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Commonwealth of Kentucky  
**Public Service Commission**  
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Mark David Goss  
Chairman

John W. Clay  
Vice Chairman

Caroline Pitt Clark  
Commissioner

October 11, 2007

Rebecca James  
South 641 Water District  
P.O. Box 126  
Hazel, KY. 42049

RE: Case No. 2007-00441  
Filing Deficiencies

The Commission staff has reviewed your application in the above case. This filing is rejected for the reasons set forth below.

1. Filing deficiencies pursuant to 807 KAR 5:076

807 KAR 5:076: Section 4 If copy of public notice is included, did it meet requirements? \* (for sewers, direct mailing is required. See KRS 278.185)

The monthly rates requested and those appearing in the public notice are not the same. New rates start at 1000 gallons whereas notice states 2000 gallons.

The statutory time period in which the Commission must process this case will not commence until the above-mentioned information is filed with the Commission. If your filing contains a proposed effective date, the rejection of your filing for reasons of deficiencies voids that proposed effective date. When you file the required information to correct the deficiencies, you may refile your proposed tariff with a new proposed effective date that is at least 30 days from the date you filed the required information. You are requested to file 5 copies of this information within 15 days of the date of this letter. If you need further assistance, please contact James Goff at 502/564-30940 ext. 261.

Sincerely,

Michael F. Burford  
Director Division of Filings

MFB/mb

APPLICATION FOR RATE ADJUSTMENT  
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities  
Pursuant to 807 KAR 5:076  
(Alternative Rate Filing)

South 641 Water District  
Name of Utility

P.O. Box 126

Hazel, Kentucky 42049  
Business Mailing Address

Telephone Number (270) 492-8857  
Area Code Number

I. Basic Information

NAME, TITLE, ADDRESS and Telephone number of the person to whom correspondence or communications concerning this application should be directed:

Name: Rebecca James, General Manager

Address: P.O. Box 126

Hazel, KY 42049

Telephone Number: (270) 492-8857

- |    |   |            |    |
|----|---|------------|----|
| 1) | Do you have 500 customers or fewer?   | <b>Yes</b> | No |
| 2) | Do you have \$300,000 in Gross Annual Revenue or less?  | <b>Yes</b> | No |
| 3) | Has the Utility filed an annual report with this Commission for the past year and the two previous years? | <b>Yes</b> | No |
| 4) | Are the utility's records kept separate from any other commonly-owned enterprise?                         | <b>Yes</b> | No |

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

II. Increased Cost Information

- (1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for the 12 months ending December 31, 2006.
- a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

**See Attachment A.**

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

**Please see the notes to Attachment A for these descriptions.**

- i. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

**See attachments**

III. Other Information

- a. Please complete the following questions:
- 1) Please describe any events or occurrences, which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).
- 2) Total number of Customers  
as of the date of filing: 350
- 3) Total amount of increased  
revenue requested: \$37,140

- 4) Please circle Yes or No:
- a) Does the utility have any outstanding indebtedness? Yes      No
- If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.
- b) Were all revenues and expenses listed in the Annual Report for 2006 incurred and collected from January 1 to December 31 of that year? Yes      No
- If no, list total revenues and total expenses incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.
- 5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 2006 and the amount shown on this schedule. – **Depreciation schedule attached.**
- 6) If utility is a sewer utility:
- a) Attach a copy of the latest State and Federal Income Tax Returns. **Not applicable**
- b) How much of the utility plant was recovered through the sale of lots or other contributions? (If unknown, state the reason).
- Not applicable**
- b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

**South 641 Water District has not had a general rate increase in several years, and its costs have increased. In addition, the District needs to spend the money necessary to comply with increased regulatory requirements.**

#### IV. Billing Analysis

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing. The following is a step-by-step description which may be used to complete the billing

analysis. A completed sample of a billing analysis is also included. Although the sample reflects water usage, it is equally applicable for gas companies using declining block rate design. This billing analysis is not intended for companies using a flat rate design.

a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step.

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Column Nos. 4, 5, 6, 7, 8, and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contain the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns numbered 2 and 3 are completed by using information obtained from usage records.

Columns numbered 4, 5, 6, 7, 8, and 9 are completed by the following steps:

Step 1: 1<sup>st</sup> 2,000 gallons minimum bill rate level  
432 Bills  
518,400 gallons used  
All bills use 2,000 gallons or less, therefore, all usage is recorded in Column 4.

Step2: Next 3,000 gallons rate level  
1,735 Bills  
4,858,000 gallons used  
1<sup>st</sup> 2,000 minimum x 1,735 bills = 3,470,000 gallons – record in Column 4.  
Next 3,000 gallons – remainder of water over 2,000 = 1,388,000 gallons – record in Column 5.

Step3: Next 10,000 gallons rate level  
1,830 Bills  
16,268,700 gallons used  
1<sup>st</sup> 2,000 minimum x 1,830 bills = 3,660,000 gallons – record in Column 4.

Next 3,000 gallons x 1,830 bills = 5,490,000 gallons – record in Column 5.

Next 10,000 gallons – remainder of water over 3,000 = 7,118,700 gallons – record in Column 6.

Step4: Next 25,000 gallons rate level  
650 Bills  
15,275,000 gallons used  
1<sup>st</sup> 2,000 minimum x 650 bills = 1,300,000 gallons – record in Column 4.  
Next 3,000 gallons x 650 bills = 1,950,000 gallons – record in Column 5.  
Next 10,000 gallons x 650 bills = 6,500,000 gallons – record in Column 6.  
Next 25,000 gallons – remainder of water over 10,000 = 5,525,000 gallons – record in Column 7.

Step5: Over 40,000 gallons rate level  
153 Bills  
9,975,600 gallons used  
1<sup>st</sup> 2,000 minimum x 153 bills = 306,000 gallons – record in Column 4.  
Next 3,000 gallons x 153 bills = 459,000 gallons – record in Column 5.  
Next 10,000 gallons x 153 bills = 1,530,000 gallons – record in Column 6.  
Next 25,000 gallons x 153 bills = 3,825,000 gallons – record in Column 7.  
Over 40,000 gallons – remainder of water over 25,000 = 3,855,600 gallons – record in Column 8.

Step6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

The Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains the revenue produced.

