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MOUNT STERLING, KY 40353

WHITEPECKCARRINGTON^{LLP}
ATTORNEYS AT LAW
EST. 1862

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RECEIVED

February 19, 2016

FEB 22 2016

Public Service
Commission

Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

RE: Reid Village Water District - PSC Application

Dear Sir:

Enclosed please find an original and ten (10) copies of the Application of the Reid Village Water District for an Order authorizing the District to issue evidence of indebtedness pursuant to KRS 278.300.


This Application requests approval of the issuance of evidence of indebtedness for the purposes of the District obtaining a \$402,625.00 loan from the Kentucky Infrastructure Authority.

Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

White Peck Carrington, LLP

By:


Alan B. Peck

ABP:bic REIDVILLAGEAPPLICATION 1

xc: Reid Village Water District

W W W . W H I T E P E C K C A R R I N G T O N . C O M

LEWIS A. WHITE (1913-2003)

MICHELLE R. "SHELLY" WILLIAMS

FARRAH W. INGRAM

ALAN B. PECK

STEPHEN E. NEAL (also licensed in Tennessee)

JESSE R. HODGSON

GROVER A. CARRINGTON

M. BENJAMIN SHIELDS

REBECCA D. GRAHAM

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

FEB 22 2016

IN THE MATTER OF:

Public Service
Commission

THE APPLICATION OF REID VILLAGE)
WATER DISTRICT TO ISSUE EVIDENCE)
OF INDEBTEDNESS TO OBTAIN A LOAN)
FROM THE KENTUCKY INFRASTRUCTURE)
AUTHORITY IN THE APPROXIMATE)
PRINCIPAL AMOUNT OF \$401,625.00)
FOR THE PURPOSE OF PURCHASING)
IMPROVED REAL PROPERTY)

CASE NO.
2016-_____

* * * * *

APPLICATION

The Applicant, Reid Village Water District (the "District"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the District to issue evidence of indebtedness in the approximate principal amount of \$401,625.00 for the purpose of obtaining a loan to provide funds to purchase improved real property in Montgomery County, Kentucky. In support of this Application, and in compliance with the rules and regulations of the Commission, the District states as follows:

1. The District was established in accordance with the provisions of Chapter 74 of the Kentucky Revised Statutes pursuant to an Order of the County Judge/Executive of Montgomery County, which Order is on file in the County Court Order Books in the office of the Clerk of Montgomery County, Kentucky. The District is now, and has been since its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to the District are incorporated in this Application by reference. The District does not have any

Articles of Incorporation due to the fact that it is a statutory entity.

2. The governing body of the District is its Board of Commissioners which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS 74.070 and all applicable law and regulations.

3. The mailing address of the District is as follows:

Reid Village Water District
c/o Rachel Cartmill, Manager
P.O. Box 610
Mt. Sterling, Kentucky 40353
Telephone (859) 498-0062
Facsimile (859) 498-497-9984
Email: rvwd@bellsouth.net

4. A general description of the District's water system property, together with a statement of the original cost, is contained in the District's Annual Report for 2014 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The District proposes to borrow funds from the Kentucky Infrastructure Authority ("KIA") pursuant to an Infrastructure Revolving Fund (Fund B) Loan the ("KIA Loan"), up to the principal sum of \$401,625.00 for the purpose of providing funds for the purchase of improved real property in Montgomery County, Kentucky to be used and occupied as the District's Office and Operations and Maintenance Center.

For details of the purposed acquisition, and its attributes to the District, see the excerpt from the KIA Loan Application attached hereto as Exhibit A.

The legal description of the property to be acquired set forth in and on Exhibit B attached hereto.

An aerial photograph of the property to be acquired is set forth in and on Exhibit C

attached hereto.

A copy of the executed Real Estate Purchase and Sale Agreement is attached hereto as Exhibit D.

6. The above referenced KIA Loan was approved by KIA on February 4, 2016 and a copy of the approval is attached hereto as Exhibit E.

7. The KIA Loan will provide the District with the funds necessary to:

- a. Pay in full the agreed purchase price of \$350,000.00;
- b. Pay estimated administrative expenses of \$875.00;
- c. Pay estimated legal expenses of \$5,250.00;
- d. Pay appraisal and associated fees of \$10,500.00; and
- e. Provide a contingency of \$35,000.00.

8. The estimated debt service for the KIA Loan is shown in Exhibit F which is attached hereto and incorporated herein by reference. The final terms and details of the KIA Loan may vary from the present assumptions based upon the exact amount of the loan which will depend on the final amount of costs and expenses associated with the acquisition of the property and the closing of the loan.

9. The District represents that the KIA Loan is in the public interest and is intended to accomplish the purposes of providing needed increase in District office space, operations and maintenance center space and on-site vehicle and equipment storage. These are lawful objects within the corporate purposes of the District's utility operations. The KIA Loan is necessary, appropriate for, and consistent with the proper performance by the District of its service to the public and will not impair its ability to perform that service.

10. The District represents that it will, as soon as reasonably possible after the closing of the KIA Loan, file with the commission a statement setting forth the date and amount, and the final terms and interest rate, of the KIA Loan.

11. Detailed Statements of (a) Net Position, (b) Revenues, Expenses and Changes in Fund Net Position, and (c) Cash Flows are attached hereto and incorporated herein by reference as collective Exhibit G, Pages 1, 2 and 3.

