

**Western Lewis-Rectorville Water & Gas District**

8044 KY 3161, Maysville, Kentucky 41056

606 - 742 - 0014

July 21, 2014

RECEIVED

JUL 25 2014

PUBLIC SERVICE  
COMMISSION

Jeff Derouen  
Executive Director  
KY Public Service Commission  
PO Box 615  
Frankfort, KY 40602

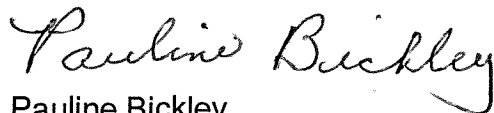
**RE:** Application for an Adjustment in Rates Pursuant to  
the Alternative Rate Filing Procedure for Small Utilities

Western Lewis-Rectorville Water & Gas District ("District") is submitting its application requesting Commission approval of its increase in water rates filed in accordance with the Alternative Rate Filing Procedure for Small Utilities ("ARF").

Pursuant to 807 KAR 5:076, Section 17, the District respectfully requests leave to deviate from 807 KAR 5:076, Section 9, that requires, "The reasonableness of the proposed rates shall be determined using a twelve (12) month historical test period, adjusted for known and measureable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year." When the District began the process of completing the ARF application, the 2012 annual report was the report for the immediate past year. However, it has taken the District a considerable amount of time to complete the ARF application, specifically the required billing analysis. Before completing its ARF application the District has filed its 2013 annual report with the Commission. Requiring the District to prepare a new ARF application using the 2013 annual report will place an undue financial burden on the District. Given that it has been approximately 8 years since its last rate increase, the District is in dire need of increased revenues to enable it to pay its operating expenses and cover its debt service.

A copy of this application and related filings has been sent to the Office of the Attorney General, State Capitol Building, Suite 118, Frankfort, KY 40601.

Sincerely,



Pauline Bickley  
Western Lewis-Rectorville Water & Gas District

Enclosure

**RECEIVED**

JUL 25 2014

PUBLIC SERVICE  
COMMISSION**SUBMIT ORIGINAL AND FIVE ADDITIONAL COPIES, UNLESS FILING ELECTRONICALLY****APPLICATION FOR RATE ADJUSTMENT  
BEFORE THE PUBLIC SERVICE COMMISSION**For Small Utilities Pursuant to 807 KAR 5:076  
(Alternative Rate Filing)Western Lewis-Rectorville Water & Gas District  
(Name of Utility)8044 KY 3161

(Business Mailing Address - Number and Street, or P.O. Box)

Maysville, KY 41056

(Business Mailing Address - City, State, and Zip)

(606) 742-0014

(Telephone Number)

**BASIC INFORMATION**NAME, TITLE, ADDRESS, TELEPHONE NUMBER and E-MAIL ADDRESS of the person to whom correspondence or communications concerning this application should be directed:Pauline Bickley

(Name)

8044 KY 3161

(Address - Number and Street or P.O. Box)

Maysville, KY 41056

(Address - City, State, Zip)

(606) 742-0014

(Telephone Number)

wlrwaterandgas2@yahoo.com

(Email Address)

**(For each statement below, the Applicant should check either "YES" or "NO".)**

- |   | YES                                 | NO                                  |
|---|-------------------------------------|-------------------------------------|
| 1. a. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| b. Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 2. a. Applicant has filed an annual report with the Public Service Commission for the past year.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| b. Applicant has filed an annual report with the Public Service Commission for the two previous years.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 3. Applicant's records are kept separate from other commonly-owned enterprises.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |

- |   | YES                                 | NO                                  |
|---|-------------------------------------|-------------------------------------|
| 4. a. Applicant is a corporation. A certified copy of its articles of incorporation and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| b. Applicant is a limited liability company. A certified copy of its articles of organization and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| c. Applicant is a limited partnership. A certified copy of its limited partnership agreement and all amendments thereto are attached to this application or were filed with the Public Service Commission in Case No. _____.  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| d. Applicant is a sole proprietorship or partnership.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| e. Applicant is a water district organized pursuant to KRS Chapter 74.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| f. Applicant is a water association organized pursuant to KRS Chapter 273.  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov.  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 6. a. Applicant has 20 or fewer customers or is a sewer utility and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. <b>(Attach a copy of customer notice.)</b>  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| b. Applicant has more than 20 customers, is not a sewer utility, and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. <b>(Attach a copy of customer notice.)</b>   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| c. Applicant has more than 20 customers, is not a sewer utility, and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. <b>(Attach a copy of customer notice.)</b> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." <b>(Attach completed "Reasons for Application" Attachment.)</b>   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |

- |        |  | YES                                 | NO                       |
|--------|--|-------------------------------------|--------------------------|
| 8.     | Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." <b>(Attach completed "Current and Proposed Rates" Attachment.)</b>  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 9.     | Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, <u>2012</u> .  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 10.    | Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." <b>(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)</b> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 11.    | Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ <u>177,026</u> and total revenues from service rates of \$ <u>915,995</u> . The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. <b>(Attach a completed "Revenue Requirement Calculation" Attachment.)</b>  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 12.    | As of the <b>date of the filing of this application</b> , Applicant had <u>2,283</u> customers.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 13.    | A billing analysis of Applicant's current and proposed rates is attached to this application. <b>(Attach a completed "Billing Analysis" Attachment.)</b>   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 14.    | Applicant's depreciation schedule of utility plant in service is attached. <b>(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)</b>  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 15. a. | Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b.     | Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).   | <input type="checkbox"/>            | <input type="checkbox"/> |
| c.     | Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- |   | YES                                 | NO                                  |
|---|-------------------------------------|-------------------------------------|
| 16. a. Applicant is not required to file state and federal tax returns.   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| b. Applicant is required to file state and federal tax returns.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| c. Applicant's most recent state and federal tax returns are attached to this Application. <b>(Attach a copy of returns.)</b>   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 17. Approximately <u>64.5%</u> <b>(Insert dollar amount or percentage of total utility plant)</b> of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 18. Applicant has attached a completed Statement of Disclosure of Related Party Transactions for each person who 807 KAR 5:076, §4(h) requires complete such form.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |

I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed Pauline Bickley  
 Officer of the Company/Authorized Representative  
 Title Senior Office  
 Date 7-21-14

COMMONWEALTH OF KENTUCKY

COUNTY OF Mason

Before me appeared Pauline Bickley, who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.

Sharon Demmsion #429654  
 Notary Public  
 My commission expires: 10/8/14

LIST OF ATTACHMENTS  
**(Indicate all documents submitted by checking box)**

- Applicant's Articles of Incorporation, Articles of Organization, or Limited Partnership Agreement.
- All amendments to Applicant's Articles of Incorporation, Articles of Organization, or Limited Partnership Agreement.
- Customer Notice of Proposed Rate Adjustment
- "Reasons for Application" Attachment
- "Current and Proposed Rates" Attachment
- "Statement of Adjusted Operations" Attachment
- "Revenue Requirements Calculation" Attachment
- "Billing Analysis" Attachment
- Depreciation Schedule
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- State Tax Return
- Federal Tax Return
- Statement of Disclosure of Related Party Transactions - ARF Form 3

**REASONS FOR APPLICATION**

**(In the space below list all reasons why the Applicant requires a rate adjustment. Describe any event or occurrence of significance that may affect the Applicant's present or future financial condition, including but not limited to excessive water line losses, regulatory changes, major repairs, planned construction, and increases in wholesale water costs.)**

The proposed increase in the rates and charges is necessary for Western Lewis-Rectorville Water District ("District") to meet continuing demand for adequate service. It has been approximately 7 years since the District last requested and received a general increase in its base water rates pursuant to KRS 278.023 in Case No. 2007-00197. An increase in its rates is essential for the District to maintain a reasonable level of service, to meet the expanding needs of its service area, and to cover its debt service requirements.

**CURRENT AND PROPOSED RATES**  
**(List Applicant's Current and Proposed Rates)**

**Current Rates**

First 1,000 Gallons	\$ 14.55 Minimum Bill
Next 4,000 Gallons	5.05 per 1,000 Gallons
Over 5,000 Gallons	3.80 per 1,000 Gallons

Bulk Water Sales	2.50 per 1,000 Gallons
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**Proposed Rates**

First 1,000 Gallons	\$ 18.04 Minimum Bill
Next 4,000 Gallons	6.26 per 1,000 Gallons
Over 5,000 Gallons	4.71 per 1,000 Gallons

Bulk Water Sales	3.25 per 1,000 Gallons
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**REVENUE REQUIREMENT CALCULATION - DEBT COVERAGE METHOD**

(This method is used commonly by non-profits that have long-term debts outstanding.)

Pro forma Operating Expenses	\$782,145.00
Plus: Average Annual Debt Principal and Interest Payments*	167,775.00
Debt Coverage Requirement**	16,777.00
Total Revenue Requirement	966,697.00
Less: Other Operating Revenue	-37,296.00
Non-operating Revenue	-12,859.00
Interest Income	-547.00
Revenue Required from Rates	915,995.00
Less: Revenue from Sales at Present Rates	-738,969.00
Required Revenue Increase	\$177,026.00

Required Revenue Increase stated as a Percentage of Revenue at Present Rates	23.96%
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\* This should be a 3 year average calculated using the debt principal and interest payments for the three years following the test year.

\*\* This amount is calculated by multiplying the average annual debt principal and interest payments by the debt service requirement of the utility's lending agency.

**SCHEDULE OF ADJUSTED OPERATIONS - WATER UTILITY**

TYE 12/31/20 12

	Test Year	Adjustment	Ref.	Pro Forma
<b><u>Operating Revenues</u></b>				
<b>Sales of Water</b>				
Unmetered Water Sales				0.00
Metered Water Sales	690,799.00	47,400.00	A	738,199.00
Bulk Loading Stations	1,033.00	-263.00	A	770.00
Fire Protection Revenue				0.00
Sales for Resale				0.00
<b>Total Sales of Water</b>	<b>691,832.00</b>	<b>47,137.00</b>		<b>738,969.00</b>
<b>Other Water Revenues</b>				
Forfeited Discounts				0.00
Miscellaneous Service Revenues				0.00
Rents from Water Property				0.00
Other Water Revenues	37,296.00			37,296.00
<b>Total Other Water Revenues</b>	<b>37,296.00</b>	<b>0.00</b>		<b>37,296.00</b>
<b>Total Operating Revenues</b>	<b>729,128.00</b>	<b>47,137.00</b>		<b>776,265.00</b>
<b><u>Operating Expenses</u></b>				
<b>Operation and Maintenance Expenses</b>				
Salaries and Wages - Employees	190,968.00			190,968.00
Salaries and Wages - Officers	10,800.00			10,800.00
Employee Pensions and Benefits	68,350.00			68,350.00
Purchased Water	25,234.00	7,302.00	B	32,536.00
Purchased Power	36,921.00			36,921.00
Fuel for Power Production				0.00
Chemicals	9,494.00			9,494.00
Materials and Supplies	70,238.00			70,238.00
Contractual Services	7,125.00			7,125.00
Water Testing				0.00
Rents	1,720.00			1,720.00
Transportation Expenses	3,155.00			3,155.00
Insurance	31,083.00			31,083.00
Regulatory Commission Expenses				0.00
Bad Debt Expense				0.00

Miscellaneous Expenses	7,600.00		7,600.00
Total Operation and Maintenance Expenses	462,688.00	7,302.00	469,990.00
Depreciation Expense	296,595.00		296,595.00
Amortization Expense			0.00
Taxes Other Than Income	15,560.00		15,560.00
Income Tax Expense			0.00
<b>Total Operating Expenses</b>	<b>774,843.00</b>	<b>7,302.00</b>	<b>782,145.00</b>
<b>Utility Operating Income</b>	<b>-45,715.00</b>	<b>39,835.00</b>	<b>-5,880.00</b>

References

A. Adjustments to revenues reflect the attached billing analysis and the purchased water rates the Commission authorized in Case No. 2013-00131.

