

CASE

NUMBER:

99 - 160

IN THE MATTER OF THE APPLICATION OF UNION COUNTY WATER DISTRICT, UNION COUNTY, KENTUCKY (1) FOR A CERTIFICATE OF PUBLIC CONVENIENCE NECESSITY AUTHORIZING CONSTRUCTION OF MAJOR ADDITIONS AND IMPROVEMENTS TO ITS WATER DISTRIBUTION SYSTEM, (2) SEEKING APPROVAL OF REVISED WATER SERVICE RATES AND CHARGES AND (3) SEEKING APPROVAL OF THE ISSUANCE OF CERTAIN SECURITIES

SEQ NBR	ENTRY DATE	REMARKS
0001	04/20/1999	Application.
0002	04/21/1999	Acknowledgement letter.
0003	04/26/1999	No deficiencies letter
0004	05/17/1999	Final Order approving construction, financing and rates.
M0001	06/07/1999	SIDNEY HULETTE UNION CO WD-TARIFF AMENDMENT
M0002	08/28/2000	BILL MORGAN/UNION CO. WD-REVISED TARIFF & AS-BUILT DRAWING & STATEMENTS

Union County Water District

P.O. Box 146
Morganfield, Kentucky 42437
389-3868

8/23/00

Mr. Martin J. Huelsmann
Executive Director, PSC
P.O. Box 615
Frankfort, KY 40602

REF: Case No. 1999-160
Case No. 99-160

RECEIVED

AUG 28 2000

CHAIRMAN
P.S.C.

Dear Mr. Huelsmann,

Enclosed you will find the information that has been requested regarding case number 99-160.

In regards to the "as-built" drawing and statements, our engineer Ron Gastineau, of Gastineau and Associates will be sending this information to you on 8/23/00.

Also, regarding the revised tariff, this information is in the amendments to Rates, Rules and Regulations for furnishing water service at Union County, which is enclosed. *ul Tariff Branch JH*

You will also find copies of the excerpts from minutes of regular meeting of the Board of Commissioners Union County Water District on June 14, 2000, stating that the work has been completed.

I believe this will answer all questions concerning Case No. 99-160. Should you have further questions, please let me know.

Respectively,



Bill Morgan, Manager
Union County Water District

enclosure

RECEIVED
AUG 28 2000
PUBLIC SERVICE
COMMISSION

**EXCERPTS FROM MINUTES OF REGULAR MEETING
OF THE
BOARD OF COMMISSIONERS
UNION COUNTY WATER DISTRICT
ON June 14, 2000**

Upon being advised by Ron Gastineau of Gastineau and Associates that the work under Contracts UCWD98-1, UCWD98-2 and UCWD98-3 has been completed in accordance with the terms of those Contracts, a motion was made by Betty Davis and seconded by Ronald Hunter to accept the work under those contracts as complete and to make final payment to the Contractors.

I hereby certify that this is a true and accurate copy of a portion of the minutes of the regular meeting of the Union County Board of Commissioners held on June 14, 2000.

Billy Don Greenwell, Secretary

Billy Don Greenwell

GASTINEAU AND ASSOCIATES, Inc.

104 Barkley Estates
Nicholasville, KY 40356

Telephone/Fax (859) 887-5796

June 2, 2000

Mr. Bill Morgan, Manager
Union County Water District
P. O. Box 146
Morganfield, Kentucky 42437

re: Main Storage Tank Project

Dear Mr. Morgan:

With this letter we certify that the work under Contracts UCWD 98-1, UCWD 98-2, and UCWD 98-3 have now been completed in accordance to approved plans and approved change orders. Therefore, we recommend final payment to the Contractor's, thereby closing their contracts. Record drawings will be delivered to you in approximately four weeks.

Sincerely,

Ronald E. Gastineau

Ronald E. Gastineau, P.E.

c: Jerry Cloyd

FINAL
FORM OF WAIVER AND RELEASE OF LIEN

(General Contractor)

TO ALL WHOM IT MAY CONCERN:

WHEREAS, the undersigned has performed or furnished, is performing, or furnishing, or will perform or furnish labor or material, fuel, equipment, tools, etc., in connection with the construction of Water Supply Line - Contract UCWD98-3. for Union County Water District at Morganfield, Kentucky.