12. Pursuant to 807 KAR 5:001, Section 12 - Financial Exhibit; the District hereby responds as follows:

- (i) Section 12(1)(b): The District states that it had less than \$5,000.00 in gross annual revenues in the immediate past calendar year and that no material changes to the District's financial condition have occurred since the end of the twelve (12) month period contained in the District's most recent annual report on file with the Commission.
- (ii) Section 12(2)(a), (b) and (c) Stock: The District does not have any authorized, issued and outstanding stock as of the date hereof.
- (iii) Section 12(2)(d) Mortgages: The District does not have any outstanding mortgages as of the date hereof.
- (iv) Section 12(2)(e), (f) and (g) Indebtedness: the information concerning the outstanding indebtedness of the District is contained in the District's 2014 Annual Report on file with this Commission.
- (v) Section 12(2)(h) Dividends: The District has no outstanding stock and therefore pays on dividends.

- (vi) Section 12(2)(I) Financial Statements: See paragraph #11 above.
13. Pursuant to 807 KAR 5:001, Section 18, the District hereby responds as follows:
- (i) Section 18(1)(a): The District has complied with the requirements of 807 KAR 5:001, Section 14.
 - (ii) Section 18(1)(b): A general description of the District's property, its field of operation and a statement of original cost of said property and the cost to the District is contained in the District's 2014 Annual Report on file with this Commission.
 - (iii) Section 18(1)(c): The District is not issuing any stock as part of this financing. The information concerning the proposed KIA Loan is contained in this application. The KIA Loan will be secured by and payable from the gross revenues of the District's water system and, possibly, a mortgage on the property being purchased with the KIA Loan.
 - (iv) Section 18(1)(d): See paragraph 5 above.
 - (v) Section 18(1)(3): See paragraph 5 above.
 - (vi) Section 18(1)(g): Written notification of the proposed issuance of the KIA Loan is being provided to the State Local Debt Officer.
 - (vii) Section 18(2)(a): See paragraph 11 above.
 - (viii) Section 18(2)(b): The District does not have any outstanding trust deeds or mortgages.
 - (x) Section 18(2)(c): See paragraph 5 above.
14. No rate adjustment will be necessary to repay the KIA loan.

WHEREFORE, the District respectfully requests that the Commission take the following actions:

1. Authorize the issuance by the District of evidence of indebtedness up to the principal amount of \$401,625.00 to obtain the loan from KIA discussed in this Application.
2. Process this Application without a formal hearing in order to save time and expense. The District will promptly respond to any information request by the Commission's staff.

Reid Village Water District

By: Calvin H. Hunt Jr.
Calvin Hunt, Jr., Chairman
P.O. Box 610
Mt. Sterling, Kentucky 40353
Telephone: (859) 498-0062
Facsimile: (859) 497-9984
Email: rvwd@bellsouth.net

White Peck Carrington, LLP

By: Alan B. Peck
Alan B. Peck
P.O. Box 950 (26 Broadway)
Mt. Sterling, Kentucky 40353-0950
Telephone: (859) 498-2872
Facsimile: (859) 498-7363
Email: apec@whitepeckcarrington.com

STATE OF KENTUCKY)
)SS
COUNTY OF MONTGOMERY)

The Affiant, Calvin Hunt, Jr., being first duly sworn, states: That he is the Chairman of the Reid Village Water District, the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except as to matter which are herein stated to be based on information or belief, and that these matters, he believes to be true and correct.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 18
day of February, 2016.

Calvin Hunt, Jr.
Calvin Hunt, Jr. - Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Calvin Hunt, Jr.,
Chairman of the Reid Village Water District, on this the 18th day of February, 2016.

My Commission Expires: 10/12/2016
[Signature]
NOTARY PUBLIC

PLD\REIDVILLAGEWATERDISTRICT.APLICATION



BRIEF DESCRIPTION OF PROJECT

The project proposes to purchase commercial property to serve as Reid Village Water District's primary location and headquarters for office and field personnel. The property includes two existing structures, an office building and a maintenance building, near Reid Village Water District's current office location. Both structures are located on the same parcel of land with a large paved area (approximately 0.65 acres) to accommodate high volumes of traffic and parking for District staff and equipment. The total parcel size, encompassing the two structures and paved parking lot, is approximately 0.72 acres.

The primary structure (office building) includes office space measuring 28' x 50' with an attached garage measuring 50' x 30' (38° 3' 10.303" N, 83° 57' 47.522" W). This building contains two (2) baths, one (1) large office space, one (1) small office space, a storage area, and an attached garage. The primary structure was built circa 1960, and has gone through two extensive remodels, including new storm windows, doors, custom blinds, and ceramic tile flooring. Central heat and air conditioning was updated in the front office, bath, storage room, and back bathroom approximately five (5) years ago. A new roof and guttering were installed on the primary structure in May 2015.

The second structure (maintenance building) is a 40' x 50' steel truss building with two (2) 14' overhead doors, one (1) office, and one (1) bathroom (38° 3' 9.738" N, 83° 57' 46.255" W). This space will allow the District to securely store equipment, tools, materials, and vehicles out of the weather. The structure also includes the hydraulic lift which will enable the utility to perform routine maintenance (oil changes, tire rotations, minor engine repair, etc.) on vehicles and equipment, thus allowing for cost savings to the District. With the purchase of the property, the District plans to move the field crew office to this building. The current field crew office is located on Devonne Drive, next to two of the District's water storage tanks. This property includes a small office building and a non-enclosed metal storage building for equipment. By moving the field crew to the new facility, the District will eliminate a \$100.00 monthly portable toilet fee.