B. Purchased water expense is increased to reflect the increase in the Maysville Utility Commission's wholesale water rate that occurred on April 1, 2013.

**Billing Analysis for: WESTERN-LEWIS RECTORVILLE 2012**  
**Test Period From: JANUARY - DECEMBER 2012**  
**NORMALIZED BILLING ANALYSIS**

<b>Meter Size</b>	<b>Bills</b>	<b>Gallons Sold</b>	<b>Revenue</b>
5/8 inch	26596	98,140,000	732,015.60
Leak Adjust*		3,279,000	6,183.75
Bulk loading		308,000	770.00
Totals	26,596	101,727,000	\$738,969.35

\*Leak Adjustment 2014 = average bill+ usage over average at 50% of rate  
 (Revised to 50% of rate 4/1/14)

WESTERN LEWIS RECTORVILLE WATER DISTRICT  
 WATER DIVISION  
 PLANT AND DEPRECIATION SCHEDULE  
 DECEMBER 31, 2012

	DATE ACQ	USE-FUL LIFE	ORIGINAL COST	2009 PROVISIONS	ACCUM 12/31/2009	2010 PROVISIONS	ACCUM 12/31/2010	2011 PROVISIONS	ACCUM 12/31/2011	2012 PROVISIONS	ACCUM 12/31/2012	NET BALANCE 12/31/2012
<b>301/301 ORGANIZATION EXPENSE</b>	6/30/89	20	57		57		57		57		57	-
301/301 SUBTOTAL			57		57		57		57		57	-
<b>303 &amp; 389/310 LAND AND LAND RIGHTS</b>												
1/1/63			1,000									1,000
6/30/87			3,500									3,500
Cost of Standpipe Site	12/31/89		600									600
Land	06/30/04		30,000									30,000
Land	06/14/06		11,000									11,000
Easements	12/31/89		1,764									1,764
303 & 389/310 SUBTOTAL			47,864									47,864
<b>307/314 WELLS AND SPRINGS</b>												
12/31/99	25	33,670	1,347	13,468	1,347	14,815	1,347	16,162	1,347	17,509	16,161	
Well Pump #2	4/21/2011	25	13,200					528	528	528	1,056	12,144
Well Pump #3	8/17/2011	25	7,807					312	312	312	625	7,182
Well Pump #6	3/12/2012	25	8,750							350	350	8,400
307/314 SUBTOTAL			63,427	1,347	13,468	1,347	14,815	2,187	17,002	2,537	19,539	43,888
<b>304/311/321 STRUCTURES AND IMPROVEMENTS</b>												
1/1/63	30	3,000					3,000		3,000		3,000	-
1/1/75	30	1,129					1,129		1,129		1,129	-
1/1/95	30	2,290	76	1,106	76	1,183	1,259	76	1,335		1,335	955
New Building	12/1/2005	30	143,362	4,779	21,505	4,779	26,283	4,779	31,062	4,779	35,841	107,521
Fence treatment plant water tower	11/29/2007	7	2,800	400	1,200	400	1,600	400	2,000	400	2,400	400
Building Fixtures	6/20/2006	30	8,341	278	834	278	1,112	278	1,390	278	1,668	6,673
Office Bldg	10/31/2010	30	200,285			6,676	6,676	6,676	13,352	6,676	20,029	180,257
Excavating for Driveway	9/21/2011	15	12,286					819	819	819	1,638	10,648
Blacktopping of Driveway	11/17/2011	15	19,763					1,318	1,318	1,318	2,635	17,128
304/311/321 SUBTOTAL			393,255	5,533	28,773	12,209	40,983	14,346	55,329	14,346	69,674	323,581
<b>310/322 &amp; 323 POWER GENERATION EQUIPMENT</b>												
1/1/63	20	4,000					4,000		4,000		4,000	-
310 SUBTOTAL			4,000	0	4,000	0	4,000	0	4,000	0	4,000	-
<b>311/324-327 PUMPING EQUIPMENT</b>												
1/1/63	20	4,000					4,000		4,000		4,000	-
1/1/77	20	281					281		281		281	-
1/1/79	20	747					747		747		747	(0)
1/1/83	20	1,159					1,159		1,159		1,159	-
1/1/84	20	446					446		446		446	(0)
8/29/86	10	11,599					11,599		11,599		11,599	0
11/6/86	10	378					378		378		378	(0)
6/30/89	20	2,514	126	1,770	126	1,896	1,896	126	2,021	126	2,147	367
1/31/95	20	9,793	490	6,217	490	6,707	6,707	490	7,196	490	7,686	2,107
1/11/95	20	983	49	663	49	713	713	49	762	49	811	172
6/1/2003	10	6,405	641	3,524	641	4,164	4,164	641	4,805	641	5,445	960
12/10/96	10	12,003	1,200	11,401	602	12,003	12,003		12,003		12,003	0
311 SUBTOTAL			50,308	2,505	42,185	1,907	44,092	1,305	45,397	1,305	46,702	3,606

WESTERN LEWIS RECTORVILLE WATER DISTRICT  
WATER DIVISION  
PLANT AND DEPRECIATION SCHEDULE  
DECEMBER 31, 2012

	DATE ACQ	USE-FUL LIFE	ORIGINAL COST	2009 PROVISIONS	ACCUM 12/31/2009	2010 PROVISIONS	ACCUM 12/31/2010	2011 PROVISIONS	ACCUM 12/31/2011	2012 PROVISIONS	ACCUM 12/31/2012	NET BALANCE 12/31/2012
<b>320/332 WATER TREATMENT EQUIPMENT</b>												
	1/1/63	20	24,000		24,000		24,000		24,000		24,000	-
	1/1/84	20	166		165		165		165		165	-
	6/30/87	20	1,490		1,490		1,490		1,490		1,490	(0)
320 SUBTOTAL			25,656	-	25,655	-	25,655	-	25,655	-	25,655	(0)
<b>330/342 DISTRIBUTION RESERV. &amp; STANDPIPE</b>												
	1/1/63	30	32,700		32,700		32,700		32,700		32,700	-
Construction of Standpipe	12/31/89	30	143,483	4,783	90,873	4,783	95,656	4,783	100,439	4,783	105,222	38,261
Eng. & Admin. Costs	12/31/89	30	32,686	1,090	20,778	1,090	21,867	1,090	22,957	1,090	24,046	8,640
	12/31/91	30	7,900	263	4,739	263	5,002	263	5,266	263	5,529	2,371
	12/31/98	30	179	6	60	6	66	6	72	6	78	101
Tanks w/Engineering Costs	7/26/08	30	861,215	28,707	57,414	28,707	86,121	28,707	114,829	28,707	143,536	717,679
330 SUBTOTAL			1,078,163	34,849	206,564	34,849	241,413	34,849	276,262	34,849	311,110	767,053
<b>331/343 TRANSMISSION AND DISTRIBUTION MAINS</b>												
	1/1/63	33	250,830		250,830		250,830		250,830		250,830	-
	1/1/71	33	10,200		10,200		10,200		10,200		10,200	-
	1/1/72	33	3,990		3,990		3,990		3,990		3,990	-
	1/1/73	33	2,918		2,918		2,918		2,918		2,918	-
	1/1/74	33	3,394		3,394		3,394		3,394		3,394	-
	1/1/75	33	6,731		6,731		6,731		6,731		6,731	0
	1/1/76	33	2,686	81	2,686		2,686		2,686		2,686	(0)
	1/1/77	33	1,250	38	1,214	36	1,250		1,250		1,250	0
	1/1/78	33	205	6	193	6	199	6	205		205	(0)
	1/1/79	33	570	17	519	17	536	17	553	16	570	0
	1/1/80	33	277	8	243	8	252	8	260	8	268	9
	12/19/86	40	75	2	43	2	45	2	46	2	48	27
	11/21/86	40	1,269	32	703	32	735	32	767	32	798	471
	1/30/86	40	463	12	268	12	279	12	291	12	302	161
	11/14/86	40	768	19	426	19	445	19	464	19	483	285
	2/6/86	5	318	0	318	0	318	0	318	0	318	0
	10/28/86	10	283	0	283	0	283	0	283	0	283	(0)
	6/30/87	40	1,250	31	703	31	734	31	766	31	797	453
Buffalo Trace Water Commission	3/7/90	40	1,577	39	688	39	727	39	767	39	806	771
Mid States (Pipe)	3/9/90	40	769	19	334	19	353	19	372	19	392	377
Waterworks (Pipe)	9/18/90	40	2,139	53	533	53	586	53	640	53	693	1,445
Waterworks (Pipe)	9/20/90	40	490	12	120	12	132	12	145	12	157	333
Armer & Applegate Exten.	3/15/90	40	6,239	156	2,676	156	2,832	156	2,988	156	3,144	3,095
Construction of Dist. Mains	12/31/89	40	503,349	12,584	251,675	12,584	264,258	12,584	276,842	12,584	289,426	213,923
Eng. & Admin. Costs	12/31/89	40	116,533	2,913	58,265	2,913	61,179	2,913	64,092	2,913	67,005	49,528
Altitude Control Valve	1/5/90	40	2,678	67	1,332	67	1,399	67	1,466	67	1,533	1,145
EW LINE	10/30/1997	40	2,732,135	68,303	826,848	68,303	895,151	68,303	963,455	68,303	1,031,758	1,700,377
EW LINE	5/31/1998	40	38,128	953	11,438	953	12,391	953	13,344	953	14,298	23,830
EW LINE	6/1/2002	40	1,903,272	47,582	358,862	47,582	406,444	47,582	454,026	47,582	501,607	1,401,665
ension AA	6/1/2003	40	24,949	624	4,055	624	4,678	624	5,302	624	5,926	19,023
	12/31/1998	40	1,550	39	388	39	427	39	465	39	504	1,046
	6/1/2004	40	60,900	1,523	8,374	1,523	9,896	1,523	11,419	1,523	12,941	47,959
ynolds Inc.	4/1/2005	40	5,571	139	627	139	766	139	905	139	1,045	4,526
ynolds Inc.	8/1/2006	40	15,653	391	1,370	391	1,761	391	2,152	391	2,544	13,109
ynolds Inc.	10/30/2007	40	58,852	1,471	4,414	1,471	5,885	1,471	7,357	1,471	8,828	50,025
EW LINE	3/20/2007	40	3,775	94	283	94	378	94	472	94	566	3,209

