31	Office Furniture and Equipment(391)						
32	Transportation Equipment(392)						
33	Stores Equipment(393A)						
34	Tools, Shop & Garage Equipment(393B)						
35	Laboratory Equipment(393C)						
36	Power Operated Equipment(393D)						
37	Communication Equipment(393E)						
38	Other Tangible Property(393F)						
39	Total General Plant						
40	TOTAL SEWER PLANT IN SERVICE		326054				326054

22155

22155

326054

SEWER PLANT STATISTICS

CUSTOMER STATISTICS-END OF YEAR

Type	Number of Customers	Bi-Monthly Or Monthly Billing?	Number of Bills Pertaining to Each Type of Customer
Residential:			
Single Family	331	BI-MONTHLY	6
Apartments/Condominiums			
Commercial			
Industrial			
Other(Specify):			
Total	331		6

INDUSTRIAL CUSTOMERS SERVED

Name And Type Of Industry	Metered Or Estimated Gals.	Pretreatment Of Wastes

PUMPING STATIONS

Location	Size Of Motor	Type Of Motor	Capacity Gals. Per Day
100 YDS NORTHEAST OF PLANT	7.5 HP		75,000

MAINS(FEET)

Kind Of Pipe (Cast Iron, Vit. clay, concrete)	Diameter Of Pipe	No. Of Feet 1st of Year	Additions	Removed or Abandoned	No. Of Feet End Of Year
NOT AVAILABLE					

SERVICE LATERALS AND STUBS

Number of service laterals owned by the utility, end of year _____

Number of stubs as of end of year _____

Number of service laterals owned by others _____

CAPITAL STOCK

Class and Series of Stock (a)	No. Of Shares Auth. (b)	Par Value Per Share of Par Value Stk. (c)	Stated Val. Per Share Of Nonpar Stock (d)	Outstanding Per Balance Sheet	
				Shares (e)	Amount (f)
COMMON					1000
					1000

LONG-TERM DEBT

List Each Original Issue Amt., Class & Series of Obligation (a)	Date Of Issue (b)	Date Of Maturity (c)	Outstanding Per Balance Sheet (d)	Interest For The Year	
				Rate (e)	Amount (f)
NATIONAL CITY BANK	1997		27925		1792
Total			27925		1792

NOTES PAYABLE

(Include Notes Payable to Associated Companies Under This Heading)

Name of Payee (a)	Date Of Note (b)	Date Of Maturity (c)	Interest Rate (d)	Balance End Of Year (e)
Total				

INTEREST ACCRUED

Description Of Obligation (a)	Int. Accr. Balance First Of Yr. (b)	Int. Accr. During Year (c)	Int. Paid During Year (d)	Int. Accr. Balance End Of Year (e)
Total				

SEWER PLANT STATISTICS

PLANT VALUATION

1. What method of valuation was used with reference to Sewer Utility Plant in Service appearing on page two, line four: Original Cost, Estimated Cost, Original Cost Study? ORIGINAL COST
2. What percentage of Sewer Utility Plant in Service was recovered, by the developer of the subdivision, through the sale of lots? _____%
3. If less than one-hundred percent of the utility plant was recovered, please designate what portion (collection lines, treatment plant, ect.) of the plant that represents non-contributed plant. N/A
4. By whom were the books of account audited? N/A
What was the date of the last audit? N/A
If unaudited in the past twelve months, when and by whom is the next audit anticipated? N/A

PHYSICAL DATA OF SEWER PLANT

1. Date of construction of original plant 1972
2. Type of treatment process EXTENDED AERATION WITH TERTIARY LAGOON
3. Date and additional G.P.D. Capacity of subsequent additions to plant _____
4. Population for which plant is designed including population equivalent of industrial waste load 1400

TREATMENT PLANT OPERATING STATISTICS

1. Total gallons received during the year _____
2. Total gallons received on maximum day _____
3. Maximum G.P.D. Capacity of the sewage treatment plant 140,000
4. Routine maintenance service fee:
Cost per month \$ 860
Contract expires OPEN CONTRACT
5. Sludge hauling:
Cost per load \$ 990-1784
Average number of gallons per load 3000-5000
Number of loads this year 15

OTHER CURRENT AND ACCRUED LIABILITIES

Line No.	Sub-Account and Description	Amount
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21	Total (Must agree with page 3, line 30, Acct. No. 238)	

STATEMENT OF RETAINED EARNINGS FOR THE YEAR

Item (a)	This Year (b)	Last Year (c)
UNAPPROPRIATED RETAINED EARNINGS(216)		
Balance Beginning of Year	<740821>	<672328>
Balance Transferred From Income(435)	<34549>	<68493>
Appropriations of Retained Earnings(436):		
Dividends Declared-Preferred Stock(437)		
Dividends Declared-Common Stock(438)		
Adjustments to Retained Earnings(439):		
Balance End of Year	<725370>	<740821>

TAXES OTHER THAN INCOME TAXES(408)

Show hereunder the various tax items which make up the amounts listed under Account Numbers 408.1 and 408.2 appearing on page 8, lines 27 and 44.