Both the maintenance building and the office building's attached garage, constructed circa 1997, have also experienced recent modifications. New overhead radiant gas heating systems, concrete flooring, fluorescent lighting, and automatic overhead door openers have been installed.

Reid Village Water District rents their current office building for a fee of \$500.00 monthly. The district must pay to heat and cool the entire first floor, even though they do not have access/utilize the full complement of space. The lease on the building has expired, which could result in increased rental fees or eviction at the owner's discretion with little notice. Additionally, the structure has become leak prone during heavy rain events that has led to mold growth. Mold poses a health risk to the employees.

The opportunity to purchase commercial property suitable for the District's staff, equipment, tools, and other contents is rare. The property is conveniently located along US 60 (Winchester Road), a primary route that is accessible to all customers within minutes. Since the property is directly across the road from the District's current location, it will be an easy transition for customers to find the new location.

PARCEL A

Tract 1

All of the following described property located on the South side of U.S. Highway No. 60 some 1/4 mile west of Mt. Sterling, Kentucky, and being more particularly described as follows, to-wit:

Being lots No. 40, 41, 42 and 43 and the northernmost 10 feet of lot No. 48 and the northernmost 10 feet of lot No. 49, extending a distance of 20 feet from the common boundary line of lot No. 48 and Lot No. 49, westwardly 20 feet to the eastern boundary line of Elmer R. Campbell as shown on the plat of same of record in Deed Book 103, Page 404, Montgomery County Clerk's Office, to which plat reference is made for a more particular description, and bounded and more particularly described as follows: Beginning at a point on Winchester Drive, which point is the northernmost common corner of lot No. 39 and lot No. 40; thence south 82 degrees 30 minutes west along the southern edge of Winchester Drive and along the northern boundary of lots Nos. 40, 41, 42 and 43 to a point on Winchester Drive, which point is the northwestern corner of lot No. 43; thence S 57 degrees 14 minutes west 132.1 feet to point a corner made, being the southwestern corner of lot No. 43 and the northwestern corner of lot No. 50; thence south 82 degrees 30 minutes west 50.3 feet on the northern boundary line of lot No. 50 and 30 feet of lot No. 49 to a point, a corner made, which point is five feet east of the southern common corner of lot No. 42 and lot 43 adjoining the northern boundary line of lot No. 49; thence in a southward direction a continuation of the common boundary line of Elmer R. Campbell for a distance of 10 feet to a point, a corner made on the eastern boundary line of Elmer R. Campbell; thence eastwardly a straight line a distance of 70 feet, being the northernmost 20 feet of the northeast corner of lot No. 49 and the northernmost 50 feet of lot No. 48 to the point on the common boundary line of lots no. 47 and 48; thence northwardly 10 feet to a point, which point is the southern common corner of lot No. 39 and lot No. 40; thence with the common boundary line between lot No. 39 and Lot No. 40 in a northern direction, a straight line to the point of beginning, and being a irregular tract of land fronting 104.1 feet on Winchester Drive with a western boundary line of 132.1 feet and a southern boundary line of 120.3 feet and an eastern boundary line of 140 feet; and

Tract 2

Being Lot No. 37, and the northernmost 10 feet by 20 feet wide strip of the western half of Lot No. 46, of the Canan Subdivision as same appears from the plat of said subdivision of record in Deed Book 103 at page 404 in th Montgomery County Clerk's Office to which plat reference is hereby made for a more particular description of the property herein conveyed. Said 10 feet by 25 feet wide strip above described lies along te entire south line of Lot No. 37 aforesaid.

Tract 3

Being Lots Nos. 38 and 39 and the northern most 10 feet of Lot No. 47 of the Canan Subdivision as same appears from a plat of said subdivision of record in Deed Book 103, Page 404, Montgomery County Clerk's Office, to which said plat reference is hereby made for a more particular description of said lots.