Revenue from Present/Proposed Rates  
Test Period from 01-01-XX to 12-31-XX

**USAGE TABLE**

Usage by Rate Increment

**Class:** Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) First 2,000	(5) Next 3,000	(6) Next 10,000	(7) Next 25,000	(8) Over 40,000	(9) Total
First 2,000 Minimum Bill	432	518,400	518,400					518,400
Next 3,000 Gallons	1,735	4,858,000	3,470,000	1,388,000				4,858,000
Next 10,000 Gallons	1,830	16,268,700	3,660,000	5,490,000	7,118,700			16,268,700
Next 25,000 Gallons	650	15,275,000	1,300,000	1,950,000	6,500,000	5,525,000		15,275,000
Over 40,000 Gallons	153	9,975,600	306,000	459,000	1,530,000	3,825,000	3,855,600	9,975,600
<b>Totals</b>	<b>4,800</b>	<b>46,895,700</b>	<b>9,254,400</b>	<b>9,287,000</b>	<b>15,148,700</b>	<b>9,350,000</b>	<b>3,855,600</b>	<b>46,895,700</b>

**REVENUE TABLE**

Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 2,000 Minimum Bill	4,800	9,254,400	\$ 5.00 Minimum Bill	\$ 24,000.00
Next 3,000 Gallons		9,287,000	\$ 2.50 per 1,000 Gal.	23,217.50
Next 10,000 Gallons		15,148,700	\$ 2.00 per 1,000 Gal.	30,297.40
Next 25,000 Gallons		9,350,000	\$ 1.25 per 1,000 Gal.	11,687.50
Over 40,000 Gallons		3,855,600	\$ 0.75 per 1,000 Gal.	2,891.70
<b>Totals</b>	<b>4,800</b>	<b>46,895,700</b>		<b>\$ 92,094.10 Total Revenue</b>

Instructions for Completing Revenue Table:

- (1) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (2) Complete Column No. 4 using rates either present or proposed.
- (3) Column No. 5 is completed by first multiplying the bills times the minimum charge.
- (4) Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its articles of incorporation must be attached to this application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding.

b. An original and 10 copies of the completed application should be sent to:

Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Post Office Box 615  
Frankfort, Kentucky 40602

Telephone: 502 / 564 – 3940

c. One Copy of the completed application should also be sent at the same time to:

Public Service Litigation Branch  
Office of the Attorney General  
Post Office Box 2000  
Frankfort, Kentucky 40602-2000

2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation.

3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502 / 564 – 3940.

4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed



\_\_\_\_\_  
Officer of the Company

Title

\_\_\_\_\_  
Chairman Commissioner

Date

\_\_\_\_\_  
October 2, 2007



South 641 Combined Attachment A*	2006 Water	2006 Sewer	Comb.	Adjstmnts	Ref	Adjusted Combined	60% Water Expense Allocation	40% Sewer Alloc.
Water Revenue	\$109,774		\$109,774	(\$3,172)		\$106,602	\$106,602	
Sewer Rev.		\$29,304	\$29,304	\$1,054		\$30,358		\$30,358
<b>Total Revenue</b>	<b>\$109,774</b>	<b>\$29,304</b>	<b>\$139,078</b>	<b>(\$2,118)</b>	<b>A</b>	<b>\$136,960</b>		
Empl. Salaries	\$24,227	\$19,822	\$44,049	(\$5,175)	B	\$38,874	\$23,324	\$15,550
Empl. Benefits	\$201	\$164	\$365	\$67	C	\$432	\$259	\$173
Purch. Water	\$34,368	0	\$34,368	0		\$34,368	\$34,368	0
Purch. Power	\$3,008	\$2,461	\$5,469	0	D	\$5,469	\$2,453	\$3,016
Mats/Supplies	\$1,122	\$918	\$2,040	0		\$2,040	\$1,224	\$816
Repairs/Maint.	\$5,929	\$4,851	\$10,780	\$3,600 \$480	E	\$14,860	\$8,800	\$6,060
Office Supplies	\$2,863	\$2,343	\$5,206	0		\$5,206	\$3,124	\$2,082
Contract Serv.	\$3,337	\$2,730	\$6,067	(\$764)	F	\$5,303	\$3,182	\$2,121
Transport. Exp.	\$2,492	\$2,039	\$4,531	0		\$4,531	\$2,719	\$1,812
Insurance	\$1,834	\$1,501	\$3,335	0		\$3,335	\$2,001	\$1,334
Misc. Exp	\$10,312 (\$5,929) (\$2,863) \$1,520	\$1,243	\$2,763	0	G	\$2,763	\$1,658	\$1,105
<i>Operating Exp.</i>	<i>\$80,901</i>	<i>\$38,072</i>	<i>\$118,973</i>	<i>(\$1,792)</i>		<i>\$117,181</i>	<i>\$83,112</i>	<i>\$34,069</i>
Depreciation Exp.	\$32,283	\$5,599	\$37,882	<b>Water</b> \$533 <b>Sewer</b> \$3,800 \$2,757	H	\$44,972	\$36,616	\$8,356
Taxes OTI	\$1,844	\$1,546	\$3,390	(\$416)	I	\$2,974	\$1,784	\$1,190
<b>Total Op. Exp.</b>	<b>\$115,028</b>	<b>\$45,217</b>	<b>\$160,245</b>	<b>\$4,882</b>		<b>\$165,127</b>	<b>\$121,512</b>	<b>\$43,615</b>
Net Op. Income	(\$5,254)	(\$15,913)	(\$21,167)	(\$7,000)		(\$28,167)	(\$14,900)	(\$13,257)
Interest Income	\$1,075	\$583	\$1,658	(\$1,658)	J	0	0	0
Nonutil. Income	\$1,317	\$350	\$1,667	(\$1,667)	K	0	0	0
Interest Exp.	(\$9,425)	(\$5,075)	(\$14,500)	0		(\$14,500)	(\$9,425)	(\$5,075)
Net Income	(\$12,287)	(\$20,055)	(\$32,342)	(\$10,325)		(\$42,667)	(\$24,335)	(\$18,332)

<b>Revenue Increase</b>	<b>Combined</b>	<b>Water</b>	<b>Sewer</b>
Operating Expenses	\$165,127	\$121,512	\$43,615
Debt Service Coverage	34,200	\$22,230	\$11,970
Rev. Requirement	\$199,327	\$143,742	\$55,585
Less Normalized Revenues	(136,960)	(106,602)	(30,358)
<b>Justified Increase</b>	<b>\$62,367</b>	<b>\$37,140</b>	<b>\$25,227</b>
<b>Percentage Increase</b>	<b>45.6%</b>	<b>34.8%</b>	<b>83.1%</b>

<b>Debt Service</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Total</b>	<b>3-yr. avg.</b>	<b>X 1.2 DSC</b>
Water Principal	\$8,450	\$9,100	\$9,750	\$27,300	\$9,100	
Water Interest 06	\$9,425				\$9,425	
Total Water DS	\$17,875				\$18,525	\$22,230
Sewer Principal	\$4,550	\$4,900	\$5,250	\$14,700	\$4,900	
Sewer Interest 06	\$5,075				\$5,075	
Total Sewer DS	\$9,625				\$9,975	\$11,970