Line No.	Item (a)	Amount (b)
1	Payroll Taxes	770
2	Property Taxes	168
3	Utility Regulatory Commission Assessment	
4	Other(Specify):	
5		
6		
7		
8		
9		
10		
11		878
12	TOTAL(Same as page 8, line 27 plus 44)	

OPERATING AND NON-OPERATING INCOME TAXES

Acct. No.	Account (a)	Amount (b)
409.1	Income Taxes-Federal	
409.1	Income Taxes-State	
409.1	Income Taxes-Other	
410.1	Provisions for Deferred Income Taxes	
411.1	Income Taxes Deferred in Prior Years-Credit	
412.0	Investment Tax Credits-Net	
	Total Income Taxes-Util. Operat. Income(to pg 8, line 28)	
409.2	Income Taxes-Federal	
409.2	Income Taxes-State	
409.2	Income Taxes-Other	
410.2	Provisions for Deferred Income Taxes	
411.2	Income Taxes Deferred in Prior Years-Credit	
412.4	Investment Tax Credits-Net	
	Total Inc. Taxes-Nonutil. Op. Income(to pg. 8, line 45)	

AMORTIZATION EXPENSE

Acct. No.	Account (a)	Amount (b)
404	Amortization of Limited-Term Utility Plant	
405	Amortization of Other Utility Plant	
406	Amortization of Utility Plant Acquisition Adjustments	
407	Amortization of Property Losses	
-	Amortization of Rate Case Expense	
	Total Amortization Expense(to pg. 8, line 26)	

STATEMENT OF INCOME FOR THE YEAR

Line No.	Account (a)	Number Of Customers (b)	Amount (c)
1	OPERATING REVENUES		
2	Flat Rate Revenues-General Customers:		
3	Residential Revenues(521.1)	620	127912
4	Commercial Revenues(521.2)		
5	Industrial Revenues(521.3)		
6	Revenues From Public Authorities(521.4)		
7	Total(521)	620	127912
8	Measured Revenues-General Customers:		
9	Residential Revenues(522.1)		
10	Commercial Revenues(522.2)		
11	Industrial Revenues(522.3)		
12	Revenues From Public Authorities(522.4)		
13	Total(522)		
14	Revenues From Public Authorities(523)		
15	Revenues From Other Systems(524)		
16	Miscellaneous Sewage Revenues(526)		
17	Total Sewage Service Revenues(521-526)	620	127912
18	OTHER OPERATING REVENUES		
19	Customers Forfeited Discounts(532)		
20	Miscellaneous Operating Revenues(536)		
21	Total Other Operating Revenues		
22	Total Operating Revenues		127912
23	OPERATING EXPENSES		
24	Total Sewer Operation & Maint. Exp.(from pg.9, line52)		155490
25	Depreciation Expense(403)		3085
26	Amortization Expense(404-407/from pg.10)		
27	Taxes Other Than Income Taxes(408.1/from pg.10)		2094
28	Total Income Taxes-Utility Operating Income(from pg.10)		
29	Total Sewage Operating Expenses		160669
30	Net Operating Income		<32757>
31	OTHER INCOME		
32	Income From Nonutility Operations(417)		
33	Interest and Dividend Income(419)		
34	Miscellaneous Nonoperating Income(421)		
35	Other Accounts(Specify Account No. and Title):		
36			
37			
38	Total Other Income		
39	OTHER DEDUCTIONS		
40	Interest on Long Term Debt(427)		1792
41	Amortization of Debt Discount and Expense(428)		
42	Interest on Debt to Associated Companies(430)		
43	Other Interest Expense(431)		
44	Taxes Other Than Income Taxes(408.2/from pg.10)		
45	Total Income Taxes-Nonutil. Operat. Income(from pg.10)		
46	Other Accounts(Specify Account No. and Title):		
47			
48			
49	Total Other Deductions		1792
50	NET INCOME		94549