WESTERN LEWIS RECTORVILLE WATER DISTRICT  
WATER DIVISION  
PLANT AND DEPRECIATION SCHEDULE  
DECEMBER 31, 2012

	DATE ACQ	USE-FUL LIFE	ORIGINAL COST	2009 PROVISIONS	ACCUM 12/31/2009	2010 PROVISIONS	ACCUM 12/31/2010	2011 PROVISIONS	ACCUM 12/31/2011	2012 PROVISIONS	ACCUM 12/31/2012	NET BALANCE 12/31/2012
NEW LINE/Engineering Costs	6/12/2008	40	2,645,633	66,141	132,282	66,141	198,422	66,141	264,563	66,141	330,704	2,314,928
Reynolds Inc.	7/19/2008	40	3,281	82	164	82	246	82	328	82	410	2,871
New Line	6/1/2009	40	129,954	3,249	3,249	3,249	6,498	3,249	9,747	3,249	12,995	116,959
New Line/Plant Upgrade	12/31/2010	40	482,785		0	12,070	12,070	12,070	24,139	12,070	36,209	446,576
	12/31/1999	40	36,935	923	9,233	923	10,156	923	11,080	923	12,003	24,932
<b>331 SUBTOTAL</b>			<b>9,064,623</b>	<b>207,606</b>	<b>1,962,867</b>	<b>219,592</b>	<b>2,182,459</b>	<b>219,556</b>	<b>2,402,015</b>	<b>219,549</b>	<b>2,621,564</b>	<b>6,443,059</b>
<b>333/345 SERVICES</b>												
	1/1/63	30	9,800		9,800		9,800		9,800		9,800	-
	1/1/77	30	3,222		3,222		3,222		3,222		3,222	0
	1/1/78	30	4,159		4,159		4,159		4,159		4,159	(0)
	1/1/79	30	2,284		2,284		2,284		2,284		2,284	(0)
	1/1/80	30	6,887	228	6,887		6,887		6,887		6,887	(0)
	1/1/81	30	4,164	139	4,026	138	4,164		4,164		4,164	(0)
	1/1/82	30	3,817	127	3,562	127	3,689	128	3,817		3,817	(0)
	1/1/83	30	2,359	79	2,125	79	2,203	79	2,282	79	2,360	(1)
	1/1/84	30	1,466	49	1,269	49	1,318	49	1,367	49	1,416	50
	1/1/85	30	2,363	79	1,970	79	2,049	79	2,128	79	2,206	157
<b>333 SUBTOTAL</b>			<b>40,521</b>	<b>700</b>	<b>39,305</b>	<b>472</b>	<b>39,776</b>	<b>335</b>	<b>40,111</b>	<b>206</b>	<b>40,317</b>	<b>204</b>
<b>334/346 METERS AND METER INSTALLATIONS</b>												
	1/1/63	20	18,000		18,000		18,000		18,000		18,000	-
	1/1/70	20	3,763		3,763		3,763		3,763		3,763	-
	1/1/71	20	2,248		2,248		2,248		2,248		2,248	-
	1/1/72	20	183		183		183		183		183	-
	1/1/74	20	1,876		1,876		1,876		1,876		1,876	-
	1/1/75	20	1,058		1,058		1,058		1,058		1,058	-
	1/1/76	20	1,380		1,380		1,380		1,380		1,380	-
	1/1/77	20	1,749		1,749		1,749		1,749		1,749	-
	1/1/77	20	41		41		41		41		41	-
	1/1/78	20	2,273		2,273		2,273		2,273		2,273	-
	1/1/78	20	1,376		1,376		1,376		1,376		1,376	-
	1/1/79	20	3,335		3,335		3,335		3,335		3,335	-
	1/1/79	20	1,377		1,377		1,377		1,377		1,377	-
	1/1/80	20	909		909		909		909		909	-
	1/1/80	20	59		59		59		59		59	-
	1/1/81	20	1,361		1,361		1,361		1,361		1,361	-
	1/1/81	20	103		103		103		103		103	-
	1/1/82	20	420		420		420		420		420	-
	1/1/82	20	71		71		71		71		71	-
	1/1/84	20	648		648		648		648		648	-
	1/1/85	20	170		170		170		170		170	-
	1/31/86	20	750		750		750		750		750	-
	3/13/86	20	460		460		460		460		460	-
	4/10/86	20	345		345		345		345		345	(0)
	5/9/86	20	114		114		114		114		114	(0)
	5/16/86	20	57		57		57		57		57	0
	9/1/86	20	586		586		586		586		586	(0)
	8/5/86	20	325		325		325		325		325	(0)
	4/20/86	20	802		802		802		802		802	0
	1/17/86	10	142		142		142		142		142	-
	9/5/86	10	82		82		82		82		82	-
	3/21/90	10	567		567		567		567		567	(0)
	1/2/90	10	601		601		601		601		601	-
	6/20/90	10	1,657		1,657		1,657		1,657		1,657	-
	4/13/90	10	750		750		750		750		750	-
	1/1/90	10	375		375		375		375		375	-
	12/31/90	10	914		914		914		914		914	(0)
	12/31/90	10	1,314		1,314		1,314		1,314		1,314	0
	12/31/91	10	4,290		4,290		4,290		4,290		4,290	-
	12/31/92	10	9,610		9,610		9,610		9,610		9,610	-



WESTERN LEWIS RECTORVILLE WATER DISTRICT  
WATER DIVISION  
PLANT AND DEPRECIATION SCHEDULE  
DECEMBER 31, 2012

	DATE ACQ	USE-FUL LIFE	ORIGINAL COST	2009 PROVISIONS	ACCUM 12/31/2009	2010 PROVISIONS	ACCUM 12/31/2010	2011 PROVISIONS	ACCUM 12/31/2011	2012 PROVISIONS	ACCUM 12/31/2012	NET BALANCE 12/31/2012
	12/31/93	10	7,750		7,750		7,750		7,750		7,750	-
	12/31/94	10	6,200		6,200		6,200		6,200		6,200	-
	12/31/95	10	4,960		4,960		4,960		4,960		4,960	-
	12/31/96	10	4,030		4,030		4,030		4,030		4,030	-
	12/31/1998	10	15,250		15,250		15,250		15,250		15,250	-
	12/31/1998	10	200	20	200		200		200		200	-
	12/31/1999	10	12,600	1,260	12,600		12,600		12,600		12,600	-
(25)	12/31/2000	10	5,775	578	5,199	576	5,775		5,775		5,775	-
(51)	12/31/2001	10	15,300	1,530	12,748	1,530	14,278	1,022	15,300		15,300	-
(68)	12/31/2003	10	20,800	2,080	13,520	2,080	15,600	2,080	17,680	2,080	19,760	1,040
(43)	12/31/2004	10	12,900	1,290	7,095	1,290	8,385	1,290	9,675	1,290	10,965	1,935
(59)	12/31/2005	10	17,700	1,770	7,965	1,770	9,735	1,770	11,505	1,770	13,275	4,425
(74)	12/31/2006	10	22,132	2,213	8,853	2,213	11,066	2,213	13,279	2,213	15,492	6,640
(53)	12/31/2007	10	19,080	1,908	4,820	1,908	6,728	1,908	8,636	1,908	10,544	8,536
(58)	12/31/2008	10	20,880	2,088	4,176	2,088	6,264	2,088	8,352	2,088	10,440	10,440
(26)	12/31/2009	10	9,299	930	930		930	930	2,790	930	3,720	5,579
(30)	12/31/2010	10	16,269			1,627	1,627	1,627	3,254	1,627	4,881	11,388
(32)	12/31/2011	10	17,423					1,742	1,742	1,742	3,485	13,938
Meter at the Grain Company	12/8/2011	10	7,300					730	730		730	5,840
(32)	12/31/2012	10	17,600							1,760	1,760	15,840
334 SUBTOTAL			319,588	15,667	182,437	16,012	198,449	17,400	215,849	18,138	233,987	85,601
<b>339 OTHER PLANT AND MISCELLANEC</b>												
	6/30/89	33	188	6	117	6	123	6	129	6	134	53
339 SUBTOTAL			188	6	117	6	123	6	129	6	134	53
<b>340/391 OFFICE FURNITURE AND EQUIPMENT</b>												
	1/1/79	20	78		78		78		78		78	-
	1/1/83	20	251		251		251		251		251	-
	1/1/85	20	587		587		587		587		587	-
Computer and Meter	1/1/93	10	10,054		10,054		10,054		10,054		10,054	(0)
Computers	8/25/2005	5	7,332	1,466	6,598	734	7,332		7,332		7,332	(0)
Software	3/31/2006	5	6,250	1,250	3,750	1,250	5,000	1,250	6,250		6,250	-
GPS System	3/30/2006	5	12,800	2,560	7,680	2,560	10,240	2,560	12,800		12,800	-
2 Computers	12/18/2008	5	2,148	430	859	430	1,289	430	1,718	430	2,148	-
Radio's	5/2/2008	5	3,000	600	1,200	600	1,800	600	2,400	600	3,000	-
Computer and Software	4/4/1998	5	11,832		11,832		11,832		11,832		11,832	-
340 SUBTOTAL			54,332	6,306	42,890	5,574	48,463	4,840	53,303	1,030	54,332	(0)
<b>335/348 HYDRANTS</b>												
	1/1/63	20	2,400		2,400		2,400		2,400		2,400	-
	1/1/82	20	156		156		156		156		156	-
	1/1/84	20	930		930		930		930		930	-
	1/1/85	20	1,033		1,033		1,033		1,033		1,033	-
335 SUBTOTAL			4,519	0	4,519	0	4,519	0	4,519	0	4,519	0
<b>341/392 TRANSPORTATION EQUIPMENT</b>												
Ford Truck	8/1/2003	5	14,479		14,479		14,479		14,479		14,479	0
Ford Truck	2/2/2004	5	14,168	1,417	14,168		14,168		14,168		14,168	(0)
2005 Ford F-150	3/10/2005	5	13,338	2,668	12,005	1,333	13,338		13,338		13,338	0
Chevrolet 4x4	5/18/2010	5	20,113			4,023	4,023	4,023	8,045	4,023	12,068	8,045
341 /392 SUBTOTAL			62,098	4,084	40,652	5,356	46,007	4,023	50,030	4,023	54,052	8,046
<b>348/398 &amp; 397 OTHER TANGIBLE PLANT</b>												
Wilson Equipment (Backhoe)	6/30/87	15	900		900		900		900		900	(0)
	9/11/90	10	31,500		31,500		31,500		31,500		31,500	-
348 SUBTOTAL			32,400	0	32,400	0	32,400	0	32,400	0	32,400	(0)
<b>343/394 TOOLS, SHOP AND GARAGE EQUIPMENT</b>												