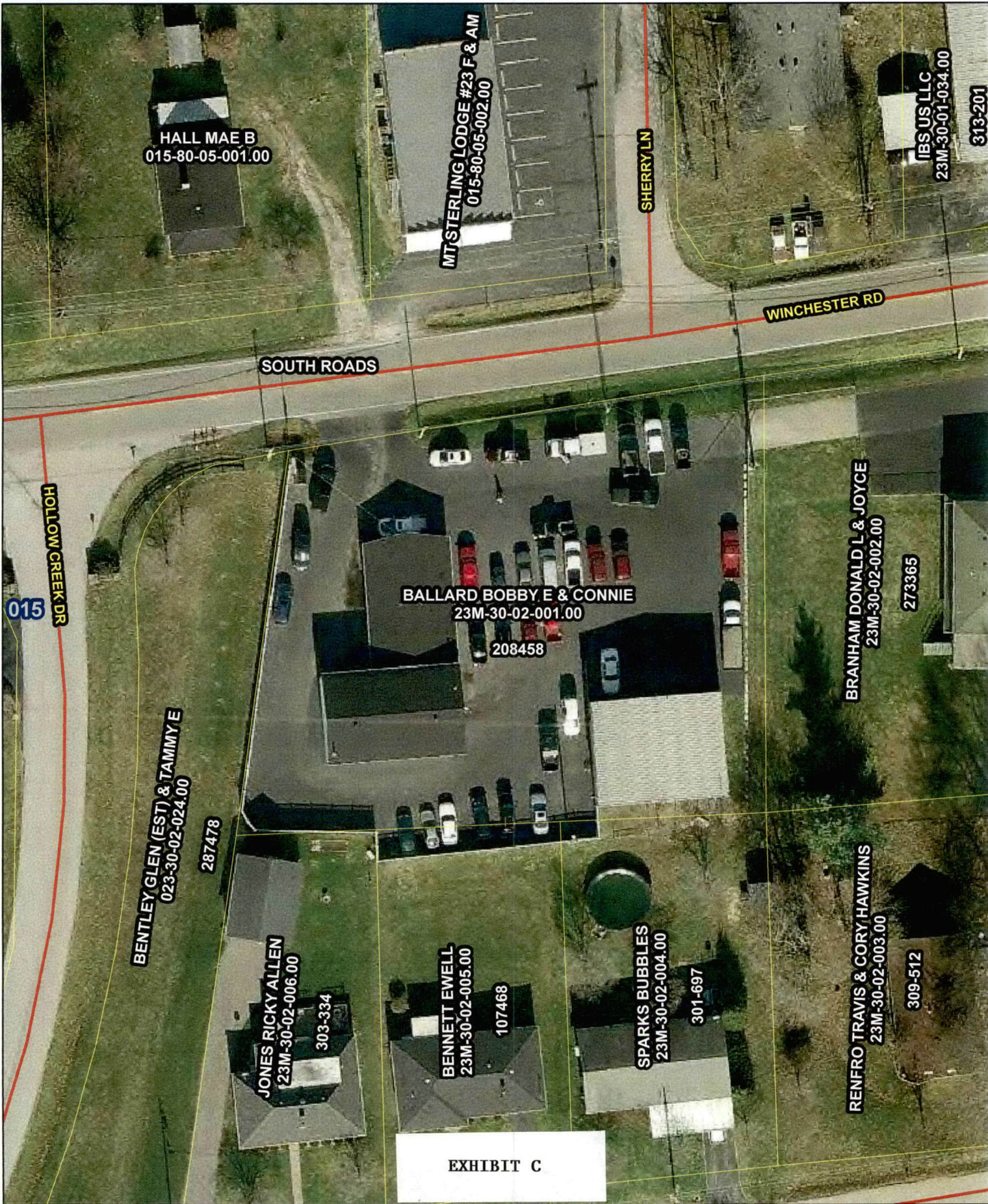
Being the same property conveyed to Bobby E. Ballard and wife by deed dated October 26, 1993, now of record in Deed Book 208, Page 458, Montgomery County Clerk's Office.

PARCEL B

A small parcel of land formerly consisting of a portion of a roadway paralleling US 60 West in Montgomery County, Kentucky and lying adjacent to other land of Bobby E. and Connie Ballard more particularly described as follows:

"Beginning at a point corner made with Lot 43 of Canan Subdivision thence running North 7 deg. 15' 20.68 ft. to a pin; thence North 82 deg. 30' E 176.30 ft. to a pin; thence South 10 deg. 9' W 20.18 ft. to a point corner made with the Northeast corner of Lot 37 of Canan Subdivision; thence South 82 deg. 30' W 178.87 ft. to the point of beginning." Containing 0.0815 acre of land.

Being the same property conveyed to Bobby E. Ballard and wife by deed dated July 31, 1994, now of record in Deed Book 213, Page 207, Montgomery County Clerk's Office.



Floyd Arnold, PVA
 44 West Main Street
 Courthouse Annex, Suite E
 Mt. Sterling, KY 40353
 Office: (859) 498-8710

**Montgomery County
 Property Valuation Administration**

Print Date: February 05, 2016



Maps to be used
 for identification only
 NOT for conveyance

1 inch = 49 feet

REAL ESTATE PURCHASE AND SALE AGREEMENT

This **REAL ESTATE PURCHASE AND SALE AGREEMENT** (the "Agreement") made and entered into this 15TH day of February, 2016, by and between **BOBBY E. BALLARD and CONNIE BALLARD, his wife**, whose address is 2201 Camargo Road, Mt. Sterling, Kentucky 40353, parties of the first part (hereinafter referred to collectively in the singular as "Seller") and **REID VILLAGE WATER DISTRICT**, P.O. Box 610, Mt. Sterling, Kentucky 40353, party of the second part (hereafter referred to as "Buyer"), WITNESSETH:

For the purchase price herein specified, and upon the terms, conditions and provisions hereinafter set forth, the Seller agrees to sell to Buyer, who agrees to buy from Seller, that certain real property and improvements thereon located on the Winchester Road in Montgomery County, Kentucky (herein the "Subject Property"), and being more particularly described as follows, to-wit:

"Those tracts of real property more particularly described in and on Exhibit "A" attached hereto and made a part hereof by reference."

It is further covenanted, agreed and understood by and between the parties as follows:

1. Purchase Price. The purchase price for the Subject Property which Buyer agrees to pay, and the Seller agrees to accept, is the sum of THREE HUNDRED FIFTY THOUSAND DOLLARS (\$350,000.00) (the "Purchase Price"), payable in full at closing (as hereinafter specified) in immediately available funds.