**Reference Notes:**

*\*Please note that joint expenses have traditionally been allocated on a basis of 55% to water and 45% to sewer. In this case, joint expenses have been allocated 60% to water and 40% to sewer to approximate the current ratio of water to sewer customers.*

**A. Normalized Water and Sewer Revenues** as determined by Commission Staff's billing analysis.

**B. Normalized Salaries Expense** based on salaries in effect during 2007 for three employees, as follows:

<b>Employee</b>	<b>2006 Salary</b>	<b>Adjustment</b>	<b>Proforma</b>	<b>Notes</b>
Office Manager	\$16,480	(\$16,480)	0	No longer there.
Operator	\$22,294	\$3,380	\$25,674	\$65/ wk. increase
Office Worker	\$5,275	0	\$6,000	\$10 x 50 hrs x 12 mo.
General Manager	0	\$7,200	\$7,200	\$12 x 50 hrs. x 12 mo.
<b>Total</b>	<b>\$44,049</b>	<b>(\$5,175)</b>	<b>\$38,874</b>	

**C. Employee Benefits Expense** pro forma based on Delta Dental insurance for two employees of \$36 per month, or \$432 per year.

**D. Purchased Power Expense** has been traditionally allocated by the District between water and sewer operations. Upon closer examination, it appears that \$1,068 of the 2006 purchased power cost could be directly assigned to water operations and \$2,092 could be directly assigned to sewer operations. The remaining \$2,309 of joint costs were allocated 60% to water and 40% to sewer, resulting in additional allocated amounts of \$1,385 for water and \$923 for sewer, and total purchased power amounts of \$2,453 for water and \$3,016 for sewer.

**E. Repairs and Maintenance Expense** totaled \$10,780 combined in 2006, and was allocated 55% to water and 45% to sewer according to the 2006 PSC Annual Reports. Upon closer examination, amounts totaling \$4,738 for water and \$5,751 for sewer could be directly assigned. An additional \$292 of joint costs were allocated 60% to water and 40% to sewer, resulting in test period repair expenses of \$4,913 for water and \$5,868 for sewer.

In addition, an adjustment was made to recognize new water testing expenses of \$3,600 which South 641 will incur on a pro forma basis. Finally, another adjustment was made to recognize additional fuel expenses of \$480 which South 641 will incur from a testing contractor, and those expenses were allocated 60% to water and 40% to sewer, resulting in total pro forma Repairs and Maintenance Expense of \$8,800 for water and \$6,060 for sewer.

**F. Contract Services Expense** was adjusted to remove \$764 of nonrecurring contract service payments.

**G. Water Miscellaneous Expense** of \$10,312 per the 2006 PSC Annual Report was adjusted to reclassify water Repairs Expenses and Office Supplies into those accounts, reducing Water Miscellaneous Expense to \$1,520 before allocations.

**H. Depreciation Expense** was adjusted to include the Depreciation Expense on certain projects needed to provide adequate service, as follows:

Project	Estimated cost- (Materials only)	Useful Life (yrs.)	Annual amount (Mats. Only)
<b>Water</b>			
Telemetry System Replacement	\$20,000	10	\$2,000
4 New Shut-off valves this year	\$18,000	10	\$1,800
<b>Total Water Depreciation Adj.</b>	<b>\$38,000</b>		<b>\$3,800</b>
<b>Sewer</b>			
New Flow Meter	\$8,000	10	\$800
Chlorination system	\$11,000	10	\$1,100
Waste Water Pump	\$6,000	7	\$857
<b>Total Sewer Depreciation Adj.</b>	<b>\$25,000</b>		<b>\$2,757</b>

In addition, water depreciation expense was adjusted to include additional depreciation expense for meters that South 641 had been depreciating over 5 years. The Commission's Engineering Branch normally uses a 10-year life for water meter replacements, resulting in an adjustment of \$533, as follows:

Date	Amount	Over 10 yrs.	2006 @ 5 yrs.
8/15/98	\$449.00	\$44.90	0
8/1/98	\$3,801.00	\$380.10	0
7/1/99	\$8,398.00	\$839.80	0
7/1/00	\$4,885.50	\$488.55	0
7/1/01	\$2,642.00	\$264.20	\$264.20
7/1/02	\$3,171.50	\$317.15	\$634.30
7/1/03	\$2,704.50	\$270.45	\$540.90
7/1/04	\$3,494.32	\$349.43	\$698.86
7/1/05	\$2,827.50	\$282.75	\$565.50
7/1/06	\$6,610.00	\$661.00	\$661.00
		<b>\$3,898.33</b>	<b>\$3,364.76</b>
		<b>Proper Amt.</b>	<b>Booked Amt.</b>
		<b>Increase</b>	<b>\$533.57</b>

**I. Taxes Other Than Income Expense** was adjusted to reflect pro forma FICA taxes of \$2,974 based on pro forma Salaries Expense of \$38,874 x 7.65%.

**J. Interest Income** was removed because South 641 has drawn down its reserves - most of which are restricted - to pay expenses.

**K. Nonutility Income** was adjusted to remove \$1,667 of nonrecurring revenue.

South 641 Water  
 Depreciation-Water  
 December 31, 2006

Kind of Property	Date	Cost	method	Life	Accumulated Depreciation Prior Years	Current Year	Balance to Depreciate
<b>#301</b>							
Organization costs		184,700.00	SL	40yr	110,826.00	4,618.00	69,256.00
Totals		184,700.00			110,826.00	4,618.00	69,256.00
<b>#304</b>							
Structures & improvements		345.00	SL	20yr	218.00	17.00	110.00
Tank improvements	7/1/97	54,835.00	SL	20yr	23,307.00	2,742.00	28,786.00
Tank improvements	7/1/01	98,350.00	SL	20yr	22,130.75	4,918.00	71,301.25
Tank improvements	2/1/02	1,300.00	SL	20yr	260.00	65.00	975.00
Tank improvements	10/28/05	23,760.00	SL	20yr	594.00	1,188.00	21,978.00
Totals		178,590.00			46,509.75	8,930.00	123,150.25
<b>#309</b>							
Casing, Truss blocking		26,900.00	SL	40yr	16,146.00	673.00	10,081.00
Misc. fittings		7,000.00	SL	30yr	5,596.00	233.00	1,171.00
Air release valves		2,500.00	SL	15yr	2,500.00		
Totals		36,400.00			24,242.00	906.00	11,252.00
<b>#311</b>							
Pumping equipment		30,000.00	SL	20yr	30,000.00		
Pumping equipment	6/2/00	2,290.90	SL	20yr	630.00	114.55	1,546.35
Totals		32,290.90			30,630.00	114.55	1,546.35
<b>#330</b>							
75,000 gal tank		120,000.00	SL	40yr	72,000.00	3,000.00	45,000.00
AH control valve		12,000.00	SL	20yr	12,000.00		
Total #330		132,000.00			84,000.00	3,000.00	45,000.00
<b>#331</b>							
Distribution mains		103,000.00	SL	7yr	103,000.00		
Transmission & distribution		287,450.00	SL	40yr	172,467.00	7,186.00	107,797.00
Totals		390,450.00			275,467.00	7,186.00	107,797.00