WESTERN LEWIS RECTORVILLE WATER DISTRICT  
 WATER DIVISION  
 PLANT AND DEPRECIATION SCHEDULE  
 DECEMBER 31, 2012

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	1/1/82	15	410		410		410		410		410	-
	1/1/83	15	550		550		550		550		550	-
	6/30/89	15	39		39		39		39		39	(0)
	10/28/2005	10	2,006	201	903	201	1,104	201	1,304	201	1,505	501
	1/1/92	15	910		910		910		910		910	(0)
343 SUBTOTAL			3,915	201	2,812	201	3,013	201	3,214	201	3,414	501
<b>345 POWER OPERATED EQUIPMENT</b>												
	1/1/81	10	2,456		2,456		2,456		2,456		2,456	-
	1/1/85	10	100		100		100		100		100	-
	9/1/86	10	241		241		241		241		241	-
	1/16/86	10	111		111		111		111		111	0
	1/10/86	10	536		536		536		536		536	0
	2/20/86	10	150		150		150		150		150	-
	3/20/86	10	63		63		63		63		63	(0)
Road boring machine	6/5/2008	10	4,056	406	811	406	1,217	406	1,622	406	2,028	2,028
	6/30/88	10	28		28		28		28		28	(0)
345 SUBTOTAL			7,741	406	4,496	406	4,902	406	5,307	406	5,713	2,028
<b>TOTALS -- WATER DIVISION</b>			<b>\$ 11,252,654</b>	<b>\$ 279,208</b>	<b>\$ 2,633,197</b>	<b>\$ 297,929</b>	<b>\$ 2,931,126</b>	<b>\$ 299,452</b>	<b>\$ 3,230,577</b>	<b>\$ 296,594</b>	<b>\$ 3,527,172</b>	<b>\$ 7,725,482</b>
#												
Grand Totals Gas & Water			\$ 11,742,413	\$ 282,206	\$ 2,890,964	\$ 310,850	\$ 3,201,814	\$ 312,372	\$ 3,514,186	\$ 308,220	\$ 3,822,405	\$ 7,920,009

A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR WATER SERVICE IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, SERIES 2007, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZE

TABLE OF CONTENTS -

	<u>PAGE</u>
PREAMBLE	1
SECTION 1. AFFIRMATION OF PREAMBLE RECITALS; AUTHORIZATION OF THE PROJECT; DECLARATION OF NECESSITY	3
SECTION 2. PROJECT TO BE MUNICIPALLY OWNED AND OPERATED	3
SECTION 3. 2007 BONDS AUTHORIZED; CERTAIN TERMS AND DETAILS	3
SECTION 4. PROVISIONS RELATING TO SALE OF BOND ISSUE	5
SECTION 5. 2007 BONDS TO BE ISSUED IN FULLY REGISTERED FORM; FULLY REGISTERED BOND FORM	7
SECTION 6. DISPOSITION OF 2007 BOND PROCEEDS; CONSTRUCTION FUND	11
SECTION 7. OPERATION OF SYSTEM; FLOW OF FUNDS; ACCUMULATION OF REVENUES	12
SECTION 8. COVENANTS TO BONDHOLDERS	15
SECTION 9. PARITY BONDS PERMITTED; TERMS	19
SECTION 10. PROVISIONS OF RESOLUTION CONSTITUTE CONTRACT	21
SECTION 11. TAX COVENANTS	21
SECTION 12. SEVERABILITY CLAUSE	23
SECTION 13. REPEAL OF INCONSISTENT PROVISIONS	24
SECTION 14. WHEN RESOLUTION EFFECTIVE	24
SIGNATURES AND CERTIFICATION	24

A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR WATER SERVICE IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, SERIES 2007, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED

WHEREAS, pursuant to the provisions of Chapter 74 of the Kentucky Revised Statutes ("KRS"), the Western Lewis-Rectorville Water District (the "District"), Lewis and Mason Counties, Kentucky, has been created and organized as a public body corporate and a statutory water district with all powers and authority as provided in KRS Chapter 74; and the District is at this time a *de jure* water district situated wholly in Lewis and Mason Counties, Kentucky; and

WHEREAS, by Ordinance of the Commission of the District adopted on November 3, 1961 (the "1961 Ordinance"), the District authorized and thereafter issued its Water and Gas System Revenue Bonds, dated November 1, 1961 (the "1961 Bonds"), for the purpose of providing funds for the construction of a water and gas distribution system (the "System") to serve the area of the District, which 1961 Bonds have been paid and retired and are no longer outstanding; and

WHEREAS, by Resolution of September 10, 1988 (the "1988 Resolution"), the District authorized and thereafter issued its Water and Gas System Revenue Bonds, 1988 Series A and B, in the original amount of \$280,000, dated March 23, 1989 (the "1988 Bonds"), for the purpose of constructing new water line additions and extensions, a portion of which 1988 Bonds is currently outstanding; and

WHEREAS, it was provided in and by the 1988 Resolution, that the District may issue additional bonds ranking on a basis of parity and equality with the 1988 Bonds, and pursuant to those provisions the District authorized, by Resolution of May 17, 1996 (the "1996 Resolution"), and thereafter issued its Water and Gas System Revenue Bonds, 1996 Series A and B, in the original amount of \$1,721,000, dated November 12, 1996 (the "1996 Bonds"), for the purpose of constructing water system extensions and improvements, a portion of which 1996 Bonds is currently outstanding; and

WHEREAS, pursuant to the above-described parity bond provisions the District authorized, by Resolution of August 13, 2001 (the "2001 Resolution"), and thereafter issued its Water and Gas System Revenue Bonds, Series 2001, in the original amount of \$333,000, dated March 13, 2002 (the "2001 Bonds"), for the purpose of constructing water system extensions and improvements, a portion of which 2001 Bonds is currently outstanding; and

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

WHEREAS, it has been determined upon the basis of public bids for construction duly solicited in the manner required by law, and upon the basis of other costs and estimates, that the aggregate of all costs and expenses in connection with the described project will be \$2,750,300, and to provide such funds the District has received from the United States Department of Agriculture, Rural Development ("USDA"), an offer to make a USDA loan to the District in the amount of \$712,000, which will be supplemented by a USDA Grant in the amount of \$325,000, a KIA 2020 Grant of \$500,000, a TDF Industrial Park Grant of \$200,000, a TDF Lewis and Mason Counties Grant of \$823,000, a TDF Lewis County Fiscal Court Grant of \$100,000, and available funds of the District in the amount of \$90,300; and

WHEREAS, it is now appropriate for the District to provide for borrowing the sum of \$712,000 through issuance and sale of its Water and Gas System Revenue Bonds, Series 2007 (the "2007 Bonds"), according to authority of Kentucky Revised Statutes ("KRS") Chapters 58 and 74 and the provisions of the 1988 Resolution, 1996 Resolution and 2001 Resolution permitting the issuance of parity bonds; and the 2007 Bonds shall be payable as to both principal and interest solely (except as to capitalized interest) from the income and revenues to be derived from the operation of the System, as extended from time to time, and shall not constitute an indebtedness of the District within the meaning of debt-limiting provisions of the Constitution of Kentucky;

NOW, THEREFORE, THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1

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

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

It is hereby further determined and declared to be necessary in the interests of the general welfare of the citizens and inhabitants of the District that the District undertake at this time the acquisition, construction and installation of major additions and extensions to the District's water distribution facilities (the "Project"), all substantially according to the plans, specifications and designs prepared for the District by HMB Professional Engineers, Inc., Frankfort, Kentucky (the "Engineers"). Immediate undertaking of such acquisition, construction and installation is hereby authorized.

SECTION 2

PROJECT TO BE MUNICIPALLY OWNED AND OPERATED

The acquisition, construction and installation of the Project is undertaken by the District for public purposes and same shall constitute and be a part of the District's municipal combined water and gas distribution system (the "System," as expanded and improved by the Project), and so long as any of the 2007 Bonds hereinafter authorized, or bonds issued on a parity therewith, shall remain outstanding and unpaid as to principal or interest, the System shall continue to be municipally owned, controlled, operated and maintained by the District on a combined and consolidated basis for the security and source of payment of the 2007 Bonds hereinafter authorized to be issued, and all other parity bonds outstanding and any such parity bonds which may be hereafter issued. The Project is to be acquired, constructed, installed and acquired and the System is to be operated pursuant to the provisions of KRS Chapters 74 and 58, now in full force and effect. The System, as expanded from time to time, and including the Project, is hereby declared to be a public project within the meaning and application of KRS 58.010 to 58.140, inclusive.

SECTION 3

2007 BONDS AUTHORIZED; CERTAIN TERMS AND DETAILS

For the purpose of providing funds to defray the costs of the Project (to the extent not otherwise provided to be paid), including all necessary and proper appurtenances, and expenses incident thereto and incident to the issuance of the 2007 Bonds hereinafter authorized, there are hereby authorized to be issued the District's Water and Gas System Revenue Bonds, Series 2007, in the aggregate principal amount of \$712,000 (the "2007 Bonds").

The 2007 Bonds shall be dated as of the date of their original delivery and shall be issuable as a single fully registered bond without coupons as hereinafter provided in Section 5,

with reservation of right on the part of the District to issue additional bonds in the future, payable from the income and revenues of the System, subject to the conditions and restrictions hereinafter prescribed and set forth. The 2007 Bonds shall be offered at public sale as provided in Section 4 of this Resolution.

The 2007 Bonds shall mature as to principal in installments on November 1 in each of the years 2008 to 2045, inclusive, as set forth in the schedule appearing below; and shall bear interest from their date until payment of principal, such interest to the respective principal maturity dates to be payable semiannually on May 1 and November 1 of each year, and such interest to be at such rate as may be established by a supplemental Resolution upon the basis of competitive sale of the 2007 Bonds as hereinafter provided. The installments of principal of the 2007 Bonds, in fully registered form as aforesaid, shall be as set forth in the following schedule:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2009	\$ 7,000	2022	\$13,000	2035	\$ 23,000
2010	8,000	2023	14,000	2036	24,000
2011	8,000	2024	14,000	2037	25,000
2012	8,000	2025	15,000	2038	27,000
2013	9,000	2026	16,000	2039	28,000
2014	9,000	2027	16,000	2040	29,000
2015	10,000	2028	17,000	2041	30,000
2016	10,000	2029	18,000	2042	32,000
2017	11,000	2030	19,000	2043	33,000
2018	11,000	2031	20,000	2044	35,000
2019	12,000	2032	20,000	2045	36,000
2020	12,000	2033	21,000	2046	37,000
2021	13,000	2034	22,000		

provided, however, that installments of principal of the 2007 Bonds maturing on and after November 1, 2018, shall be subject to prepayment at the option of the District prior to maturity in whole or from time to time in part in inverse order of maturities (less than all of a single maturity to be selected by lot) on any interest payment date on and after November 1, 2017, upon terms of par plus accrued interest without any prepayment premium, upon thirty (30) days' prior written notice mailed to the registered holder or holders of the 2007 Bonds; provided, that so long as USDA is the owner of any of the 2007 Bonds, the same may be prepaid in whole or in part at any time, at par plus accrued interest, and without notice or prepayment premium. The 2007 Bonds may be prepaid only in increments of \$1,000.

Both principal of and interest on the 2007 Bonds shall be payable, without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, to the registered holder at the address shown on the registration books of the District or, so long as USDA is the registered holder, at the office or address as may be designated by USDA from time to time.