SEWER OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount (b)
1	OPERATION EXPENSES	
2	Supervision and Engineering(700):	
3	Owner/Manager-Management Fee(700-A)	9600
4	Other Expenses(700-B)	
5	Labor and Expenses(701):	
6	Collection System-Labor, Mat'ls. & Expenses(701-A)	
7	Pumping System-Labor, Mat'ls. & Expenses(701-B)	
8	Treatment System(701-C):	
9	Sludge Hauling	9907
10	Utility Service-Water Cost	5990
11	Other-Labor, Mat'ls. and Expenses	9905
12	Rents(702)	
13	Fuel and Power Purchased for Pumping & Treatment(703)	13081
14	Chemicals(704)	1252
15	Miscellaneous Supplies and Expenses(705):	
16	Collection System(705-A)	
17	Pumping System(705-B)	
18	Treatment and Disposal(705-C)	
19	Total Operation Expenses	49735
20	MAINTENANCE EXPENSES	
21	Supervision and Engineering(710):	
22	Routine Maintenance Service Fee(710-A)	8670
23	Internal Supervision and Engineering(710-B)	
24	Maintenance of Structures and Improvements(711)	
25	Maintenance of Collection Sewer System(712)	9577
26	Maintenance of Pumping System(713)	
27	Maintenance of Treatment and Disposal Plant(714)	11700
28	Maintenance of Other Plant Facilities(715)	912
29	Total Maintenance Expenses	32859
30	CUSTOMER ACCOUNTS EXPENSES	
31	Supervision(901)	
32	Meter Reading Expenses and Flat Rate Inspections(902)	
33	Customer Records and Collection Expenses(903):	
34	Agency Collection Fee(903-A)	3591
35	Internal Labor, Materials and Expenses(903-B)	
36	Uncollectible Accounts(904)	
37	Miscellaneous Customer Accounts Expenses(905)	
38	Total Customer Accounts Expenses	3591
39	ADMINISTRATIVE AND GENERAL EXPENSES	
40	Administrative and General Salaries(920)	
41	Office Supplies and Other Expenses(921)	604
43	Outside Services Employed(923)	7850
44	Insurance Expense(924)	1122
45	Employee Pensions and Benefits(926)	
46	Regulatory Commission Expense(928)	1671
47	Transportation Expenses(929)	
48	Miscellaneous General Expenses(930)	
49	Rents(931)	600
50	Maintenance of General Plant(932)	
51	Total Administrative and General Expenses	11847
52	TOTAL SEWER OPERATION & MAINT. EXP.(to pg. 8, line 24)	96032

SEWER OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount (b)
	OPERATION EXPENSES	
1	Supervision and Engineering(700):	
2	Owner/Manager-Management Fee(700-A)	10000
3	Other Expenses(700-B)	
4	Labor and Expenses(701):	
5	Collection System-Labor, Mat'ls. & Expenses(701-A)	
6	Pumping System-Labor, Mat'ls. & Expenses(701-B)	
7	Treatment System(701-C):	
8	Sludge Hauling	25306
9	Utility Service-Water Cost	3226
10	Other-Labor, Mat'ls. and Expenses	9905
11	Rents(702)	15211
12	Fuel and Power Purchased for Pumping & Treatment(703)	10389
13	Chemicals(704)	
14	Miscellaneous Supplies and Expenses(705):	
15	Collection System(705-A)	
16	Pumping System(705-B)	
17	Treatment and Disposal(705-C)	
18	Total Operation Expenses	74037
19	MAINTENANCE EXPENSES	
20	Supervision and Engineering(710):	
21	Routine Maintenance Service Fee(710-A)	9520
22	Internal Supervision and Engineering(710-B)	
23	Maintenance of Structures and Improvements(711)	4223
24	Maintenance of Collection Sewer System(712)	
25	Maintenance of Pumping System(713)	
26	Maintenance of Treatment and Disposal Plant(714)	25877
27	Maintenance of Other Plant Facilities(715)	1852
28	Total Maintenance Expenses	41472
29	CUSTOMER ACCOUNTS EXPENSES	
30	Supervision(901)	
31	Meter Reading Expenses and Flat Rate Inspections(902)	
32	Customer Records and Collection Expenses(903):	
33	Agency Collection Fee(903-A)	5677
34	Internal Labor, Materials and Expenses(903-B)	
35	Uncollectible Accounts(904)	
36	Miscellaneous Customer Accounts Expenses(905)	
37	Total Customer Accounts Expenses	5677
38	ADMINISTRATIVE AND GENERAL EXPENSES	
39	Administrative and General Salaries(920)	1374
40	Office Supplies and Other Expenses(921)	27387
41	Outside Services Employed(923)	3403
42	Insurance Expense(924)	
43	Employee Pensions and Benefits(926)	340
44	Regulatory Commission Expense(928)	
45	Transportation Expenses(929)	
46	Miscellaneous General Expenses(930)	1800
47	Rents(931)	
48	Maintenance of General Plant(932)	34304
49	Total Administrative and General Expenses	155490
50	TOTAL SEWER OPERATION & MAINT. EXP.(to pg. 8, line 24)	
51		
52		