South 641 Water  
 Depreciation-Water  
 December 31, 2006

	Date	Cost	method	Life	Accumulated Depreciation Prior Years	Current Year	Balance to Depreciate
#334							
Meters		21,500.00	SL	15yr	21,500.00		
Meters		31,500.00	SL	25yr	30,240.00	1,260.00	
Meter installation		1,291.00	SL	15yr	1,223.00	68.00	
Meter installation		445.00	SL	15yr	421.00	24.00	
Meter tap-ons		700.00	SL	15yr	700.00		
Meter tap-ons		850.00	SL	15yr	850.00		
Meter tap-ons		1,800.00	SL	15yr	1,800.00		
Meter tap-ons		5,150.00	SL	15yrs	5,150.00		
Meter tap-ons		2,600.00	SL	15yr	2,600.00		
Meter tap-ons		1,750.00	SL	15yr	1,750.00		
Meter tap-ons		2,450.00	SL	15yr	2,450.00		
Meter tap-ons		2,050.00	SL	15yr	2,050.00		
Meter tap-ons		2,811.00	SL	15yr	2,526.00	187.00	98.00
Meter tap-ons		3,500.00	SL	15yr	2,913.00	233.00	354.00
Meter tap-ons		372.00	SL	15yr	308.00	25.00	39.00
Meter tap-ons		198.00	SL	15yr	167.00	13.00	18.00
Meter tap-ons	8/15/96	449.00	SL	5yr	449.00		
Meter tap-ons	8/1/98	3,801.00	SL	5yr	3,801.00		
Meter tap-ons	7/1/99	8,398.00	SL	5yr	8,398.00		
Meter tap-ons	7/1/00	4,885.50	SL	5yr	4,885.50		
Meters & Tap-ons	7/1/01	2,642.00	SL	5yr	2,377.80	264.20	
Meter & Tap-ons	7/1/02	3,171.50	SL	5yr	2,220.05	634.30	317.15
Meter & Tap-ons	7/1/03	2,704.50	SL	5yr	1,352.25	540.90	811.35
Meter & Tap-ons	7/1/04	3,494.32	SL	5yr	1,048.29	698.86	1,747.17
Meter & Tap-ons	7/1/05	2,827.50	SL	5yr	282.75	565.50	1,979.25
Meter & Tap-ons	7/1/06	6,610.00	SL	5yr		661.00	5,949.00
Totals		117,950.32			101,462.64	5,174.76	11,312.92

#335

Hydrants

		27,750.00	SL	30yr	22,200.00	925.00	4,625.00
Totals		27,750.00			22,200.00	925.00	4,625.00

#339 Other Plant

Regional Plan

	10/17/03	9,900.00	SL	20yr	1,093.13	495.00	8,311.87
Totals		9,900.00			1,093.13	495.00	8,311.87

South 641 Water  
 Depreciation-Water  
 December 31, 2006

#340	Date	Cost	method	Life	Accumulated Depreciation Prior Years	Current Year	Balance to Depreciate
Computer program		216.00	SL	5yr	216.00		
Filing cabinet		78.00	SL	10yr	78.00		
Copy Machine		544.00	SL	5yr	544.00		
Computer		2,444.00	SL	5yr	2,444.00		
Air conditioner	7/14/95	297.00	SL	5yr	297.00		
Software	7/18/95	238.00	SL	5yr	238.00		
Software	8/1/99	1,232.00	SL	5yr	1,232.00		
Fax machine	4/15/00	82.48	SL	5yr	82.48		
Office Equipment	1/3/03	307.45	SL	5yr	153.75	61.50	92.20
Software	5/6/05	4,294.00	SL	5yr	429.40	858.80	3,005.80
Totals		9,732.93			5,714.63	920.30	3,098.00

#343	Meter tester	Cost	method	Life	Accumulated Depreciation Prior Years	Current Year	Balance to Depreciate
	Meter tester	190.00	SL	15yr	156.00	13.00	21.00
	Totals	190.00			156.00	13.00	21.00
	Land	20,000.00					
	Total Water	1,139,954.15			702,301.15	32,282.61	385,370.39

Total Accum. Depr. 734,583.76

405,570.39

SOUTH 641  
WATER DISTRICT

COST OF SERVICE  
STUDY

July 11th, 2007

**SOUTH 641 WATER DISTRICT**  
**ALLOCATION OF PLANT VALUE**

	<b>TOTAL</b>	<b>COMMODITY</b>	<b>DEMAND</b>	<b>CUSTOMER</b>
Structures & Improvements	\$178,590		\$178,590	
Land & Land Rights	20,000		20,000	
Pumping Equipment	32,291		32,291	
Distribution Reservoirs & Standpipes	132,000		132,000	
Transmission & Distribution Mains	390,450		390,450	
Hydrants	27,750			\$27,750
Meters	117,950			117,950
Supply Mains	36,400		36,400	
<b>SUBTOTAL</b>	<b>\$935,431</b>	<b>\$0.00</b>	<b>\$789,731</b>	<b>\$145,700</b>
<b>PERCENT</b>	<b>100.00%</b>	<b>0</b>	<b>84.42%</b>	<b>15.58%</b>
General Plant (1)				
Tools, Shop & Garage Equipment	190		160	30
Organization	184,700		155,932	28,768
Office Equipment	9,733		8,217	1,516
Other Plant & Miscellaneous	9,900		8,358	1,542
<b>TOTAL VALUE</b>	<b>\$1,139,954</b>	<b>\$0.00</b>	<b>\$962,398</b>	<b>\$177,556</b>
(1) General Plant allocated based on overall weighted allocation of all other plant.				
Note: Figures used were derived from 2006 annual report				



## SOUTH 641 WATER DISTRICT

### ALLOCATION OF DEPRECIATION EXPENSE

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Structures & Improvements	\$8,930		\$8,930	
Hydrants	925			\$925
Meters	5,175			5,175
Pumping Equipment	115		115	
Supply Mains	906		906	
Distribution Reservoirs & Standpipes	3,000		3,000	
Transmission & Distribution Mains	7,186		7,186	
<b>SUBTOTAL</b>	<b>\$26,237</b>	<b>\$0.00</b>	<b>\$20,137</b>	<b>\$6,100</b>
<b>PERCENT</b>	<b>100.00%</b>	<b>0.00%</b>	<b>76.75%</b>	<b>23.25%</b>
Tools, Shop & Garage Equipment	13		10	3
Organization	4,618		3,544	1,074
Transportation Equipment	495		380	115
Office Equipment	920		706	214
<b>TOTAL DEPRECIATION</b>	<b>\$32,283</b>	<b>\$0.00</b>	<b>\$24,777</b>	<b>\$7,506</b>
Note: Figures used were derived from 2006 annual report				