If any District officer whose signature appears on any 2007 Bond shall cease to be such officer prior to delivery, such signature shall nevertheless be valid and binding for all purposes, the same as if such officer had continued in office until the time of delivery of such 2007 Bond. The 2007 Bonds, together with the interest thereon, and any bonds which may hereafter be issued on a basis of parity therewith subject to the conditions and restrictions hereinafter set forth, shall be payable only out of the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund," as hereinafter more specifically provided, and shall be a valid claim of the holder thereof only against said Fund and the fixed portion or amount of the revenues of the System which the District has pledged to said Fund, subject to the terms hereof.

The District finds and declares that the 2007 Bonds herein authorized to be issued shall rank on a basis of parity and equality as to security and source of payment with the outstanding 1988 Bonds, 1996 Bonds and 2001 Bonds, as previously defined, inasmuch as the District is in compliance with all covenants and undertakings in connection with its 1988, 1996 and 2001 Bonds, has obtained the waiver and consent of USDA, as the holder of the 1988, 1996 and 2001 Bonds, to the issuance of the parity 2007 Bonds herein authorized, and is otherwise in compliance with the parity bond terms and conditions of the 1988 Resolution.

#### SECTION 4

#### PROVISIONS RELATING TO SALE OF BOND ISSUE

The 2007 Bonds authorized by this Resolution shall be publicly offered for sale according to a Notice of Sale of Bonds conforming to the requirements of KRS Chapter 424 (and particularly KRS 424.140(3) and KRS 424.360), which shall be published one time, not less than seven (7) days nor more than twenty-one (21) days prior to the date therein specified (by and at the discretion of the Chairman of the Commission of the District) for the opening and consideration of purchase bids, in each of the following: (a) the Lewis County Herald, a legal newspaper published in Vanceburg, Lewis County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; (b) the Ledger Independent, a legal newspaper published in Maysville, Mason County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; and (c) The Courier-Journal, Louisville, Kentucky, a legal newspaper having statewide circulation.

Said Notice shall state the name and amount of 2007 Bonds to be sold, the time of the sale and other details concerning the 2007 Bonds and the sale and shall inform prospective bidders that a copy of the Official Notice of Bond Sale, setting out the maturities, security of the 2007 Bonds, provisions as to redemption prior to maturity, and related information, may be obtained from the District. Such Official Notice shall contain, *inter alia*, substantially the following bidding requirements:

(A) Bidders shall be limited to institutions or persons having knowledge and experience in financial and business matters who are capable of evaluating the merits and risks of the 2007 Bonds and who are not purchasing for more than one account and do not intend to redistribute the 2007 Bonds. The District will make available to any such qualified bidder, upon written request, any financial and other material information regarding the District and the System in the

District's possession. Bidders are required to bid a cash price of not less than par value for the 2007 Bonds.

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

(C) Bids will be considered only for the entire 2007 Bond issue.

(D) Bidders (except USDA) are required to deposit a good faith check by cashier's check or certified check in the minimum amount of 2% of the face amount of the 2007 Bonds, which good faith deposit may be applied as partial payment for the 2007 Bonds, or as liquidated damages in the event that such bidder, if successful, fails to comply with the terms of his bid.

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

(F) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the 2007 Bonds, computed from the first day of the month following the date of sale of the 2007 Bonds (even though the 2007 Bonds will bear interest only from the date of delivery) to the final maturity specified in each respective bid.

(G) The District expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 2007 Bonds at the office of the District within 45 days after the date of sale thereof. If the 2007 Bonds are not ready for delivery and payment within forty-five days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the 2007 Bonds, except that 2007 Bonds purchased by any agency of the Federal government will be delivered to it at a place and time designated by such agency in accordance with its established practices and procedures.

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

(I) The District will furnish the 2007 Bonds, together with customary closing documents, including no-litigation certificate.

(J) The successful bidder will receive the approving legal opinion of Stoll Keenon Ogden PLLC, Bond Counsel, Louisville, Kentucky, as to the legality of and tax-exempt status of interest on the 2007 Bonds, without additional cost to the successful bidder.

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

Bond Counsel having submitted to the Commission of the District forms of the Notice of Sale of Bonds and the Official Notice of Bond Sale, together with an Official Bid Form for use by all bidders except USDA, said documents are hereby approved and authorized for use in connection with the aforesaid sale of the 2007 Bonds.

SECTION 5

2007 BONDS TO BE ISSUED IN  
FULLY REGISTERED FORM; FULLY REGISTERED BOND FORM

Upon the sale of the 2007 Bonds, the District shall issue a single fully registered 2007 Bond numbered R-1 (hereinafter referred to as the "Fully Registered Bond"). The Fully Registered Bond shall be in the aggregate principal amount of \$712,000, maturing as to principal in installments as set out in Section 3 hereof. The Fully Registered Bond shall be of type composition, on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. The Fully Registered Bond shall, upon execution on behalf of the District (which execution shall be by manual signatures of the Chairman and Secretary of the Commission, and actual impression of the corporate seal), constitute a part of the 2007 Bond issue herein authorized and referred to, shall be non-negotiable, without interest coupons, registered as to principal and interest, payable as directed by the payee, and be in substantially the form hereinafter set forth.

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

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

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
COUNTIES OF MASON AND LEWIS  
WESTERN LEWIS-RECTORVILLE WATER DISTRICT  
WATER AND GAS SYSTEM REVENUE BOND, SERIES 2007

No. R-1

\$712,000

KNOW ALL MEN BY THESE PRESENTS:

That Western Lewis-Rectorville Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Mason and Lewis Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of SEVEN HUNDRED TWELVE THOUSAND DOLLARS (\$712,000) on the first day of November in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
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(Here insert the principal maturities of the 2007 Bonds)

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

This Bond is the Bond in fully registered form representing a total authorized series of Bonds in the principal amount of \$712,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 58 and 74 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs (to the extent not otherwise provided to be paid) of the acquisition, construction and installation of major extensions and additions to the District's water and gas distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the issue which it represents, together with such additional bonds ranking on a parity therewith that have previously been issued and are outstanding and that may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue of which it forms a part, and such outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund." The Bonds of this series rank on a basis of parity and equality with certain previously issued and outstanding 1988 Series A and B Bonds, 1996 Series A and B Bonds and Series 2001 Bonds.

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

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after November 1, 2017, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of 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 holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, this Bond may be prepaid at any time, in whole or in part, at par or face value and without notice or prepayment premium.

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

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

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

IN WITNESS WHEREOF, the Western Lewis-Rectorville Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is \_\_\_\_\_.

WESTERN LEWIS-RECTORVILLE  
WATER DISTRICT

By \_\_\_\_\_  
Chairman of the Commission

Attest:

\_\_\_\_\_  
Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

(FORM OF REGISTRATION)

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

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\*(To be inserted if USDA purchases the 2007 Bonds)

SECTION 6

DISPOSITION OF 2007 BOND PROCEEDS; CONSTRUCTION FUND

The Treasurer of the District shall be the custodian of all funds belonging to and associated with the System, as expanded and improved from time to time, and such funds shall be deposited in the bank or banks in Kentucky as the Commission of the District may from time to time designate (hereinafter sometimes referred to, singularly and collectively, as the "Depository Bank"). All such moneys of the District deposited in the Depository Bank in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The Treasurer shall execute a fidelity bond in an amount and with a surety company approved by USDA so long as it is the holder of any of the 2007 Bonds; and USDA and the District shall be named co-obligees in such surety bond, and the amount thereof shall not be reduced without the written consent of USDA. The proceeds of the 2007 Bonds shall be applied as follows:

Upon the issuance and delivery of the 2007 Bonds authorized by this Resolution, the entire proceeds thereof shall be deposited in an account designated "Western Lewis-Rectorville Water District 2007 Construction Fund" (the "Construction Fund"), which is hereby created. The 2007 Bond proceeds shall constitute a part of the Construction Fund and shall be applied, to the extent necessary, in paying the costs incident to constructing, installing and acquiring the Project, including expenses incurred in the issuance of the 2007 Bonds and paying interim financing obligations (both principal and interest) incurred in connection with the Project as authorized by the separate interim financing Resolution of the Commission of the District adopted concurrently herewith; provided, however, any 2007 Bond proceeds so used to pay such interim financing obligations may be disbursed directly to the appropriate lender without the requirement of being deposited to the Construction Fund. There shall also be deposited in the Construction Fund, as received, the proceeds of all grants in aid of construction of the Project (as specified in the conditions of the USDA loan to the District), unless said sums, or any portions thereof, have already been expended for authorized Project purposes.

A sum in the Construction Fund estimated to be equal to interest which will accrue on the 2007 Bonds (following delivery thereof) during construction and development of the Project shall be earmarked, used and applied to the payment of interest on the 2007 Bonds next becoming due.

Disbursements from the Construction Fund shall be made by checks signed by the District Treasurer, and such disbursements shall be authorized and approved in writing by the District Chairman or Secretary and, if USDA is the purchaser of the Bonds, by USDA.

Pending disbursement, the 2007 Bond proceeds shall be deposited, as aforesaid, in the Construction Fund, and to the extent that such deposit causes the aggregate deposits by the District in the Depository Bank to be in excess of the amount insured by FDIC, the same shall be secured by a surety bond or bonds furnished by a surety company or companies qualified to do business in Kentucky and approved by the Commission of the District, or by a valid pledge of direct obligations of the United States Government, or obligations as to which the payment of principal and interest are guaranteed by the United States Government, having a market value at least equivalent to such deposit.

Where the moneys on deposit in the Construction Fund exceed the estimated disbursements on account of the Project for the next 60 days, the District shall direct the Depository Bank to invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, which shall mature not later than six months after the date of such investment and which shall be subject to redemption at any time by the holder thereof. The earnings from any such investments shall be deposited in the Construction Fund by the District, unless otherwise authorized by USDA.

In the event any unexpected balance shall remain in the Construction Fund after completion of the Project, and payment of all of the costs thereof, as certified by the Engineers, such unexpended balance, subject to the terms and conditions of the aforesaid USDA loan, and to USDA approval, shall be transferred and deposited in the Sinking Fund and shall be used at the earliest practicable date for the retirement of 2007 Bonds by purchase thereof (or principal prepayment) in inverse numerical and maturity order.

In the event that the amount hereinabove provided to be set aside from 2007 Bond proceeds for payment for interest during the construction and development of the Project should prove to be insufficient for such purpose, additional moneys may, upon approval by USDA, be withdrawn from the Construction Fund and so applied, inasmuch as interest during such period is a proper part of the cost of the Project, to the extent authorized by USDA.

Pending disbursements for the authorized purposes, the proceeds of all 2007 Bonds at any time issued pursuant to this Resolution shall be subject to a first and paramount lien and charge in favor of the holders of 2007 Bonds issued and outstanding hereunder and for their further security.