NOW, THEREFORE, THESE PRESENTS WITNESS, that the undersigned, for a good and valuable consideration to the undersigned well and truly paid at or before the signing and delivery hereof, the receipt whereof is hereby acknowledged, does hereby waive, release and relinquish any and all claims, liens and rights and claims of liens which the undersigned now has, or may hereafter have, on or against the said premises and the building, plant, equipment and machinery of their Owner, UNION COUNTY WATER DISTRICT, or on or against UNION COUNTY WATER DISTRICT, on account of labor performed or to be performed or material, fuel, equipment, tools, etc., furnished or to be furnished by the undersigned for use in or in connection with the construction and erection of said project; so that UNION COUNTY WATER DISTRICT, its successors and assigns, shall and may have, hold and enjoy the same freed and discharged from all liens, claims, and demands whatsoever which the undersigned now has or might or could have if these presents had not been made.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and seal this 16th day of May, 2000.

Ricketts Ditching
Name of General Contractor

By Donald Ricketts
Signature of Officer or Partner

PRESIDENT President
Title of Officer

Witness:

R. E. [Signature]

FINAL
FORM OF WAIVER AND RELEASE OF LIEN

(General Contractor)

TO ALL WHOM IT MAY CONCERN:

WHEREAS, the undersigned has performed or furnished, is performing, or furnishing, or will perform or furnish labor or material, fuel, equipment, tools, etc., in connection with the construction of a 750,000 gallon elevated storage tank, Contract UCWD98-2 for Union County Water District at Morganfield, Kentucky.

NOW, THEREFORE, THESE PRESENTS WITNESS, that the undersigned, for a good and valuable consideration to the undersigned well and truly paid at or before the signing and delivery hereof, the receipt whereof is hereby acknowledged, does hereby waive, release and relinquish any and all claims, liens and rights and claims of liens which the undersigned now has, or may hereafter have, on or against the said premises and the building, plant, equipment and machinery of their Owner, UNION COUNTY WATER DISTRICT, or on or against UNION COUNTY WATER DISTRICT, on account of labor performed or to be performed or material, fuel, equipment, tools, etc., furnished or to be furnished by the undersigned for use in or in connection with the construction and erection of said project; so that UNION COUNTY WATER DISTRICT, its successors and assigns, shall and may have, hold and enjoy the same freed and discharged from all liens, claims, and demands whatsoever which the undersigned now has or might or could have if these presents had not been made.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and seal this 30th day of May, 2000.

Caldwell Tanks, Inc.
Name of General Contractor

By Barry L. Geswein
Signature of Officer or Partner
Barry L. Geswein
Vice President - Finance

Title of Officer

Witness: Melissa Foreman
Melissa Foreman
Notary - 10/14/00

FINAL
FORM OF WAIVER AND RELEASE OF LIEN

(General Contractor)

TO ALL WHOM IT MAY CONCERN:

WHEREAS, the undersigned has performed or furnished, is performing, or furnishing, or will perform or furnish labor or material, fuel, equipment, tools, etc., in connection with the construction of An 800 GPM Booster Pump Station, Contract UCWD98-1 for Union County Water District at Morganfield, Kentucky.

NOW, THEREFORE, THESE PRESENTS WITNESS, that the undersigned, for a good and valuable consideration to the undersigned well and truly paid at or before the signing and delivery hereof, the receipt whereof is hereby acknowledged, does hereby waive, release and relinquish any and all claims, liens and rights and claims of liens which the undersigned now has, or may hereafter have, on or against the said premises and the building, plant, equipment and machinery of their Owner, UNION COUNTY WATER DISTRICT, or on or against UNION COUNTY WATER DISTRICT, on account of labor performed or to be performed or material, fuel, equipment, tools, etc., furnished or to be furnished by the undersigned for use in or in connection with the construction and erection of said project; so that UNION COUNTY WATER DISTRICT, its successors and assigns, shall and may have, hold and enjoy the same freed and discharged from all liens, claims, and demands whatsoever which the undersigned now has or might or could have if these presents had not been made.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and seal this 30 day of May 2000

Burgess Construction Company
Name of General Contractor

By David Burgess
Signature of Officer or Partner

Owner
Title of Officer

Witness: Ruth Ann Burgess



Paul E. Patton, Governor
Ronald B. McCloud, Secretary
Public Protection and Regulation
Cabinet

Martin J. Huelsmann
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602-0615
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-3460

B. J. Helton
Chairman
Edward J. Holmes
Vice Chairman
Gary W. Gillis
Commissioner

August 3, 2000

Mr. Bill Morgan
Union County Water District
409 North Court Street
P.O. Box 146
Morganfield, Kentucky 42437

Re: Case No. 1999-160, First Reminder Letter

Dear Mr. Morgan:

The Commission entered the enclosed Final Order in this case on May 17, 2000. The Commission ordered that Union shall file a copy of the "as-built" drawings and a certified statement that construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction. Please make this filing referencing the case number 1999-160 not later than 15 days from the date of this letter.