## SOUTH 641 WATER DISTRICT

### ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Employee Salaries	\$23,324		\$12,323	\$11,001
Employee Benefits	259		137	122
Purchased Water	34,365	\$34,365		
Purchased Power	2,453	2,453		
Materials & Supplies	1,224		1,224	
Repairs & Maintenance	8,800		8,800	
<b>SUBTOTAL</b>	<b>\$70,425</b>	<b>\$36,818</b>	<b>\$22,484</b>	<b>\$11,123</b>
<b>LESS COMMODITY</b>	<b>-\$36,818</b>			
<b>SUBTOTAL</b>	<b>\$33,607</b>		<b>\$22,484</b>	<b>\$11,123</b>
<b>PERCENT</b>	<b>100.00%</b>		<b>66.90%</b>	<b>33.10%</b>
Office Supplies	3,124		2,090	1,034
Contractual Services - CPA & Attorney	3,182		2,129	1,053
Insurance	2,001		1,339	662
Taxes other than Income	1,784		1,194	590
Transportation Expense	2,719		1,819	900
Miscellaneous Expense	1,658		1,109	549
<b>TOTAL</b>	<b>\$84,893</b>	<b>\$36,818</b>	<b>\$32,164</b>	<b>\$15,911</b>

**SOUTH 641 WATER DISTRICT**  
**SUMMARY OF ALLOCATIONS**

	<b>TOTAL</b>	<b>COMMODITY</b>	<b>DEMAND</b>	<b>CUSTOMER</b>
Plant Percentages	100.00%		84.42%	15.58%
Available For Debt Service	\$22,230		\$18,768	\$3,462
Depreciation Percentages	100.00%		76.75%	23.25%
Total Depreciation	36,616		28,103	8,513
Total Operation & Maintenance	84,893	\$36,818	32,164.26	15,911
<b>COST TO PROVIDE WATER SERVICE</b>	<b>\$143,739</b>	<b>\$36,818</b>	<b>\$79,035</b>	<b>\$27,887</b>
<b>REVENUE REQUIRED FROM RATES</b>	<b>\$143,739</b>			

**SOUTH 641 WATER DISTRICT  
CALCULATION OF WATER RATES**

	TOTAL	FIRST 2,000	NEXT 3,000	NEXT 5,000	OVER 10,000
FROM BILLING ANALYSIS:					
COMMODITY PERCENTS	100.00%	40.47%	31.21%	14.33%	13.99%
ACTUAL COMMODITY SALES	17,417,661	7,048,528	5,436,550	2,495,403	2,437,180
PEAK DEMAND WEIGHTED FACTOR		2	1.66	1.33	1
PEAK DEMAND WEIGHTED SALES	28,877,795	14,097,056	9,024,673	3,318,886	2,437,180
DEMAND PERCENTS	100.00%	48.82%	31.25%	11.49%	8.44%
COMMODITY COSTS	\$36,818.00	\$14,899.40	\$11,491.95	\$5,274.86	\$5,151.79
DEMAND COSTS	\$79,034.70	\$38,581.78	\$24,699.34	\$9,083.35	\$6,670.24
CUSTOMER COSTS	\$27,886.58	\$27,886.58			
<b>TOTAL COSTS</b>	<b>\$143,739.28</b>	<b>\$81,367.75</b>	<b>\$36,191.29</b>	<b>\$14,358.21</b>	<b>\$11,822.03</b>
DIVIDE BY BILLS/GALLONS		4,231	5,436,550	2,495,403	2,437,180
<b>CALCULATED RATES</b>		<b>\$19.23</b>	<b>\$6.66</b>	<b>\$5.75</b>	<b>\$4.85</b>
		FIRST 2,000	NEXT 3,000	NEXT 5,000	OVER 10,000

FOR \_\_\_\_\_  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

SOUTH 641 WATER DISTRICT  
(Name of Utility)

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

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CONTENTS

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**Monthly Water Rates**

First	2,000 gallons	\$17.78 minimum bill
Next	3,000 gallons	6.66 per 1,000 gallons
Next	5,000 gallons	5.75 per 1,000 gallons
All over	10,000 gallons	4.86 per 1,000 gallons

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DATE OF ISSUE \_\_\_\_\_  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_

Month / Date / Year

ISSUED BY \_\_\_\_\_  
(Signature of Officer)

TITLE \_\_\_\_\_

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

FOR ENTIRE AREA SERVED

P.S.C. KY. NO. 10

4<sup>TH</sup> revised SHEET NO. 5

CANCELLING P.S.C. KY NO. 5

3<sup>rd</sup> revised SHEET NO. 5

SOUTH 641 WATER DISTRICT  
(Name of Utility)

RULES AND REGULATIONS

Monthly Water Rates

~~First 2,000 gallons — \$12.78 minimum bill~~  
~~Next 3,000 gallons — 5.54 per 1,000 gallons~~  
~~Next 5,000 gallons — 4.84 per 1,000 gallons~~  
~~All over 10,000 gallons 4.24 per 1,000 gallons~~

Monthly Water Rates

First 2,000 gallons \$17.78 minimum bill  
Next 3,000 gallons 6.66 per 1,000 gallons  
Next 5,000 gallons 5.75 per 1,000 gallons  
All over 10,000 gallons 4.86 per 1,000 gallons

DATE OF ISSUE \_\_\_\_\_  
*Month / Date / Year*

DATE EFFECTIVE \_\_\_\_\_  
*Month / Date / Year*

ISSUED BY \_\_\_\_\_  
*(Signature of Officer)*

TITLE \_\_\_\_\_

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_



**SOUTH 641 WATER DISTRICT  
WATER RATES**

**CURRENT RATES**

**PROPOSED RATES**

FIRST	2,000	12.78	Minimum Bill	FIRST	2,000	17.78	Minimum Bill
NEXT	3,000	5.54	per 1,000 gallons	NEXT	3,000	6.66	per 1,000 gallons
NEXT	5,000	4.84	per 1,000 gallons	NEXT	5,000	5.75	per 1,000 gallons
OVER	10,000	4.24	per 1,000 gallons	OVER	10,000	4.86	per 1,000 gallons

**COMPARISON OF RATES AT  
DIFFERENT USAGE LEVELS**

MONTHLY USAGE	MONTHLY BILL AT CURRENT RATE	MONTHLY BILL AT PROPOSED RATE	PERCENT INCREASE OVER CURRENT
2,000	12.78	17.78	39.1%
<b>5,000</b>	<b>29.40</b>	<b>37.76</b>	<b>28.4%</b>
10,000	53.60	66.51	24.1%
20,000	96.00	115.11	19.9%
30,000	138.40	163.71	18.3%
50,000	223.20	260.91	16.9%
75,000	329.20	382.41	16.2%
100,000	435.20	503.91	15.8%
150,000	647.20	746.91	15.4%
200,000	859.20	989.91	15.2%
300,000	1283.20	1475.91	15.0%

Note: Average customer (5,000 gallons) bill will increase from \$29.40 to \$37.76 (28.4%)



## NOTICE

South 641 Water District has filed an application with the Public Service Commission to increase its rates for water service. The proposed effective date of the change is \_\_\_\_\_, 2007.