#### SECTION 7

#### OPERATION OF SYSTEM; FLOW OF FUNDS; ACCUMULATION OF REVENUES

It is hereby resolved and provided that from and after issuance and delivery of the 2007 Bonds herein authorized, and so long as any of the 2007 Bonds or parity bonds remain outstanding and unpaid, the System shall continue to be operated on a fiscal year basis, and on that basis the cash income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:



(A) A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was created by the 1961 Ordinance identified as the "Western Lewis-Rectorville Water District Revenue Fund" (the "Revenue Fund"), the continued existence of which is reaffirmed and which shall continue to be maintained in the Depository Bank; and the District covenants and agrees that it will deposit therein, promptly as received from time to time, all cash income and revenues of the System. The moneys in the Revenue Fund from time to time shall be used, disbursed and applied by the District, as permitted by applicable statutes, as follows:

(B) A separate and special fund or account of the District was created to be deposited and maintained in the Depository Bank, distinct and apart from all other funds and accounts, designated and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund" (the "Sinking Fund"), which shall continue to be maintained so long as any of the 2007 Bonds herein authorized or parity bonds are outstanding; and all moneys deposited therein from time to time shall be used and disbursed and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on the 1988, 1996, 2001 and 2007 Bonds and any parity bonds which may be issued and outstanding from time to time pursuant to the provisions of this Resolution.

Following delivery of and payment for the 2007 Bonds herein authorized, there shall be transferred on or before the 20th day of each month from the Revenue Fund to the Sinking Fund, in addition to the principal and interest requirements of the 1988 Bonds, 1996 Bonds and 2001 Bonds according to the 1988, 1996 and 2001 Resolutions, not less than the following amounts:

- (i) beginning with and including the month in which interest shall last be payable from all 2007 Bond proceeds, a sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on all 2007 Bonds then outstanding; and
- (ii) beginning on November 20, 2008, a sum equal to one-twelfth (1/12) of the principal of all 2007 Bonds maturing on the next succeeding November 1.

In the event additional parity bonds are issued pursuant to the conditions and restrictions hereinafter prescribed in that connection, the monthly deposits to the Sinking Fund shall be increased to provide for payment of interest thereon and the principal thereof as the same respectively become due.

Moneys from time to time in the Sinking Fund may be held in cash, in which event the same shall be secured (to the extent not insured by FDIC) by a valid pledge of bonds, notes, or certificates of indebtedness of the United States Government having at all times an equal market value; or the same may, upon order of the Commission, be invested and reinvested in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing no later than five (5) years from the date the investment is made, or the final maturity date of 2007 Bonds or parity bonds issued pursuant to this Resolution, whichever date is the earlier. Income from any such investments shall be accumulated in the Sinking Fund, and may be invested in the same manner.

(C) A separate and special fund or account of the District was heretofore created, distinct and apart from all other funds and accounts of the District, and is designated and identified as the "Western Lewis-Rectorville Water District Depreciation Fund" (the "Depreciation Fund"), which is hereby continued.

After observing the priority of deposits set forth in (A) above, which are cumulative, there shall be set apart and paid into the Depreciation Fund each month for the account of the 2007 Bonds (in addition to such monthly payments required for the account of the 1988, 1996 and 2001 Bonds) not less than \$320 from the remaining funds in the Revenue Fund, such monthly deposits to continue so long as any bonds payable from the income and revenues of the System remain outstanding and unpaid.

In addition to the above deposits from the Revenue Fund, there shall also be deposited in the Reserve Fund, as received, the proceeds of all property damage insurance (except public liability) maintained in connection with the System, and the cash proceeds of any surplus, worn out or obsolescent properties of the System, if the same be sold upon order of the Commission. Fees levied and collected by the Commission of the District for the privilege of connecting to the System shall, unless otherwise directed by the Commission of the District, be paid, as received, into the Depreciation Fund. The term "cash revenues" of the System, as used in this Section 7, means all proceeds of water service rates and charges, and does not include the other cash items enumerated in this paragraph.

The Depreciation Fund shall be available and may be withdrawn and used by the District, upon appropriate certification as to the authorization for such withdrawal, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals or replacements, not included in the Annual Budget of Current Expenses, and the cost of constructing additions and improvements to the System which will either enhance its revenue-producing capacity or provide a higher degree of service. The Depreciation Fund shall also be available for transfer to the Sinking Fund in order to avoid default in connection with any bonds payable from the Sinking Fund.

At any time when the accumulations in the Depreciation Fund shall exceed anticipated and foreseeable needs for authorized purposes, all or any portion of such excess may be invested and reinvested upon order of the Commission in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing or subject to redemption at the option of the holder not later than three (3) years after the date of investment; but as and when funds may be required for authorized purposes a sufficient portion thereof shall be converted into cash and so applied. All investments of money in the Depreciation Fund shall be carried to the credit of the Depreciation Fund; all income from investments and any profit from the sale thereof shall be credited thereto; and any expenses incident to investment or reinvestment, together with any loss from forced conversion of investments into cash, shall be charged thereto.

(D) A separate and special fund or account of the District was heretofore created, distinct and apart from all other funds and accounts of the District, and is designated and identified as the "Western Lewis-Rectorville Water District Operation and Maintenance Fund" (the

"Operation and Maintenance Fund"), which Fund is hereby continued and shall continue to be maintained for the benefit of the System and all bonds payable from the income and revenues of the System. The District covenants that it will transfer monthly from the funds in the Revenue Fund, after making the transfers required by (A) and (B) of this Section 7 (which are cumulative), to the Operation and Maintenance Fund sums sufficient to pay as they accrue the Current Expenses of operating and maintaining the System pursuant to the Annual Budget, for which provision is hereafter made, and to accrue an operation and maintenance reserve not in excess of anticipated requirements for a two-month period pursuant to the Annual Budget.

(E) Subject to the provisions of subparagraphs (A), (B) and (C) of this Section 7, which are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred within sixty (60) days after the end of each fiscal year the balance of excess funds in the Revenue Fund on such date to (i) the Sinking Fund to be used in redeeming outstanding bonds payable from the Sinking Fund in inverse numerical or maturity order or purchasing such outstanding bonds at a price not to exceed the price at which such bonds may be redeemed on the next succeeding redemption date; provided, however, that notwithstanding the provisions hereof, the District reserves the right to redeem bonds which are redeemable without redemption premium prior to redeeming bonds which are only redeemable upon the payment of redemption premium, or (ii) the Depreciation Fund.

\* \* \* \* \*

All payments into the above special funds shall be made on or before the twentieth (20th) day of each month, except that when the twentieth (20th) day of any month shall be a Sunday or a legal holiday, then such payment shall be made on the next succeeding business day.

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

## SECTION 8

### COVENANTS TO BONDHOLDERS

The District hereby irrevocably covenants and agrees with the holder or holders of any and all 2007 Bonds and parity bonds at any time issued and outstanding pursuant to authority of this Resolution that so long as the same or any part thereof or interest thereon remain outstanding and unpaid:

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

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

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

(D) The District covenants and agrees that, so long as any of the 2007 Bonds are outstanding, it will not sell or otherwise dispose of any of the System facilities or any part thereof, and, except as provided for in this Resolution, it will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the 2007 Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any of its System facilities, provided that:

(i) it is in compliance with all covenants and undertakings in connection with all of its 2007 Bonds then outstanding and payable from the revenues of the System;

(ii) it will, in the event of sale, apply the proceeds to either (1) redemption of outstanding 1988, 1996, 2001 or 2007 Bonds in accordance with the provisions governing prepayment of said bonds in advance of maturity, or (2) replacement of the facility so disposed of by another facility the revenues of which shall be incorporated into the System as hereinbefore provided;

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

(iv) notwithstanding all of the foregoing, no such sale, abandonment or transfer of System facilities shall be made so long as USDA owns any of the 2007 Bonds herein authorized, without the written consent and approval of USDA.

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

On or before the date of issuance of the 2007 Bonds, the District will adopt a Budget of Current Expenses for the System for the remainder of the then current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any 2007

Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will file a copy of each such Budget, and of any amendments thereto, in the office of the Secretary of the District, and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation and payments into the Depreciation Fund for extensions, improvements, and extraordinary repairs and maintenance. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Commission of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the District agrees that it will prepare an estimate of cash income and revenues to be derived from operation of the System for each fiscal year, and to the extent that said cash income and revenues are insufficient to provide for all payments required to be made into the said sinking funds during such ensuing fiscal year, and to build up and maintain the reserves specified and referred to in Section 7 of this Resolution, and to pay Current Expenses, the District covenants and agrees that it will revise its rates and charges for services rendered by the System, so that the same will be adequate to meet all of such requirements.

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

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

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

(I) It will, within ninety (90) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the District on a monthly salary basis, showing all receipts and disbursements, and reflecting in reasonable detail the financial condition and records of the System, including the status of the several funds hereinbefore created, the status of the insurance and fidelity bonding, the number and type of connections, and the current rates and charges, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized

accounting practices, and will promptly cause a copy of the Audit Report to be filed in the office of the Secretary where it will be available for public inspection, and will promptly mail a copy thereof to the original recipients of 2007 Bonds issued hereunder. If requested to do so, the District will furnish to any Bondholder a condensed form of the Balance Sheet, and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided. Provided, so long as USDA holds any of the 2007 Bonds herein authorized, the District shall furnish operating and other financial statements in such form and substance and for such periods as may be requested by USDA.

(J) Any holder of 2007 Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance by said District and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of the System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of the 2007 Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of Current Expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

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

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

(N) The District will procure and at all times maintain Public Liability Insurance relating to the operation of the System, with limits of not less than \$200,000 for one person

and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death; and not less than \$100,000 from claims for damage to property of others which may arise from the District's operation of the System.

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

(P) If the District owns or operates a vehicle in the operation of the System, the District will procure and at all times maintain Vehicular Public Liability Insurance with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$100,000 against claims for damage to property of others which may arise from the District's operation of vehicles. Provided, notwithstanding (M), (N), (O) and (P) above, that so long as USDA holds any 2007 Bonds, the District will procure and maintain insurance of such types and amounts as USDA may specify.

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

#### SECTION 9

#### PARITY BONDS PERMITTED; TERMS

The 2007 Bonds authorized to be issued hereunder and from time to time outstanding shall not be entitled to priority one over the other in the application of the revenues herein pledged, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the 2007 Bonds authorized to be issued under the provisions of this Resolution, regardless of the fact that they may actually be issued and delivered at different times. No other bonds or other obligations shall be issued by the District and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created; provided, however, the District hereby reserves the right and privilege of issuing additional bonds, from time to time, payable from the revenues of the System, ranking on a basis of equality and parity as to security and source of payment with the 2007 Bonds herein authorized, for the following purposes and subject to the following conditions and restrictions:

(A) The District covenants and agrees that in the event the cost of constructing the Project, together with incidental expenses, shall exceed the cost upon which the dollar amount of 2007 Bonds herein authorized has been computed, it shall pay the amount of such excess out of funds available to it for such purpose. The District may provide such excess (but only such excess) through the issuance of parity bonds, provided that it has obtained (i) the consent of USDA, and (ii) if any 2007 Bonds are owned by persons other than USDA, the consent of the holders of two-thirds in principal amount of the outstanding 2007 Bonds so held.