STATEMENT OF INCOME FOR THE YEAR

Line No.	Account (a)	Number Of Customers (b)	Amount (c)
1	OPERATING REVENUES		
2	Flat Rate Revenues-General Customers:		
3	Residential Revenues(521.1)	331	71907
4	Commercial Revenues(521.2)		
5	Industrial Revenues(521.3)		
6	Revenues From Public Authorities(521.4)		
7	Total(521)	331	71907
8	Measured Revenues-General Customers:		
9	Residential Revenues(522.1)		
10	Commercial Revenues(522.2)		
11	Industrial Revenues(522.3)		
12	Revenues From Public Authorities(522.4)		
13	Total(522)		
14	Revenues From Public Authorities(523)		
15	Revenues From Other Systems(524)		
16	Miscellaneous Sewage Revenues(526)		
17	Total Sewage Service Revenues(521-526)	331	71907
18	OTHER OPERATING REVENUES		
19	Customers Forfeited Discounts(532)		
20	Miscellaneous Operating Revenues(536)		
21	Total Other Operating Revenues		71907
22	Total Operating Revenues		
23	OPERATING EXPENSES		
24	Total Sewer Operation & Maint. Exp.(from pg.9, line52)		96032
25	Depreciation Expense(403)		659
26	Amortization Expense(404-407/from pg.10)		
27	Taxes Other Than Income Taxes(408.1/from pg.10)		878
28	Total Income Taxes-Utility Operating Income(from pg.10)		
29	Total Sewage Operating Expenses		97569
30	Net Operating Income		<25662>
31	OTHER INCOME		
32	Income From Nonutility Operations(417)		
33	Interest and Dividend Income(419)		
34	Miscellaneous Nonoperating Income(421)		
35	Other Accounts(Specify Account No. and Title):		
36			
37			
38	Total Other Income		
39	OTHER DEDUCTIONS		
40	Interest on Long Term Debt(427)		2652
41	Amortization of Debt Discount and Expense(428)		
42	Interest on Debt to Associated Companies(430)		
43	Other Interest Expense(431)		
44	Taxes Other Than Income Taxes(408.2/from pg.10)		
45	Total Income Taxes-Nonutil. Operat. Income(from pg.10)		
46	Other Accounts(Specify Account No. and Title):		
47			
48			
49	Total Other Deductions		2652
50	NET INCOME		<28314>

TAXES OTHER THAN INCOME TAXES(408)

Show hereunder the various tax items which make up the amounts listed under Account Numbers 408.1 and 408.2 appearing on page 8, lines 27 and 44.

Line No.	Item (a)	Amount (b)
1	Payroll Taxes	
2	Property Taxes	1702
3	Utility Regulatory Commission Assessment	377
4	Other(Specify):	
5	FILING FEE	15
6		
7		
8		
9		
10		
11		
12	TOTAL(Same as page 8, line 27 plus 44)	2094

OPERATING AND NON-OPERATING INCOME TAXES

Acct. No.	Account (a)	Amount (b)
409.1	Income Taxes-Federal	
409.1	Income Taxes-State	
409.1	Income Taxes-Other	
410.1	Provisions for Deferred Income Taxes	
411.1	Income Taxes Deferred in Prior Years-Credit	
412.0	Investment Tax Credits-Net	
	Total Income Taxes-Util. Operat. Income(to pg 8,line 28)	
409.2	Income Taxes-Federal	
409.2	Income Taxes-State	
409.2	Income Taxes-Other	
410.2	Provisions for Deferred Income Taxes	
411.2	Income Taxes Deferred in Prior Years-Credit	
412.4	Investment Tax Credits-Net	
	Total Inc. Taxes-Nonutil. Op. Income(to pg. 8,line 45)	