Monthly Rate:

<u>Current</u>		<u>Proposed</u>	<u>Rate</u>
First 2,000 gallons	\$12.78	First 2,000 gallons	\$17.78
Next 3,000 gallons	5.54	Next 3,000 gallons	6.66
Next 5,000 gallons	4.84	Next 5,000 gallons	5.75
Over 10,000 gallons	4.24	Over 10,000 gallons	4.86

	MONTHLY		MONTHLY	PERCENT
	BILL AT		BILL AT	INCREASE
MONTHLY	CURRENT	PROPOSED	OVER	
<u>USAGE</u>	<u>RATE</u>	<u>RATE</u>	<u>CURRENT</u>	
2,000	12.78	17.78	39.1%	
5,000	29.40	37.76	28.4%	
10,000	53.60	66.51	24.1%	
20,000	96.00	115.11	19.9%	
30,000	138.40	163.71	18.3%	
50,000	223.20	260.91	16.9%	
75,000	329.20	382.41	16.2%	
100,000	435.20	503.91	15.8%	
200,000	859.20	989.91	15.2%	
300,000	1283.20	1475.91	15.0%	

The rates contained in this notice are the rates proposed by the South 641 Water District. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the District office at Highway 641 South in Hazel, KY 42049. Upon request from an intervenor, the District shall furnish to the intervenor a copy of the application and supporting documents.

South 641 Water District

UNITED STATES DEPARTMENT OF AGRICULTURE  
 RURAL DEVELOPMENT  
 ANNUAL STATEMENT OF LOAN ACCOUNT

SAVE THIS INFORMATION  
 FOR INCOME TAX PURPOSES

CASE NUMBER 20-018-0610979997		FINAL YEAR OF LOAN 2021		AMOUNT OF LOAN 472,000.00			
FUND CODE 93		LOAN NUMBER 01		DATE OF LOAN 05/21/81			
INTEREST RATE 05.0000		AMOUNT OF LOAN 472,000.00					
DESCRIPTION	ADVANCES	INTEREST	PRINCIPAL	TOTAL	T	INTEREST RATE	EFFECTIVE DATE
BEGIN LOAN BALNCE		7,630.48	309,000.00	310,630.48			010106
PAYMENT		7,575.00	13,000.00	20,575.00	R	05.0000	010106
PAYMENT		7,250.00	0.00	7,250.00	R	05.0000	070106
TOTAL LOAN PMTS		14,825.00	13,000.00	27,825.00			
TOTAL PAID ON ALL LOANS THIS YEAR		14,825.00	13,000.00	27,825.00			
LOAN ACTIVITY	0.00	14,825.00	13,000.00	27,825.00			
LOAN BALANCE	UNPD INTEREST	7,307.26 **	UNPD PRIN	290,000.00 **			
NXT AMT DUE	20,250.00		DATE DUE	010107			
PAYMENT STATUS	ON SCHEDULE						
TAXES PAID							
ALL LOAN ACTIVITY	0.00	14,825.00	13,000.00	27,825.00			
BORR BAL	UNPD INTEREST	7,307.26	UNPD PRIN	290,000.00			
**These unpaid balances may not reflect the total amount due to the Agency at payoff.							
RECIPIENT'S/LENDER'S name, address, and telephone number				CAUTION: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.		OMB NO. 1545-0901	
USDA, RURAL DEVELOPMENT PHONE#(314)457-4310 P.O. BOX 200011 FC-351 ST. LOUIS, MO 63120-0011						2006	
						Form 1098	
						<input type="checkbox"/> CORRECTED (if checked)	
						<b>Mortgage Interest Statement</b>	
RECIPIENT'S Federal Identification no.		PAYER'S social security number		1 Mortgage interest received from payer(s)/borrower(s)*		<b>COPY B FOR PAYER</b>  The information in boxes 1, 2, and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.	
431757115		610979997		\$ 0.00			
PAYER'S/BORROWER'S name and address		2 Points paid on purchase of principal residence (See Box 2 Instructions.)		\$			
20-701 SOUTH 641 WATER DISTRICT P O BOX 2 HAZEL KY		20-701 42049		3 Refund of overpaid interest (See Box 3 Instructions.) \$			
Account number (see instructions)				4			
20018061097999793 01				IRS FORM 1098 DOES NOT APPLY TO YOUR LOAN TYPE. PLEASE SEE IRS INSTRUCTIONS.			

From MIDWEST BANK NOTE COMPANY, 16580 Northville Road, P.O. Box 89, Plymouth, Mich. 48170  
Area Code 313 348-1510

Date Submitted JAN 7 1981  
Gentlemen: Attached are your proofs for approval. Telephone approvals are always welcome.  
Nate Whiteside III, Pres., Skip Mather, V.P.

Orig. to: **Joe Rubin**  
Copies to:

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M A T U R I T Y   S C H E D U L E J O B # 2938

ISSUER   South 641 Water District, Calloway Co., Kentucky  
PURPOSE   Water and Sewer Revenue Bond of 1981  
QUANTITY AND DENOMINATION   9 \$472,000

UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
COUNTY OF CALLOWAY

# South 641 Water District

## WATER AND SEWER REVENUE BOND OF 1981

KNOW ALL MEN BY THESE PRESENTS: That the South 641 Water District, acting by and through its Commission, a public body corporate, organized and existing pursuant to Chapter 74 of the Kentucky Revised Statutes, in Calloway County, Kentucky, for value received, hereby promises to pay to the registered owner hereof, solely from the special fund hereinafter identified, the sum of

**FOUR HUNDRED SEVENTY-TWO THOUSAND DOLLARS (\$472,000)**

UNITED STATES OF AMERICA  
COMMONWEALTH OF  
KENTUCKY  
COUNTY OF CALLOWAY

**South 641  
Water District**

**472,000**

**5%  
Water and Sewer  
Revenue Bond of 1981**

Dated \_\_\_\_\_

Interest Payable semi-annually  
on January 1 and July 1  
in each year

Principal and Interest Payable at the  
address of the registered  
owner shown on the  
registration book of the District

**PROVISION FOR REGISTRATION**

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

**REGISTRATION**

Date of Registration	Name and Address of Registered Owner	Signature of Secretary of the South 641 Water District, Bond Registrar
	United States of America — Farmers Home Administration 1520 Market Street St. Louis, Missouri 63103	

mission, covenants that so long as this Bond is outstanding, the System will be continuously owned and operated by the District as a revenue-producing undertaking within the meaning of the aforesaid statutes, for the security and source of payment of this Bond, and that the District will fix and revise the rates and charges for the services and facilities of the System and collect and account for the same and revenues therefrom sufficient to pay the principal of and interest on this Bond promptly as the same become due, and to pay the cost of operation and maintenance of the System, and to provide for the depreciation thereof.