2. Closing. The closing of the transaction (the "Closing") shall occur at the offices of White Peck Carrington, LLP, 26 Broadway, Mt. Sterling, Kentucky 40353, at 10:00 o'clock a.m., local time, on a date (the "Closing Date") to be specified in writing by Buyer to Seller, but in no event later than June 1, 2016, **time being of the essence in all respects hereunder**, or such

other time, date and place as may be mutually agreed upon in writing by the parties.

3. Contingencies. Buyer's obligation to purchase the Subject Property and to close hereunder is expressly contingent upon, and subject to, the following:

a. Buyer obtaining a loan from Kentucky Infrastructure Authority (KIA) in an amount sufficient to furnish all funds necessary for the purchase of the Subject Property; and

b. Approval of the above referenced KIA loan by the Kentucky Public Service Commission.

4. Title to be Conveyed. A fee simple title to the Subject Property, fully marketable in all respects such as any reputable title insurance company licensed to do business in the Commonwealth of Kentucky will insure at standard rates, shall be conveyed by Seller to Buyer by General Warranty Deed containing the usual covenants, including that against liens and encumbrances, but excepting restrictions, and easements of record.

5. Possession. Full possession of the Subject Property shall be surrendered by Seller to Buyer on the Closing Date.

6. Default. If either party fails to carry out the terms of this Agreement or refuses to perform his or her obligations hereunder upon proper tender of the other party to close, then: If Buyer be the party in default, Seller may, at Seller's option, treat this Agreement as null and void; or, if Seller be the party in default, Buyer may, at Buyer's option, treat this Agreement as null and void; or, the party not in default may sue to require specific performance of this Agreement by the defaulting party, or may pursue any other remedy available to them at law or equity.

7. No Broker or Sales Agent. Both Seller and Buyer acknowledge that no real estate agent, broker or other person, firm or entity acted as agent or broker for either of the parties

negotiating this transaction and that no real estate commissions or fees or any type of finder's fees are due or payable to anyone as a result of this transaction.

8. Expenses of Closing. Seller agrees to pay the cost of (a) the preparation of the General Warranty Deed, (b) the applicable Kentucky deed transfer tax due thereon and (c) one-half (1/2) of any closing fee charged for the Closing.

If applicable, Buyer will pay for the cost to obtain any loan Buyer may need, including, for application, appraisal and commitment and survey, if required by lender. Buyer will also pay for (a) the preparation of this Agreement; (b) any attorneys' fee incident to title examination and recording, (c) one-half (1/2) of the any closing fee charged for the Closing and (d) fees for all other legal and/or accounting services rendered to Buyer.

9. RISK OF LOSS - Notwithstanding the execution hereof, the risk of loss remains with the Seller until delivery of deed. If the improvements on the Subject Property are substantially damaged or destroyed to the extent of 50% or more of its value prior to the Closing, the Buyer shall have the option of: (a) Accepting an assignment of, and receiving, the proceeds of any insurance payable in connection therewith, limited to the Purchase Price set forth in Paragraph 1 of this Agreement, while continuing to be bound hereby; or (b) Waiving all rights to said insurance proceeds and terminating this agreement by withdrawing from the transaction, in which latter event of termination all funds and documents shall be returned to the parties depositing them and both parties shall be released from all further liability hereunder, but Buyer's exercise of the option to terminate must be made in writing within thirty (30) days after such loss or damage occurs or Buyer shall be deemed to have elected to continue to be bound; provided, however, an election by Buyer to receive the proceeds if made within said thirty (30) day period

shall not then bind Buyer irrevocably, or if loss or damage shall not be satisfactorily adjusted with the insurer within sixty (60) days from the date of said loss, the Buyer may still at Buyer's option, elect to terminate this Agreement by notice in writing to the Seller at the expiration of said sixty (60) day period. Loss or damage shall be deemed adjusted within the meaning of this Agreement when the amount thereof has been agreed upon and the insurer is ready, willing and able to pay it.

10. 2016 Property Taxes. All ad valorem real property taxes assessed against the Subject Property for 2016 will be timely prorated between Buyer and Seller on a calendar year basis as of the Closing Date.

11. Notices. All notices and demands shall be given in writing by (a) personal service; (b) certified mail, postage prepaid and return receipt requested; or (c) by federal express; (d) express mail; or (e) any other commercial delivery service which guarantees overnight delivery (and "Overnight Service"). Notice shall be considered given when personally served or refused three (3) days after the date of certified mail notice deposited in the United States mail, postage prepaid and return receipt requested, or the day following the day deposited with an overnight service marked for overnight delivery. Notices shall be addressed to the parties as appears in the first grammatical paragraph of this Agreement unless, and until, either party gives the other party written notice of a change in name or address.

12. Miscellaneous Provisions.

A. A waiver by any party of the other party's default or waiver by a party of the conditions set forth herein or any failure by a party to exercise any right granted to that party hereunder shall not constitute a subsequent waiver or failure to exercise such right.

B. Although this Agreement has been prepared for and on behalf of Buyer, it shall not be construed in favor of or against either party by reason of such preparation.

C. Seller and Buyer each acknowledge receipt of a full and complete copy of this instrument and declare that it embodies the entire agreement between them with respect to said property and that no promises, terms, conditions, representations (whether written, oral or verbal) warranties or agreements other than those herein contained have been made or were relied upon.