AMORTIZATION EXPENSE

Acct. No.	Account (a)	Amount (b)
404	Amortization of Limited-Term Utility Plant	
405	Amortization of Other Utility Plant	
406	Amortization of Utility Plant Acquisition Adjustments	
407	Amortization of Property Losses	
-	Amortization of Rate Case Expense	
	Total Amortization Expense(to pg. 8, line 26)	

OTHER CURRENT AND ACCRUED LIABILITIES

Line No.	Sub-Account and Description	Amount
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21	Total (Must agree with page 3, line 30, Acct. No. 238)	

STATEMENT OF RETAINED EARNINGS FOR THE YEAR

Item (a)	This Year (b)	Last Year (c)
UNAPPROPRIATED RETAINED EARNINGS(216)		
Balance Beginning of Year	< 283106 >	< 254753 >
Balance Transferred From Income(435)	< 28314 >	< 28353 >
Appropriations of Retained Earnings(436):		
Dividends Declared-Preferred Stock(437)		
Dividends Declared-Common Stock(438)		
Adjustments to Retained Earnings(439):		
Balance End of Year	< 311420 >	< 283106 >

SEWER PLANT STATISTICS

PLANT VALUATION

1. What method of valuation was used with reference to Sewer Utility Plant in Service appearing on page two, line four: Original Cost, Estimated Cost, Original Cost Study? ORIGINAL COST
2. What percentage of Sewer Utility Plant in Service was recovered, by the developer of the subdivision, through the sale of lots? NONE %
3. If less than one-hundred percent of the utility plant was recovered, please designate what portion (collection lines, treatment plant, ect.) of the plant that represents non-contributed plant ALL
4. By whom were the books of account audited? TOUCHE ROSS & CO
What was the date of the last audit? 12-31-84
If unaudited in the past twelve months, when and by whom is the next audit anticipated? N/A

PHYSICAL DATA OF SEWER PLANT

1. Date of construction of original plant SEPTEMBER 12, 1973
2. Type of treatment process EXTENDED AERATION WITH MICRO STRAINERS
TERTIARY TREATMENT
3. Date and additional G.P.D. Capacity of subsequent additions to plant 1977 - 300000 G.P.D.
4. Population for which plant is designed including population equivalent of industrial waste load 750 RESIDENTIAL

TREATMENT PLANT OPERATING STATISTICS

1. Total gallons received during the year 62,000,000
2. Total gallons received on maximum day 250,000
3. Maximum G.P.D. Capacity of the sewage treatment plant 300,000
4. Routine maintenance service fee:
Cost per month \$ 1160
Contract expires OPEN CONTRACT
5. Sludge hauling:
Cost per load \$ 1000-2877
Average number of gallons per load 3000-5000
Number of loads this year 18

CAPITAL STOCK

Class and Series of Stock (a)	No. Of Shares Auth. (b)	Par Value Per Share of Par Value Stk. (c)	Stated Val. Per Share Of Nonpar Stock (d)	Outstanding Per Balance Sheet	
				Shares (e)	Amount (f)

LONG-TERM DEBT

List Each Original Issue Amt., Class & Series of Obligation (a)	Date Of Issue (b)	Date Of Maturity (c)	Outstanding Per Balance Sheet (d)	Interest For The Year	
				Rate (e)	Amount (f)
<i>NATIONAL CITY BANK</i>	<i>1997</i>		<i>44195</i>		<i>2652</i>
Total			<i>44195</i>		<i>2652</i>

NOTES PAYABLE

(Include Notes Payable to Associated Companies Under This Heading)

Name of Payee (a)	Date Of Note (b)	Date Of Maturity (c)	Interest Rate (d)	Balance End Of Year (e)
Total				

INTEREST ACCRUED

Description Of Obligation (a)	Int. Accr. Balance First Of Yr. (b)	Int. Accr. During Year (c)	Int. Paid During Year (d)	Int. Accr. Balance End Of Year
Total				

SEWER PLANT STATISTICS

CUSTOMER STATISTICS-END OF YEAR

Type	Number of Customers	Bi-Monthly Or Monthly Billing?	Number of Bills Pertaining to Each Type of Customer
Residential:			
Single Family	617	BI-MONTHLY	6
Apartments/Condominiums	3	BI-MONTHLY	6
Commercial			
Industrial			
Other(Specify):			
Total	620		6