(B) The District shall have the right to add new System facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to the 2007 Bonds, provided in each instance that:

- (i) the facility or facilities to be built from the proceeds of the additional parity bonds is or are made a part of the System and its or their revenues are pledged as additional security for the additional parity bonds and the outstanding 2007 Bonds and parity bonds, if any;
- (ii) the District is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the income and revenues of the System or any part thereof;
- (iii) the net revenues (defined as gross revenues less essential operation and maintenance expenses) of the System for the fiscal year preceding the year of issuance of additional parity bonds are certified by an independent certified public accountant to have been equal to at least one and twenty hundredths (1.20) times the average annual requirements for principal and interest on all 2007 Bonds and parity bonds, if any, then outstanding; and
- (iv) the estimated average annual net revenues of the facility or facilities to be constructed or acquired with the proceeds of such additional bonds (and any other funds pledged as security), when added to the estimated future average annual net revenues of the then existing System, shall be at least one and twenty hundredths (1.20) times the average annual debt service requirements for principal and interest on all outstanding 2007 Bonds and on the additional bonds then to be issued. Future net revenue estimates shall be furnished by a recognized independent consulting engineer or firm of such engineers and shall be forecast over a period not exceeding five (5) years from the date of the additional bonds proposed to be issued. Provided, however, the foregoing conditions and limitations prescribed in subparagraph (iii) immediately above and this subparagraph (iv) may be waived or modified by the written consent of the holders of at least seventy-five percent (75%) in principal amount of the then outstanding 2007 Bonds and parity bonds, if any.

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

- (i) adjust the monthly deposits into the Sinking Fund on the same basis as that prescribed in Section 7(B) hereof to reflect the annual debt service on the additional bonds;



- (ii) adjust and increase appropriately the monthly amount to be deposited into the Depreciation Fund in accord with controlling resolutions to give recognition to the facilities and equipment to be constructed or acquired with the proceeds of such additional bonds; and
- (iii) make such additional bonds payable as to principal on November 1 of each year in which principal falls due and payable as to interest on May 1 and November 1 of each year.

(D) The additional parity bonds (sometimes herein referred to as "permitted" to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds payable from the revenues of the System on a basis of equality and parity with the 2007 Bonds herein specifically authorized, and shall not be deemed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the 2007 Bonds and parity bonds herein authorized to be issued. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged, and not ranking on a basis of equality and parity with the 2007 Bonds and parity bonds herein otherwise referred to, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions or extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment, and protection of the 2007 Bonds and parity bonds herein authorized and permitted to be issued. Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the initially authorized 2007 Bonds, and/or of any bonds which may have been issued and are outstanding under any of the provisions of this Resolution, if such refunding does not operate to increase, in any year until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

#### SECTION 10

#### PROVISIONS OF RESOLUTION CONSTITUTE CONTRACT

The provisions of this Resolution shall constitute a contract between the District and the holders of the 2007 Bonds herein authorized and any parity bonds herein permitted to be issued, and after the issuance of any of the 2007 Bonds, no change, variation, or alteration of any kind of the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of the 2007 Bonds and parity bonds issued hereunder, and the interest thereon, have been paid in full.

#### SECTION 11

#### TAX COVENANTS

The District covenants and agrees that the Project will be constructed expeditiously and the expenditure of the portion of the proceeds of the 2007 Bonds deposited in the Construction Fund

for the payment of the costs of the Project will be made promptly in order that the Project will be completed and in operation at the earliest possible date. The District further certifies and covenants with the holders of the 2007 Bonds that so long as any of the 2007 Bonds remain outstanding, moneys on deposit in any fund or account in connection with the 2007 Bonds, whether or not such moneys were derived from the proceeds of the sale of the 2007 Bonds or from any other sources, will not be invested or used in a manner which will cause the 2007 Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated or proposed thereunder, as the same presently exist or may from time to time hereafter be amended, supplemented or revised. The Chairman and/or Secretary, as the officers of the District charged with the responsibility for issuing the Bonds, are authorized and directed, for and on behalf of the District, to execute all papers, documents, certificates and other instruments that may be required for evidencing compliance with federal "arbitrage bond" regulations, and any representations and certifications contained in such papers, documents, certificates and other instruments so executed shall be deemed to constitute representations and certifications of the District.

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

(A) Within the meaning of Section 141 of the Code and the Income Tax Regulations issued thereunder, over the terms of the Bonds (i) less than 10% of the proceeds of the 2007 Bonds, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the 2007 Bonds, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived directly or indirectly from payments (whether or not to the District) in respect of such property; (ii) at least 90% of the proceeds of the 2007 Bonds will be applied for a governmental use of the District; (iii) any private business use of the Project will be related to such governmental use of the District and will not be unrelated or disproportionate; and (iv) none of the proceeds of the 2007 Bonds will be used, directly or indirectly, to make or finance loans to private persons. It is reasonably expected that over the term of the 2007 Bonds (a) the Project will be available for general public use, in that it will be reasonably available for use by natural persons not engaged in a trade or business on the same basis as any other person or entity, (b) no nongovernmental person will have any special legal entitlement to use the Project, and (c) there will be no direct or indirect payments made with respect to the Project or the security of the 2007 Bonds by any persons or entities other than payments by the general public as described in clause (a) above.

(B) Within the meaning of Section 148(f)(4)(B), it is reasonably expected at least 75% of the net proceeds (including investment proceeds) of the 2007 Bonds will be used for construction expenditures with respect to property which is owned by a governmental unit, at least 10% of such proceeds will be spent for the governmental purposes of the issue within six months from the date the 2007 Bonds are issued, at least 45% of such proceeds will be spent for such purposes within one year from such date, at least 75% of such proceeds will be spent for such purposes within eighteen months from such date, and at least 100% of such proceeds will be spent within two years from such date. It is also reasonably expected at least 50% of all proceeds (including investment proceeds) of the 2007 Bonds will be used for expenditures on the Project within six months, at

least 60% will be so used within 12 months and 100% will be so used within 18 months from the date of issuance of the 2007 Bonds. If for any reason the arbitrage rebate requirements of Section 148(f) of the Code should be deemed to apply to the 2007 Bonds, the District will take all action necessary to comply therewith.

(C) It is reasonably expected that during the term of the 2007 Bonds the Project will not be disposed of, provided, however, should there be any disposition of any personal property constituting a part of the Project because it is no longer suitable for its governmental purpose, it is reasonably expected that the fair market value of such personal property will not exceed 25% of its cost.

(D) The weighted average maturity of the 2007 Bonds does not exceed 120% of the weighted average useful life of the facilities comprising the Project.

(E) The District has not heretofore expended any sums on the Project which are to be reimbursed from the proceeds of the 2007 Bonds, other than (a) certain preliminary expenditures such as engineering and planning costs not exceeding 20% of the 2007 Bond proceeds, (b) expenditures made within 60 days prior to the date of adoption of this Resolution, and (c) expenditures prior to which the District had adopted an official intent resolution regarding reimbursement from tax-exempt bond proceeds.

(F) The 2007 Bonds are not federally guaranteed within the meaning of Section 149(b) of the Code.

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

(H) The District will not use or permit the use of any of the funds provided by the 2007 Bonds in such manner as to, or take or omit to take any action which would, impair the exclusion from gross income for federal income tax purposes of interest on the 2007 Bonds. The District shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the District on the 2007 Bonds shall, for the purposes of federal income taxation, be excludable from gross income.

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

## SECTION 12

### SEVERABILITY CLAUSE

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

SECTION 13

REPEAL OF INCONSISTENT PROVISIONS

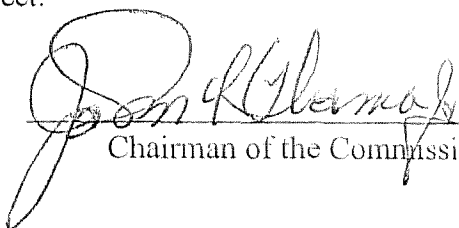
All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

SECTION 14

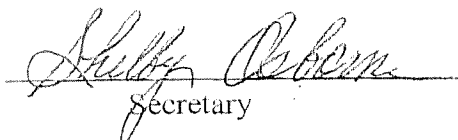
WHEN RESOLUTION EFFECTIVE

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

ADOPTED BY THE COMMISSION OF THE WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, at a meeting held on the 12th day of June, 2007, on the same occasion signed in open session by the Chairman, attested by the Secretary and declared to be in full force and effect.

  
Chairman of the Commission

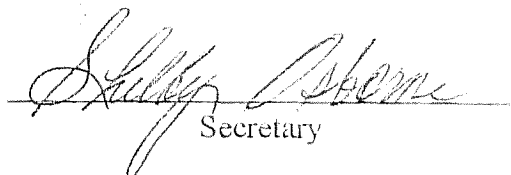
Attest:

  
Secretary

CERTIFICATION

The undersigned, Secretary of the Commission of Western Lewis-Rectorville Water District, Lewis and Mason Counties, Kentucky, hereby certifies that the foregoing is a true, complete and correct copy of a Resolution adopted by the Commission of the District at a properly convened meeting of the Commission of the District held on the 12th day of June, 2007, signed by the Chairman and attested by me as Secretary, as shown by the official records in my custody and under my control.

WITNESS my hand this 12 day of June, 2007.