D. No extension, change, modification or amendment of this Agreement shall have any force or effect whatever unless the same shall be noted in writing by endorsement on the original of the Agreement, or on a separate instrument signed by all of the parties hereto.

E. This Agreement, and the terms, conditions and provisions hereof, shall survive the closing of the transaction contemplated hereby.

13. Effective Date. The effective date of this Agreement (the "Effective Date") shall be the date the last party to this Agreement executes it. Such date shall be inserted in the first grammatical paragraph of this Agreement.

14. Binding Effect; Successors. Upon the execution of this Agreement the same shall become binding upon, and inure to the benefit of, Buyer and Seller and their respective heirs, personal representatives, successors and assigns.

IN TESTIMONY WHEREOF, the Seller and the Buyer have executed one or more duplicate copies of this Agreement as of the day, month and year first hereinabove written, each of which shall have the force and effect of an original.

FIRST PARTIES - "SELLER"

<u>Bobby E. Ballard</u>	<u>2/17/16</u>
BOBBY E. BALLARD	Date Signed
<u>Connie Ballard</u>	<u>2/17/16</u>
CONNIE BALLARD	Date Signed

SECOND PARTIES - "PURCHASER"

REID VILLAGE WATER DISTRICT

BY: <u>Calvin Hunt Jr.</u>	<u>2-18-16</u>
CALVIN HUNT, JR.	Date Signed
CHAIRMAN	

BJC:MISC/BALLARD.REIDVILLAGE.PURCHASEANDSALEAGREEMENT

EXHIBIT A - Page 1

PARCEL A

Tract 1

All of the following described property located on the South side of U.S. Highway No. 60 some 1/4 mile west of Mt. Sterling, Kentucky, and being more particularly described as follows, to-wit:

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Tract 2

Being Lot No. 37, and the northernmost 10 feet by 20 feet wide strip of the western half of Lot No. 46, of the Canan Subdivision as same appears from the plat of said subdivision of record in Deed Book 103 at page 404 in th Montgomery County Clerk's Office to which plat reference is hereby made for a more particular description of the property herein conveyed. Said 10 feet by 25 feet wide strip above described lies along te entire south line of Lot No. 37 aforesaid.

EXHIBIT A - Page 2

Tract 3

Being Lots Nos. 38 and 39 and the northern most 10 feet of Lot No. 47 of the Canan Subdivision as same appears from a plat of said subdivision of record in Deed Book 103, Page 404, Montgomery County Clerk's Office, to which said plat reference is hereby made for a more particular description of said lots.

Being the same property conveyed to Bobby E. Ballard and wife by deed dated October 26, 1993, now of record in Deed Book 208, Page 458, Montgomery County Clerk's Office.

PARCEL B

A small parcel of land formerly consisting of a portion of a roadway paralleling US 60 West in Montgomery County, Kentucky and lying adjacent to other land of Bobby E. and Connie Ballard more particularly described as follows:

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KENTUCKY INFRASTRUCTURE AUTHORITY

Matthew G. Bevin
Governor

Capital Center Complex
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
(502) 573-0260
(502) 573-0157 (fax)
kia.ky.gov

February 4, 2016

Honorable Don Crabtree, Chairman
Reid Village Water District
P.O. Box 610
Mount Sterling, KY 40353

KENTUCKY INFRASTRUCTURE AUTHORITY INFRASTRUCTURE REVOLVING LOAN FUND CONDITIONAL COMMITMENT LETTER (B16-008)

Dear Chairman Crabtree:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On February 4, 2016, the Authority approved your loan for the Office and Maintenance Building Purchase project, subject to the conditions stated below. The total cost of the project shall not exceed \$401,625 of which the Authority loan is the sole source of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Reid Village Water District upon satisfactory performance of the conditions set forth in this letter. You must meet the conditions set forth in this letter and enter into an Assistance Agreement by February 4, 2017 (twelve months from the date of this letter). A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$401,625.
2. The loan shall bear interest at the rate of 1.75 percent per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period not to exceed 30 years from the date of the last draw of funds.

4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1, or December 1, immediately succeeding the date of the initial draw of funds, provided that if such June 1, or December 1, shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1, or December 1, which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on June 1, or December 1, immediately succeeding the date of the last draw of funds, provided that if such June 1, or December 1, shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1, or December 1, which is at least six months from the date of the last draw of funds. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will only be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The Authority requires that an annual financial audit be provided for the life of the loan.
9. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable state and local procurement laws.
3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding, or any new funding sources not reflected in Attachment A shall be immediately reported and may cause this loan

to be subject to further consideration.

4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.
5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The Committee meets monthly on the third Tuesday. Any special conditions listed in Attachment A must be satisfied before the project is presented before the Committee.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. Based on the final "as bid" project budget, the borrower must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by your consultant engineer.
8. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Authority.
9. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.
10. The Borrower must complete and return the attached "Authorization for Electronic Deposit of Vendor Payment" form to the Authority.
11. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
12. Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). The recipient shall provide the Authority a digital copy (pdf) of the record drawings from the project within three months of construction completion.

Chairman Crabtree

February 4, 2016

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Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,

Amanda Yeary
Kentucky Infrastructure Authority

Attachments

cc: Rachel Cartmill, Reid Village Water District
Dirk Bedarff, Peck, Shaffer & Williams LLP
Borrower File - Reid Village Water District - B16-008

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization for Electronic Deposit of Vendor Payment" Form.