INDUSTRIAL CUSTOMERS SERVED

Name And Type Of Industry	Metered Or Estimated Gals.	Pretreatment Of Wastes

PUMPING STATIONS

Location	Size Of Motor	Type Of Motor	Capacity Gals. Per Day

MAINS(FEET)

Kind Of Pipe (Cast Iron, Vit. clay, concrete)	Diameter Of Pipe	No. Of Feet 1st of Year	Additions	Removed or Abandoned	No. Of Feet End Of Year

SERVICE LATERALS AND STUBS

Number of service laterals owned by the utility, end of year _____

Number of stubs as of end of year _____

Number of service laterals owned by others _____

SEWER UTILITY PLANT IN SERVICE

Report in col. (e) entries reclass. property from one acct. to another. Corrections of entries of the prec. yr. should be recorded in col. (c) or (d) as they are corrections of additions or retirements.

Line No.	Account	Depr. Rate	Balance First of Yr	Additions	Retire-ments	Adj.-Inc. or Dec.	Balance End of Year
1	INTANGIBLE PLANT						
2	Organization(301)	---	462				462
3	Franchise and Consents(302)	---					
4	Miscellaneous Intangible Plant(303)	---					
5	Total Intangible Plant	---	462				462
6	LAND AND STRUCTURES						
7	Land and Land Rights(310)	---					
8	Structures and Improvements(311)						
9	Total Land and Structures						
10	COLLECTION PLANT						
11	Collection Sewers-Force(352.1)						
12	Collection Sewers-Gravity(352.2)						
13	Other Collection Plant Facilities(353)						
14	Services to Customers(354)						
15	Flow Measuring Devices(355)						
16	Total Collection Plant						
17	PUMPING PLANT						
18	Receiving Wells and Pump Pits(362)						
19	Pumping Equipment-Electric(363A)						
20	Pumping Equipment-Diesel(363B)						
21	Pumping Equipment-Other(363C)		2587				2587
22	Total Pumping Plant		2587				2587
23	TREATMENT AND DISPOSAL PLANT						
24	Oxidation Lagoon(372)						
25	Treatment and Disposal Equipment(373)						
26	Plant Sewers(374)		46264				46264
27	Outfall Sewer Lines(375)						
28	Other Treat. & Dis. Plt. Equip.(376)						
29	Total Treatment and Disposal Plant		46264				46264
30	GENERAL PLANT						
31	Office Furniture and Equipment(391)						
32	Transportation Equipment(392)						
33	Stores Equipment(393A)						
34	Tools, Shop & Garage Equipment(393B)						
35	Laboratory Equipment(393C)						
36	Power Operated Equipment(393D)						
37	Communication Equipment(393E)						
38	Other Tangible Property(393F)						
39	Total General Plant						
40	TOTAL SEWER PLANT IN SERVICE		49313				49313

OATH

state of KENTUCKY)
) ss.:
County of JEFFERSON)

Before me, the undersigned officer duly authorized to administer oaths, there personally appeared _____, (Name of affiant)

who, being sworn by me, says on oath that he is in charge of the records of ORCHARD GRASS UTILITIES, INC. (Exact legal name of company)

and that the foregoing report is true to the best of his/her knowledge and belief, and that it covers the period from January 1, 20____, to December 31, 2002.

(Signature of affiant)

Subscribed and sworn before me this _____ day of _____, 20_____.

Notary Public, County of _____

My Commission expires _____, 20_____

(Seal)

SUMMARY OF UTILITY PLANT

Line No.	Acct No.	Item	Amount
		UTILITY PLANT	
1		In Service:	
2		Plant in Service Classified(from pg. 5, line 40)	49313
3	101	Plant in Service Classified	
4	102	Completed Construction Not Classified	
5	103	Utility Plant in Process of Reclassification	
6	106	Utility Plant Purchased or Sold	49313
7		Total-In Service	
8	104	Utility Plant Leased to Others	
9	105	Property Held for Future Use	
10	107	Construction Work in Progress	
11	108	Utility Plant Acquisition Adjustments	
12	109	Other Utility Plant Adjustments	49313
13		Total Utility Plant(to pg. 2, line 4)	
14		Less:	
15	110	Accumulated Provision for Depreciation and Amort. of Utility Plant(to pg. 2, line 6)	49313
16			-0-
17		NET UTILITY PLANT(to pg. 2, line 7)	