  
Secretary

## Western Lewis-Rectorville Water & Gas District

		Amount of Series	\$712,000.00	Interest Rate	
<b>BOND SERIES 2007</b>		<b>\$712,000.00</b>		<b>4.38%</b>	
YEAR	PRINCIPAL	INTEREST	INTEREST	TOTAL	BALANCE
	Nov. 1st	November	May		<b>\$712,000.00</b>
2009	\$7,000.00	\$15,575.00	\$15,421.88	\$37,996.88	\$705,000.00
2010	\$8,000.00	\$15,421.88	\$15,246.88	\$38,668.75	\$697,000.00
2011	\$8,000.00	\$15,246.88	\$15,071.88	\$38,318.75	\$689,000.00
2012	\$8,000.00	\$15,071.88	\$14,896.88	\$37,968.75	\$681,000.00
2013	\$9,000.00	\$14,896.88	\$14,700.00	\$38,596.88	\$672,000.00
2014	\$9,000.00	\$14,700.00	\$14,503.13	\$38,203.13	\$663,000.00
2015	\$10,000.00	\$14,503.13	\$14,284.38	\$38,787.50	\$653,000.00
2016	\$10,000.00	\$14,284.38	\$14,065.63	\$38,350.00	\$643,000.00
2017	\$11,000.00	\$14,065.63	\$13,825.00	\$38,890.63	\$632,000.00
2018	\$11,000.00	\$13,825.00	\$13,584.38	\$38,409.38	\$621,000.00
2019	\$12,000.00	\$13,584.38	\$13,321.88	\$38,906.25	\$609,000.00
2020	\$12,000.00	\$13,321.88	\$13,059.38	\$38,381.25	\$597,000.00
2021	\$13,000.00	\$13,059.38	\$12,775.00	\$38,834.38	\$584,000.00
2022	\$13,000.00	\$12,775.00	\$12,490.63	\$38,265.63	\$571,000.00
2023	\$14,000.00	\$12,490.63	\$12,184.38	\$38,675.00	\$557,000.00
2024	\$14,000.00	\$12,184.38	\$11,878.13	\$38,062.50	\$543,000.00
2025	\$15,000.00	\$11,878.13	\$11,550.00	\$38,428.13	\$528,000.00
2026	\$16,000.00	\$11,550.00	\$11,200.00	\$38,750.00	\$512,000.00
2027	\$16,000.00	\$11,200.00	\$10,850.00	\$38,050.00	\$496,000.00
2028	\$17,000.00	\$10,850.00	\$10,478.13	\$38,328.13	\$479,000.00
2029	\$18,000.00	\$10,478.13	\$10,084.38	\$38,562.50	\$461,000.00
2030	\$19,000.00	\$10,084.38	\$9,668.75	\$38,753.13	\$442,000.00
2031	\$20,000.00	\$9,668.75	\$9,231.25	\$38,900.00	\$422,000.00
2032	\$20,000.00	\$9,231.25	\$8,793.75	\$38,025.00	\$402,000.00
2033	\$21,000.00	\$8,793.75	\$8,334.38	\$38,128.13	\$381,000.00
2034	\$22,000.00	\$8,334.38	\$7,853.13	\$38,187.50	\$359,000.00
2035	\$23,000.00	\$7,853.13	\$7,350.00	\$38,203.13	\$336,000.00
2036	\$24,000.00	\$7,350.00	\$6,825.00	\$38,175.00	\$312,000.00
2037	\$25,000.00	\$6,825.00	\$6,278.13	\$38,103.13	\$287,000.00
2038	\$27,000.00	\$6,278.13	\$5,687.50	\$38,965.63	\$260,000.00
2039	\$28,000.00	\$5,687.50	\$5,075.00	\$38,762.50	\$232,000.00
2040	\$29,000.00	\$5,075.00	\$4,440.63	\$38,515.63	\$203,000.00
2041	\$30,000.00	\$4,440.63	\$3,784.38	\$38,225.00	\$173,000.00
2042	\$32,000.00	\$3,784.38	\$3,084.38	\$38,868.75	\$141,000.00
2043	\$33,000.00	\$3,084.38	\$2,362.50	\$38,446.88	\$108,000.00
2044	\$35,000.00	\$2,362.50	\$1,596.88	\$38,959.38	\$73,000.00
2045	\$36,000.00	\$1,596.88	\$809.38	\$38,406.25	\$37,000.00
2046	\$37,000.00	\$809.38	\$0.00	\$37,809.38	\$0.00
0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	<b>\$712,000.00</b>	<b>\$382,221.88</b>	<b>\$366,646.88</b>	<b>\$1,460,868.75</b>	













## NOTICE

Notice is hereby given that Western Lewis-Rectorville Water & Gas District ("District") will be filing an application with the Public Service Commission ("PSC") for an adjustment of water rates. The proposed rates are as follows:

		<u>Existing</u>	<u>Proposed</u>	<u>\$ Change</u>	<u>% Change</u>
First	1,000 gallons (Minimum Bill)	\$ 14.55	\$ 18.04	\$ 3.49	23.986%
Next	4,000 gallons (per 1,000 Gallons)	5.05	6.26	1.21	23.960%
Over	5,000 gallons (per 1,000 Gallons)	3.80	4.71	0.91	23.947%

The average bill for a customer using 5,000 gallons per month will increase from \$34.75 to \$43.08 an increase of \$8.33 or 23.971 percent.

The rates contained in this notice are the rates proposed by the District; however, the PSC may order rates to be charged that differ from the proposed rates contained in this notice.

Notice is further given that any corporation, association, or person with a substantial interest in the matter may, by written request within thirty (30) days after the publication of this notice, request to intervene in the matter before the PSC. Intervention may be granted beyond the thirty (30) day period for good cause shown. The request should be submitted to the PSC at its address shown below. Any person who has been granted intervention by the PSC may obtain copies, free of charge, of the application and testimony by contacting the District at the address below. Any person may examine the rate application and any other filings made by the District at its offices or at the PSC at the addresses below.

Western Lewis-Rectorville Water & Gas District  
8044 KY 3161  
Maysville, Kentucky 41056

Telephone: 606-742-0014

Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602  
Telephone: 502-564-3940

Persons may also view and download a copy of the rate application through the Public Service Commission's website at [psc.ky.gov](http://psc.ky.gov).

**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

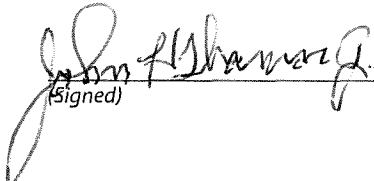
I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Western Lewis - Rectorville ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members\* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

John H. Thomas Jr.  
(Print Name)

  
(Signed)

CHAIRMAN of the BOARD  
(Position/Office)

\* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Mason

Subscribed and sworn to before me by John H. Thomas Jr.  
(Name)

this 15 day of July, 20 14.

Pauline Bickley #429653  
NOTARY PUBLIC  
State-at-Large Expires 10-8-14

**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Western Lewis Pactorville ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members\* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

Terry Thomas  
(Print Name)

*Terry Thomas*  
(Signed)

Secretary of the Board  
(Position/Office)

\* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Mason

Subscribed and sworn to before me by Terry Thomas  
(Name)

this 15 day of July, 20 14.

Pauline Bickley # 42 96 53  
NOTARY PUBLIC  
State-at-Large Expires 10-8-14

**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

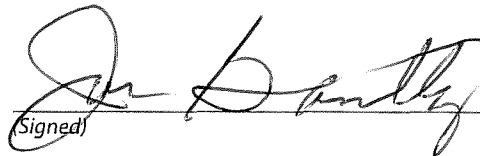
I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Western Lewis-Rectewillo ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members\* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

JOE GANTLEY  
(Print Name)

  
(Signed)

COMMISSIONER  
(Position/Office)

\* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.



COMMONWEALTH OF KENTUCKY

COUNTY OF Mason

Subscribed and sworn to before me by Joe Gantley  
(Name)

this 15 day of July, 2014.

Pauline Bickley #429653  
NOTARY PUBLIC  
State-at-Large Expires 10-8-14

**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Western Lewis - Rectonville ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members\* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

JERRY JOHNSON  
(Print Name)

*Jerry Johnson*  
(Signed)

Commissioner  
(Position/Office)

\* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Mason

Subscribed and sworn to before me by Gerry Johnson  
(Name)

this 15 day of July, 2014.

Pauline Bickley #429653  
NOTARY PUBLIC  
State-at-Large Expires 10-8-14

**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Western Lewis-Rectonville ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members\* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

CHAD CLARK  
(Print Name)

Chad Clark  
(Signed)

GENERAL MANAGER  
(Position/Office)

\* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Mason

Subscribed and sworn to before me by Chad Clark  
(Name)

this 15 day of July, 2014.

Pauline Bickley #429653  
NOTARY PUBLIC  
State-at-Large Expires 10-8-14

**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Western Lewis Reclamation ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members\* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

James R Williams  
(Print Name)

James R Williams  
(Signed)

Treasurer of the Board  
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Mason

Subscribed and sworn to before me by James R. Williams  
(Name)

this 15 day of July, 2014.

Pauline Bickley #429653  
NOTARY PUBLIC  
State-at-Large Expires 10-8-14

# REWARD

For information leading to the arrest of anyone stealing newspapers and/or newspaper machines belonging to The Ledger-Independent.

All information will be kept private & confidential

Please contact The Ledger Independent Circulation Department at:  
1-800-264-9091 x 242  
606-564-9091 x 242.

1 & 2 br, frost free fridge, laundry in every bldg, pantry, dishwasher, etc. 606-564-0066  
400 Moody Drive

Milliston Apartments  
Studio & 1BR Available  
We have Specials! 937-795-0261

**SPRINGWOOD APARTMENTS**  
★ 606-759-7613 ★

**FAX IT!**  
24 Hours a day!  
FAX YOUR Classified Ad to  
The Ledger Independent!  
606-564-9091 Ext: 235



The Ledger Independent and Advertiser and Lee Enterprises shall not accept advertisements that discriminate on the basis of race, color, national origin, religion, sex, familial status, or disability, or intention to make any such preferences, limitations or discrimination. All Real Estate advertised herein is subject to the Federal Fair Housing Act. State laws forbid discrimination in the sale, rental or advertising of real estate based on factors in addition to those protected under federal law. We will not knowingly accept any advertising for real estate which is in violation of the law. All persons are hereby notified that the real estate advertised here is available on an equal opportunity basis.

ADS, ADS, ADS, ADS!

## NOTICE

JUL 25 2014

Notice is hereby given that Western Lewis-Rectorville Water & Gas District ("District") will submit an application with the Public Service Commission ("PSC") for an adjustment of water rates. The proposed rates are as follows:

	Existing	Proposed	\$ Change	% Change
First 1,000 gallons (Minimum Bill)	\$ 14.55	\$ 18.04	\$ 3.49	23.986%
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The average bill for a customer using 5,000 gallons per month will increase from \$34.75 to \$43.08 an increase of \$8.33 or 23.971 percent.

The rates contained in this notice are the rates proposed by the District; however, the PSC may order rates to be charged that differ from the proposed rates contained in this notice.

Notice is further given that any corporation, association, or person with a substantial interest in the matter may, by written request within thirty (30) days after the publication of this notice, request to intervene in the matter before the PSC. Intervention may be granted beyond the thirty (30) day period for good cause shown. The request should be submitted to the PSC at its address shown below. Any person who has been granted intervention by the PSC may obtain copies, free of charge, of the application and testimony by contacting the District at the address below. Any person may examine the rate application and any other filings made by the District at its offices or at the PSC at the addresses below.

Western Lewis-Rectorville Water & Gas District  
8044 KY 3181  
Maysville, Kentucky 41056

Telephone: 606-742-0014

Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602  
Telephone: 502-564-3940

Persons may also view and download a copy of the rate application through the Public Service Commission's website at [psc.ky.gov](http://psc.ky.gov).

## INVITATION TO BID

The Mason County School District will accept sealed bids on the following items for Farm to School within a 50 mile radius of county lines.

1. Fresh Cherry Tomatoes
2. Fresh Regular Tomatoes
3. Fresh Cucumbers
4. Watermelon

Sealed bids will be accepted until 2:00 p.m. August 6 at which they will be opened. Bids shall be submitted to the Mason County Student Service Center located at 380 West Maple Leaf Road, Maysville, KY 41056.

Details and Specifications may be obtained by contacting the School Nutrition Director at:

Mason County Schools Kim Sapp, School Nutrition Director 606-564-7755

The Mason County School District reserved the right to reject any and all bids.

"The U.S. Department of Agriculture (USDA) prohibits discrimination against its customers, employees, and applicants for employment on the bases of race, color, national origin, age, disability, sex, gender identity, religion, reprisal, and where applicable, political beliefs, marital status, familial or parental status, sexual orientation, or if all or part of an individual's income is derived from any public assistance program, or protected genetic information in employment or in any program or activity conducted or funded by the Department. (Not all prohibited bases will apply to all programs and/or employment activities.)

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html), or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov).

Individuals who are deaf, hard of hearing or have speech disabilities may contact USDA through the Federal Relay Service at (800) 877-8339; or (800) 845-6136 (in Spanish).