Colin H. Hunt Jr. 2-11-16
Accepted Date
Chairman,

**AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND B16-008)**

Borrower Information:

Name: _____

Address: _____

City: _____ **State:** KY **Zip:** _____

Federal I.D. # _____

Contact Name: _____ **Telephone:** _____

Email: _____

Financial Institution Information:

Bank Name: _____

Branch: _____ **Phone No:** _____

City: _____ **State:** ____ **Zip:** _____

Transit / ABA No.: _____

Account Name: _____

Account Number: _____

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature: _____ **Date:** _____

Name Printed: _____ **Job Title:** _____

Please return completed form to:

**Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157**

ATTACHMENT A

**Reid Village Water District
B16-008**

EXECUTIVE SUMMARY
KENTUCKY INFRASTRUCTURE AUTHORITY
FUND B, INFRASTRUCTURE
REVOLVING LOAN FUND

Reviewer Brandl Norton
 Date February 4, 2016
 KIA Loan Number B16-008
 WRIS Number WX21173139

BORROWER REID VILLAGE WATER DISTRICT
 MONTGOMERY COUNTY

BRIEF DESCRIPTION
 This project includes the purchase of commercial property to serve as Reid Village Water District's headquarters for office and field personnel. The property includes two existing structures, an office building and a maintenance building. Both structures are located on the same parcel of land with a large paved area to accommodate high volumes of traffic and parking for District staff and equipment. The maintenance building will allow the District to securely store equipment, tools, materials, and vehicles out of the weather. The structure also includes the hydraulic lift which will enable the utility to perform routine maintenance on vehicles and equipment, thus allowing for cost savings to the District.

PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund B Loan	\$401,625	Administrative Expenses			\$875
		Legal Expenses			5,250
		Land, Easements			10,500
		Contingency			35,000
		Other			350,000
TOTAL	\$401,625	TOTAL			\$401,625

REPAYMENT	Rate	1.75%	Est. Annual Payment	\$18,068
	Term	30 Years	1st Payment	6 Mo. after first draw

PROFESSIONAL SERVICES	Engineer	N/A
	Bond Counsel	Peck, Shaffer, & Williams, a division of Dinsmore & Shohl, LLP

PROJECT SCHEDULE	Purchase	Jun-16
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DEBT PER CUSTOMER	Existing	\$603
	Proposed	\$945

OTHER DEBT See Attached
OTHER STATE-FUNDED PROJECTS LAST 5 YRS See Attached

RESIDENTIAL RATES	Current	<u>Users</u> 1,132	<u>Avg. Bill</u> \$41.20 (for 4,000 gallons)
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REGIONAL COORDINATION This project is consistent with regional planning recommendations.

CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2012	20,854	45,544	(24,690)	0.5
Audited 2013	(16,933)	45,179	(62,112)	-0.4
Audited 2014	(16,721)	45,294	(62,015)	-0.4
Projected 2015	107,489	45,473	62,016	2.4
Projected 2016	105,360	63,098	42,262	1.7
Projected 2017	95,808	63,719	32,089	1.5
Projected 2018	86,065	63,302	22,763	1.4
Projected 2019	76,127	62,868	13,259	1.2

Reviewer: Brandi Norton
Date: February 4, 2016
Loan Number: B16-008

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND (FUND "B")
REID VILLAGE WATER DISTRICT, MONTGOMERY COUNTY
PROJECT REVIEW
WX21173139**

I. PROJECT DESCRIPTION

The Reid Village Water District is requesting a \$401,625 fund "B" loan for the Office and Maintenance Building Purchase project. This project includes the purchase of commercial property to serve as the District's headquarters for office and field personnel. The property includes two existing structures, an office building and a maintenance building. Both structures are located on the same parcel of land with a large paved area to accommodate high volumes of traffic and parking for District staff and equipment. The maintenance building will allow the District to securely store equipment, tools, materials, and vehicles out of the weather. The structure also includes the hydraulic lift which will enable the utility to perform routine maintenance on vehicles and equipment, thus allowing for cost savings to the District.

The District serves approximately 1,038 households and annually purchases 66 Million Gallons from Mount Sterling Water and Sewer.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 875
Legal Expenses	5,250
Land, Easements	10,500
Contingency	35,000
Other	350,000
Total	\$ 401,625

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 401,625	100%
Total	\$ 401,625	100%

IV. KIA DEBT SERVICE

Construction Loan	\$	401,625
Interest Rate		1.75%
Loan Term (Years)		30
Estimated Annual Debt Service	\$	17,265
Administrative Fee (0.20%)		803
Total Estimated Annual Debt Service	\$	18,068

V. PROJECT SCHEDULE

Purchase June 2016

VI. RATE STRUCTURE

A. Customers

Customers	Current
Residential	1,097
Commercial	35
Industrial	0
Total	1,132

B. Rates

	Current	Prior	Prior	Prior
Date of Last Rate Increase	08/01/15	03/30/15	08/01/14	12/01/13
Minimum (To 2,000 Gallons)	\$25.09	\$24.91	\$19.27	\$18.53
Next 1,000 Gallons	8.35	8.26	6.39	6.02
Next 2,000 Gallons	7.76	7.67	7.67	5.56
Cost for 4,000 gallons	\$41.20	\$40.84	\$33.33	\$30.11
Increase %	0.9%	22.5%	10.7%	
Affordability Index (Rate/MHI)	1.2%	1.2%	1.0%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2009-2013, the Utility's service area population was 1,036 with a Median Household Income (MHI) of \$40,028. The median household income for the Commonwealth is \$43,036. The project will qualify for a 1.75% interest rate.