ACCUM. PROV. FOR DEPRECIATION AND AMORTIZATION OF UTILITY PLANT

Line No.	Item	Amount
1	Balance Beginning of Year	48654
2	Accruals for Year:	
3	Depreciation	659
4	Amortization	
5	Other Accounts(detail):	
6		
7		659
8	Total Accruals for Year	
9	Credit Adjustments(describe):	
10		
11		
12	Total Credits for Year	
13		
14	Net Charges for Plant Retired:	
15	Book Cost of Plt. Ret.(same as pg. 5, line 40)	
16	Add: Cost of Removal	
17	Less: Salvage	
18	Net Charges for Plant Retired	
19	Debit Adjustments(describe):	
20		
21		
22	Total Debit Adjustments for Year	49313
23	Balance End of Year	

Sewer

ANNUAL REPORT

OF

WILLOW CREEK SEWER SYSTEM

Exact Legal Name of Reporting Utility

1706 BARDSTOWN ROAD

LOUISVILLE, KY 40205

(Address of Utility)

TO THE
PUBLIC SERVICE COMMISSION

OF THE
COMMONWEALTH OF KENTUCKY

FOR THE CALENDAR YEAR ENDED DECEMBER 31, 20 22

BALANCE SHEET

Line No.	LIABILITIES AND OTHER CREDITS	Balance First Of Year	Balance Last Of Year
1			
2	EQUITY CAPITAL		
3			
4	Common Capital Stock(201)		
5	Preferred Capital Stock(204)		
6	Other Paid-In Capital(207)		
7	Discount on Capital Stock(213)		
8	Capital Stock Expense(214)		
9	Appropriated Retained Earnings(215)		
10	Unappropriated Retained Earnings(216)	<2831067	<3114207
11	Non-Corporate Proprietorship(218)		
12	Total Equity Capital	<2831067	<3114207
13			
14	LONG TERM DEBT		
15			
16	Bonds(221)		
17	Advances From Associated Companies(223)		
18	Other Long Term Debt(224)	48352	44195
19	Total Long Term Debt	48352	44195
20			
21	CURRENT AND ACCRUED LIABILITIES		
22			
23	Notes Payable(231)		
24	Accounts Payable(232)	171464	184378
25	Notes Payable to Associated Companies(233)		
26	Accounts Payable to Associated Companies(234)	68360	86860
27	Customer Deposits(235)		
28	Taxes Accrued(236)		
29	Interest Accrued(237)		
30	Other Current and Accrued Liabilities(238)		
31	Total Current and Accrued Liabilities	239824	271238
32			
33	DEFERRED CREDITS		
34			
35	Advances for Construction(252)		
36	Other Deferred Credits(253)		
37	Accum. Deferred Investment Tax Credits(255)		
38	Total Deferred Credits		
39			
40	Operating Reserves(261-265)		
41			
42	Contributions in Aid of Construction(271)	2000	2000
43			
44	ACCUMULATED DEFERRED INCOME TAXES		
45			
46	Accum. Def. Income Taxes-Accel. Amort.(281)		
47	Accum. Def. Income Taxes-Lib. Depr.(282)		
48	Accum. Def. Income Taxes-Other(283)		
49	Total Accum. Deferred Income Taxes		
50	TOTAL LIABILITIES AND OTHER CREDITS	7070	6013

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 2002

1. Amount of Principal Payment during calendar year \$ 4157
2. Is Principal current? (Yes) ✓ (No) _____
3. Is Interest current? (Yes) ✓ (No) _____
4. Has all long-term debt been approved by the Public Service Commission?
Yes _____ No _____ PSC Case Number _____

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are the financial statements examined by a Certified Public Accountant? (Yes) _____ (No) ✓

If yes, which service was performed?

Audit _____
Compilation _____
Review _____

Please enclose a copy of the accountant's report with the annual report.