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

As provided in the Bond Resolution, this Bond is exchangeable at the expense of the registered owner hereof at any time, upon ninety days' written notice, at the request of such registered owner and upon surrender of this Bond to the District, for negotiable coupon bonds, payable to bearer, registrable to principal only, in an amount or amounts not exceeding \$10,000 per coupon bond, or a lesser denomination in a multiple of \$1,000, consistent with the maturities hereof, in an aggregate principal amount equal to and maturing in conformity with the unpaid principal amount of this Bond, and in the number of such coupon bonds as provided in the Bond Resolution, with semi-annual coupons annexed representing the accrual of interest corresponding to the rate herein provided.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 1991, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Thousand Dollars (\$1,000), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States Government, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$1,000, may be prepaid at any time in inverse chronological order of the installments due.

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

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

It is hereby certified, recited, and declared that all acts, conditions, and things required to exist, be done, and be performed, precedent to and in the issuance of this Bond do exist, have happened, and have been performed, in due time, form, and manner as required by law and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, said South 641 Water District, in the Commonwealth of Kentucky, by its Chairman, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

SOUTH 641 WATER DISTRICT  
Calloway County, Kentucky

SOUTH 641 WATER DISTRICT  
\$472,000 ORIGINAL LOAN AMOUNT

=====

DEBT SERVICE SCHEDULE

=====

DATE	PRINCIPAL	COUPON	INTEREST	PERIOD TOTAL	FISCAL TOTAL
6/30/88			11,325.00	11,325.00	
12/31/88	5,000.00	5.000000	11,325.00	16,325.00	27,650.00
6/30/89			11,200.00	11,200.00	
12/31/89	6,000.00	5.000000	11,200.00	17,200.00	28,400.00
6/30/90			11,050.00	11,050.00	
12/31/90	6,000.00	5.000000	11,050.00	17,050.00	28,100.00
6/30/91			10,900.00	10,900.00	
12/31/91	6,000.00	5.000000	10,900.00	16,900.00	27,800.00
6/30/92			10,750.00	10,750.00	
12/31/92	6,000.00	5.000000	10,750.00	16,750.00	27,500.00
6/30/93			10,600.00	10,600.00	
12/31/93	7,000.00	5.000000	10,600.00	17,600.00	28,200.00
6/30/94			10,425.00	10,425.00	
12/31/94	7,000.00	5.000000	10,425.00	17,425.00	27,850.00
6/30/95			10,250.00	10,250.00	
12/31/95	7,000.00	5.000000	10,250.00	17,250.00	27,500.00
6/30/96			10,075.00	10,075.00	
12/31/96	8,000.00	5.000000	10,075.00	18,075.00	28,150.00
6/30/97			9,875.00	9,875.00	
12/31/97	8,000.00	5.000000	9,875.00	17,875.00	27,750.00
6/30/98			9,675.00	9,675.00	
12/31/98	9,000.00	5.000000	9,675.00	18,675.00	28,350.00
6/30/99			9,450.00	9,450.00	
12/31/99	9,000.00	5.000000	9,450.00	18,450.00	27,900.00
6/30/ 0			9,225.00	9,225.00	
12/31/ 0	10,000.00	5.000000	9,225.00	19,225.00	28,450.00
6/30/ 1			8,975.00	8,975.00	
12/31/ 1	10,000.00	5.000000	8,975.00	18,975.00	27,950.00
6/30/ 2			8,725.00	8,725.00	
12/31/ 2	11,000.00	5.000000	8,725.00	19,725.00	28,450.00
6/30/ 3			8,450.00	8,450.00	
12/31/ 3	11,000.00	5.000000	8,450.00	19,450.00	27,900.00
6/30/ 4			8,175.00	8,175.00	
12/31/ 4	12,000.00	5.000000	8,175.00	20,175.00	28,350.00
6/30/ 5			7,875.00	7,875.00	
12/31/ 5	12,000.00	5.000000	7,875.00	19,875.00	27,750.00
6/30/ 6			7,575.00	7,575.00	
12/31/ 6	13,000.00	5.000000	7,575.00	20,575.00	28,150.00
6/30/ 7			7,250.00	7,250.00	
12/31/ 7	13,000.00	5.000000	7,250.00	20,250.00	27,500.00
6/30/ 8			6,925.00	6,925.00	
12/31/ 8	14,000.00	5.000000	6,925.00	20,925.00	27,850.00
6/30/ 9			6,575.00	6,575.00	
12/31/ 9	15,000.00	5.000000	6,575.00	21,575.00	28,150.00
6/30/10			6,200.00	6,200.00	
12/31/10	16,000.00	5.000000	6,200.00	22,200.00	28,400.00
6/30/11			5,800.00	5,800.00	
12/31/11	16,000.00	5.000000	5,800.00	21,800.00	27,600.00
6/30/12			5,400.00	5,400.00	
12/31/12	17,000.00	5.000000	5,400.00	22,400.00	27,800.00
6/30/13			4,975.00	4,975.00	
12/31/13	18,000.00	5.000000	4,975.00	22,975.00	27,950.00
6/30/14			4,525.00	4,525.00	
12/31/14	19,000.00	5.000000	4,525.00	23,525.00	28,050.00
6/30/15			4,050.00	4,050.00	
12/31/15	20,000.00	5.000000	4,050.00	24,050.00	28,100.00
6/30/16			3,550.00	3,550.00	
12/31/16	21,000.00	5.000000	3,550.00	24,550.00	28,100.00
6/30/17			3,025.00	3,025.00	
12/31/17	22,000.00	5.000000	3,025.00	25,025.00	28,050.00
6/30/18			2,475.00	2,475.00	
12/31/18	23,000.00	5.000000	2,475.00	25,475.00	27,950.00
6/30/19			1,900.00	1,900.00	
12/31/19	24,000.00	5.000000	1,900.00	25,900.00	27,800.00
6/30/20			1,300.00	1,300.00	
12/31/20	25,000.00	5.000000	1,300.00	26,300.00	27,600.00
6/30/21			675.00	675.00	
12/31/21	27,000.00	5.000000	675.00	27,675.00	28,350.00

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APPROVING LEGAL OPINION

LAW OFFICE

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Louisville, Kentucky 40202

Telephone (502) 585-2153

In re: South 641 Water District (Calloway County,  
Kentucky) Water and Sewer Revenue Bonds of  
1981, in the amount of \$472,000.