Year	Population				Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	5,820		20,046		June 2004	6.1%
1990	5,362	-7.9%	19,561	-2.4%	June 2009	12.4%
2000	5,876	9.6%	22,554	15.3%	June 2013	8.8%
2010	6,895	17.3%	26,499	17.5%	June 2014	7.6%
Current	7,030	2.0%	26,983	1.8%		

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the audited financial statements for the years ended December 30, 2012 through 2014. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Revenues decreased 1% from \$451,961 in 2012 to \$449,201 in 2014. Purchased water expense increased 10%. Operating expenses increased 6% from \$278,314 in 2012 to \$295,978 in 2014. The debt coverage ratio was 0.5, -0.4 and -0.4, respectively, for 2012 through 2014.

The balance sheet reflects a current ratio of 4.9 and a debt to equity ratio of 1.0. The number of months of operating expenses in unrestricted cash was 3.5.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues reflect the following previously approved rate increases and will remain flat thereafter:

August 1, 2014	10.7%
March 30, 2015	22.5%
August 1, 2015	.9%

- 2) Purchased water cost will increase 2% per year for inflation.
- 3) Operating expenses will increase 2% per year for inflation.
- 4) Debt service coverage is 1.7 in 2016 when principal and interest repayments begin.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund B loan.

REPLACEMENT RESERVE

The annual replacement cost is \$1,000. This amount should be added to the replacement account each December 1 until the balance reaches \$10,000 and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
USDA 91-05 Bond	\$ 329,500	2048
USDA 91-06 Bond	366,400	2049
Total	\$ 695,900	

X. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

None

XI. CONTACTS

Legal Applicant

Entity Name	Reid Village Water District
Authorized Official	Don Crabtree (Chairman)
County	Montgomery
Email	rvwd@bellsouth.net
Phone	(859) 498-0062
Address	903 Winchester Road, PO Box 610 Mount Sterling, KY 40353

Project Contact – Applicant and Administrator

Name	Rachel Cartmill
Organization	Reid Village Water District
Email	rvwd@bellsouth.net
Phone	(859) 498-0062
Address	903 Winchester Road, PO Box 610 Mount Sterling, KY 40353

Consulting Engineer

Name	N/A
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XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

**REID VILLAGE WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)**

	<u>Audited 2012</u>	<u>Audited 2013</u>	<u>Audited 2014</u>	<u>Projected 2015</u>	<u>Projected 2016</u>	<u>Projected 2017</u>	<u>Projected 2018</u>	<u>Projected 2019</u>
Balance Sheet								
Assets								
Current Assets	377,722	254,362	181,837	255,407	297,669	329,758	352,521	365,780
Other Assets	1,345,032	1,358,643	1,324,274	1,276,699	1,617,362	1,556,399	1,495,437	1,434,474
Total	1,722,754	1,613,005	1,506,111	1,532,106	1,915,031	1,886,157	1,847,958	1,800,254
Liabilities & Equity								
Current Liabilities	39,096	35,299	37,379	37,579	38,879	39,179	39,979	40,779
Long Term Liabilities	745,294	733,859	721,291	707,391	1,093,816	1,078,316	1,062,016	1,044,916
Total Liabilities	784,390	769,158	758,670	744,970	1,132,695	1,117,495	1,101,995	1,085,695
Net Assets	938,364	843,847	747,441	787,136	782,336	768,662	745,963	714,559
Cash Flow								
Revenues	451,961	423,646	449,201	582,753	582,753	582,753	582,753	582,753
Operating Expenses	433,183	445,492	467,101	476,443	478,572	488,124	497,867	507,805
Other Income	2,076	4,913	1,179	1,179	1,179	1,179	1,179	1,179
Cash Flow Before Debt Service	20,854	(16,933)	(16,721)	107,489	105,360	95,808	86,065	76,127
Debt Service								
Existing Debt Service	45,544	45,179	45,294	45,473	45,030	45,651	45,234	44,800
Proposed KIA Loan	0	0	0	0	18,068	18,068	18,068	18,068
Total Debt Service	45,544	45,179	45,294	45,473	63,098	63,719	63,302	62,868
Cash Flow After Debt Service	(24,690)	(62,112)	(62,015)	62,016	42,262	32,089	22,763	13,259
Ratios								
Current Ratio	9.7	7.2	4.9	6.8	7.7	8.4	8.8	9.0
Debt to Equity	0.8	0.9	1.0	0.9	1.4	1.5	1.5	1.5
Days Sales In Accounts Receivable	33.7	31.9	31.6	31.6	31.6	31.6	31.6	31.6
Months Operating Expenses In Unrestricted Cash	9.2	5.7	3.5	5.0	6.1	6.7	7.1	7.3
Debt Coverage Ratio	0.5	(0.4)	(0.4)	2.4	1.7	1.5	1.4	1.2

KIA DEBT SERVICE

Construction Loan	\$401,625
Interest Rate	1.75%
Loan Term (Years)	<u>30</u>
Estimated Annual Debt Service	\$ 17,265
Administrative Fee (0.20%)	<u>803</u>
Total Estimated Annual Debt Service	\$ 18,068