BALANCE SHEET

Line No.	ASSETS AND OTHER DEBITS	Balance First Of Year	Balance Last Of Year
1			
2	UTILITY PLANT		
3			
4	Utility Plant(101-109)	49313	49313
5	Less: Accum. Prov. for Depr. and Amort.		
6	of Utility Plant(110)	48654	49313
7	Net Utility Plant	659	-0-
8			
9	OTHER PROPERTY AND INVESTMENTS		
10			
11	Non-Utility Property(121)		
12	Less: Accum. Prov. for Depr. and Amort.		
13	of Non-Utility Property(122)		
14	Net Non-Utility Property		
15	Other Investments(124)		
16	Special Funds(125)		
17			
18			
19	Total Other Property and Investments		
20			
21	CURRENT AND ACCRUED ASSETS		
22			
23	Cash and Working Funds(131)		2239
24	Temporary Cash Investments(132)		
25	Notes Receivable(141)		
26	Customer Accounts Receivable(142)	6411	3774
27	Other Accounts Receivable(143)		
28	Accum. Prov. for Uncollectible Accts.-Cr.(144)		
29	Notes Receivable from Assoc. Companies(145)		
30	Accounts Receivable from Assoc. Companies(146)		
31	Materials and Supplies(150)		
32	Prepayments(166)		
33	Other Current and Accrued Assets(170)		
34			
35			
36			
37	Total Current and Accrued Assets	6411	6013
38			
39	DEFERRED DEBITS		
40			
41	Unamortized Debt Discount and Expense(181)		
42	Extraordinary Property Losses(182)		
43	Other Deferred Debits(183)		
44			
45			
46			
47	Total Deferred Debits		
48			
49			
50	TOTAL ASSETS AND OTHER DEBITS	7070	6013

AUDIT OF THE ANNUAL REPORT
SEWER UTILITIES

To Be Completed and Returned With Annual Report

<u>Page No.</u>	<u>Line No.</u>	<u>Page No.</u>	<u>Line No.</u>	Yes	No	If No, Explain Why
2	4	4	12	✓		
		agrees with				
2	6	4	15	✓		(Utility Plant)
		agrees with				
2	7	4	17	✓		(Utility Plant)
		agrees with				
4	2	5	40	✓		(Utility Plant)
		agrees with				
4	23	4	15	✓		(Utility Plant)
		agrees with				
3	4 & 5	6		✓		Capital Stock
		agrees with				
3	10	7		✓		Balance End of Year Statement of Retained Earnings
		agrees with				
3	19	6		✓		Long-Term Debt, Total (d)
		agrees with				
3	23	6		✓		Notes Payable, Total (e)
		agrees with				
3	29	6		✓		Interest Accrued, Balance End of Year, Total
		agrees with				
3	30	7	21	✓		
		agrees with				
4	3	8	25	✓		(Depreciation)
		agrees with				
6		8	40	✓		Interest Accrued During Year-LTD
		agrees with				
6		8	43	✓		Interest Accrued During Year-Other
		agrees with				
8	24	9	52	✓		
		agrees with				
8	27	10	Acct. 408.1	✓		
		agrees with				
8	28	10	Total Income Taxes Utility Operating Income	✓		
		agrees with				

GENERAL INFORMATION

1. Exact name of utility making this report (Use the words "The", "Company", "Incorporated" only when a part of the corporate name) WILLOW CREEK SEWER SYSTEM
2. Give the location including street, zip code and telephone number of the principal office in Kentucky 1706 BARDSTOWN ROAD
LOUISVILLE, KY 40205
(502) 238-3275
3. Give name, title, address and telephone number of the officer to whom correspondence concerning this report should be addressed CARROLL F. COGAN, PRES
SAME
4. Name of State under the laws of which respondent is incorporated and the date of incorporation KY 1985
5. Date sewer utility began operations JUNE 18, 1980
6. Name of City, Town, Community, Sub-division and County in which respondent furnishes sewer service WILLOW CREEK SUBDIVISION
OLDHAM COUNTY
7. Number of employees: Full time 4, Part time 0

PRINCIPAL OFFICERS

Title	Name	Official Address	Annual Salary and/or Fee
PRES	CARROLL F COGAN	COMPANY ADDRESS	9600
VICE-PRES	MARTIN COGAN	SAME	
SEC-TREAS	DOBIS M COGAN	SAME	

AUDIT OF THE ANNUAL REPORT

SEWER UTILITIES

TO BE COMPLETED AND RETURNED WITH ANNUAL REPORT

<u>Page No.</u>	<u>Line No.</u>	<u>Page No.</u>	<u>Line No.</u>	<u>Yes</u>	<u>No</u>	<u>If No, Explain Why</u>
8	26	10	Amortization Expense	✓		
8	44	10	Account 408.2	✓		
8	45	10	Total Income Taxes Nonutility Operating Income	✓		
<u>Pages 11 and 12 have been completed</u>						
<u>The Oath Page has been completed</u>						

Additional Information Required by Commission Orders

Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments.

Case #	Date of Order	Item/Explanation

Attach additional sheets if more room is needed