We hereby certify that we have examined a transcript of the proceedings of the Commission of the South 641 Water District of Calloway County, Kentucky, in connection with the issuance by said District of the above-styled Bonds (the "Bonds") in the amount of \$472,000, dated as of the date of this legal opinion, bearing interest from that date at the rate of 5% per annum, payable semi-annually on January 1 and July 1 of each year, and due serially in numerical order on January 1 in each of the respective years, as follows: 1984, \$4,000; 1985-88, \$5,000; 1989-92, \$6,000; 1993-95, \$7,000; 1996-97, \$8,000; 1998-99, \$9,000; 2000-01, \$10,000; 2002-03, \$11,000; 2004-05, \$12,000; 2006-07, \$13,000; 2008, \$14,000; 2009, \$15,000; 2010-11, \$16,000; 2012, \$17,000; 2013, \$18,000; 2014, \$19,000; 2015, \$20,000; 2016, \$21,000; 2017, \$22,000; 2018, \$23,000; 2019, \$24,000; 2020, \$25,000; and in 2021, \$27,000; provided, however, that Bonds of said issue maturing on or after January 1, 1991, 1992, are optional for redemption prior to maturity on any interest payment date falling on or after January 1, 1991, in the manner and upon the terms provided in said Bonds. Said Bonds are issued pursuant to a Bond Resolution (the "Bond Resolution"), duly adopted by the Commission of the District, for the purpose of defraying the cost of acquiring and constructing a new waterworks and sewer system (the "System") for the District.

We are of the opinion that such proceedings show lawful authority for said issue under the laws of the Commonwealth of Kentucky and the proceedings of said Water District now in force; provided, however, that said Bonds have been initially issued in the form of a single, Fully Registered Installment Bond, payable to the registered owner (initially the Farmers Home Administration), numbered R-1, bearing interest at the rate of 5% per annum, payable semi-annually on January 1 and July 1 of each year, with annual installments being payable on January 1 in each of the respective years, 1984 through 2021, inclusive, as set out above, and with the further provision that said Fully Registered Bond is exchangeable at the expense of the Registered Owner, at any time, upon ninety days' written notice, for negotiable Coupon Bonds, payable to bearer, registrable as to principal only, in an amount or amounts not exceeding \$10,000 per Coupon Bond, or a lesser denomination in a multiple of \$1,000, consistent with the maturities of such Bonds, in an aggregate principal amount equal to and maturing in conformity with the unpaid principal amount of said Fully Registered Bond.

We have examined the organizational documents of the District and we are of the opinion that the District was duly created by Order of the County Judge/Executive of Calloway County, Kentucky, on May 7, 1979, which Order is on file in the office of the Calloway County Clerk, in County Order Book No. 10, page 13.

We further certify that we have examined said executed single, Fully Registered Installment Bond, numbered R-1, in the amount of \$472,000, as issued and delivered, and an executed counterpart of the Bond Resolution. Based on such examination, it is our opinion that said Bond is in conformity with the aforesaid proceedings of the District, that said issue, in the amount stated, is valid and legally binding upon the District according to the import thereof, is secured by a statutory mortgage lien against the System, and is payable from the gross revenues of the System, a sufficient portion of said revenues having been ordered set aside and pledged to the payment of the interest on and principal installments of the Bonds as the same become due. We express no opinion concerning the sufficiency of such revenues for that purpose.

The District has reserved the right to issue additional Bonds ranking on a parity as to security and source of payment with said \$472,000 Bond if necessary in order to complete the aforesaid construction. The District has also reserved the right to issue additional parity bonds to finance future extensions, additions, and/or improvements to the System, provided the necessary showings as to the earnings coverage required by the Bond Resolution are in existence and properly certified.

We are of the opinion that in the event such single, Fully Registered Bond is exchanged for Coupon Bonds in the denomination(s) permitted and provided for in the Bond Resolution and in said Fully Registered Bond, said Coupon Bonds, without priority or distinction of one over the other, shall be secured in the same manner and by the same covenants and shall constitute the identical obligations of said District as the aforesaid Fully Registered Bond exchanged therefor. Principal of and interest on such Coupon Bonds will be payable at the Dees Bank of Hazel, Hazel, Kentucky, and principal of said Coupon Bonds will be registrable on the registration book of the Secretary of the Water District.

It is our opinion, based on current rulings and official interpretations, that interest on said Bonds is exempt from present Federal and Kentucky income taxes and that the principal of said Bonds is exempt from ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision of Kentucky; provided, however, that it is provided in the Consolidated Farm and Rural Development Act that if said Bonds are sold out of the Agricultural Credit Insurance Fund or out of the Rural Development Insurance Fund as an insured loan, the interest thereon paid to an insured holder shall be included in taxable income of such holder.

Commission, covenants that so long as this bond is outstanding, the System shall be owned, controlled, and operated by the District as a revenue-producing undertaking within the meaning of the aforesaid Statutes, for the security and source of payment of this Bond, and that the District will fix and revise such rates and charges for the services and facilities of the System and collect and account for the income and revenues therefrom sufficient to pay the principal of and interest on this Bond promptly as the same become due, and to pay the cost of operation and maintenance of the System, and to provide for the depreciation thereof.

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

As provided in the Bond Resolution, this Bond is exchangeable at the expense of the registered owner hereof at any time, upon ninety days' written notice, at the request of such registered owner and upon surrender of this Bond to the District, for negotiable coupon bonds, payable to bearer, registrable as to principal only, in an amount or amounts not exceeding \$10,000 per coupon bond, or a lesser denomination in a multiple of \$1,000, consistent with the maturities hereof, in an aggregate principal amount equal to and maturing in conformity with the unpaid principal amount of this Bond, and in the form of such coupon bonds as provided in the Bond Resolution, with semi-annual coupons annexed representing the accrual of interest corresponding to the rate herein provided.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 1991, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Thousand Dollars (\$1,000), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States Government, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$1,000, may be prepaid at any time in inverse chronological order of the installments due.

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

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

It is hereby certified, recited, and declared that all acts, conditions, and things required to exist, happen, and be performed, precedent to and in the issuance of this Bond do exist, have happened, and have been performed, in due time, form, and manner as required by law and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, said South 641 Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

SOUTH 641 WATER DISTRICT  
Calloway County, Kentucky

By \_\_\_\_\_  
Chairman