If you have questions concerning this letter, please contact Jess Helton, of the Filings Division, at 502-564-3940, extension 278. Otherwise, please mail the required filing to Martin J. Huelsmann, Executive Director, Public Service Commission, 211 Sower Blvd., Post Office Box 615, Frankfort, Kentucky 40602.

Sincerely,

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

Stephanie Bell
Secretary of the Commission

Enclosure
CC: Parties of Record





COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 99-160
UNION COUNTY WATER DISTRICT

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on May 17, 1999.

Parties of Record:

Bill Morgan
Manager
Union County Water District
409 North Court Street
P. O. Box 146
Morganfield, KY. 42437

Honorable Sidney H. Hulette
Counsel for the District
Hulette & Hulette
107 South Morgan
Morganfield, KY. 42437

Honorable William W. Davis
Bond Counsel for the District
Harper, Ferguson & Davis
1730 Meidinger Tower
Louisville, KY. 40202

Stephan Bell

Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF UNION COUNTY WATER)
DISTRICT, UNION COUNTY, KENTUCKY, (1) FOR)
A CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY AUTHORIZING CONSTRUCTION OF)
MAJOR ADDITIONS AND IMPROVEMENTS TO ITS)
WATER DISTRIBUTION SYSTEM, (2) SEEKING)
APPROVAL OF REVISED WATER SERVICE)
RATES AND CHARGES AND (3) SEEKING)
APPROVAL OF THE ISSUANCE OF CERTAIN)
SECURITIES)

CASE NO. 99-160

O R D E R

On April 20, 1999, Union County Water District ("Union District") submitted an application for a Certificate of Public Convenience and Necessity to construct a \$1,090,000 waterworks improvement project, for approval of its plan of financing for this project, and for adjustments to its water service rates. This project consists of a new booster pump station to replace an existing one and the construction of a new elevated water storage tank. Project funding is a \$1,090,000 bond issue to be purchased pursuant to an agreement with the U. S. Department of Agriculture's Rural Development ("RD").

Union District's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the U. S. Department of Agriculture or the U. S. Department of Housing and Urban Development and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum filing requirements

were met in this case on April 20, 1999, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. Union District is hereby granted a Certificate of Public Convenience and Necessity for the proposed construction project.

2. Union District's proposed plan of financing with RD is accepted.

3. Union District is authorized to issue bonds not to exceed \$1,090,000.

4. Union District shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

5. The rates set out in Appendix A, which is attached hereto and incorporated herein, are the rates approved for service rendered on and after the date of this Order.

6. Union District shall submit its revised tariff setting out the rates in Appendix A within 30 days of the date of this Order.

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

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

Done at Frankfort, Kentucky, this 17th day of May, 1999.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 99-160 DATED MAY 17, 1999

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

Monthly Water Rates

5/8" Meter

First	2,000 gallons	\$9.60	Minimum bill
Next	3,000 gallons	4.80	per 1,000 gallons
Next	5,000 gallons	4.40	per 1,000 gallons
Next	15,000 gallons	4.05	per 1,000 gallons
Next	25,000 gallons	3.75	per 1,000 gallons
Next	50,000 gallons	3.35	per 1,000 gallons
Next	100,000 gallons	2.95	per 1,000 gallons
Next	100,000 gallons	2.55	per 1,000 gallons
Over	300,000 gallons	2.15	per 1,000 gallons

3/4" Meter

First	5,000 gallons	\$24.00	Minimum bill
Next	5,000 gallons	4.40	per 1,000 gallons
Next	15,000 gallons	4.05	per 1,000 gallons
Next	25,000 gallons	3.75	per 1,000 gallons
Next	50,000 gallons	3.35	per 1,000 gallons
Next	100,000 gallons	2.95	per 1,000 gallons
Next	100,000 gallons	2.55	per 1,000 gallons
Over	300,000 gallons	2.15	per 1,000 gallons

1" Meter

First	10,000 gallons	\$46.00	Minimum bill
Next	15,000 gallons	4.05	per 1,000 gallons
Next	25,000 gallons	3.75	per 1,000 gallons
Next	50,000 gallons	3.35	per 1,000 gallons
Next	100,000 gallons	2.95	per 1,000 gallons
Next	100,000 gallons	2.55	per 1,000 gallons
Over	300,000 gallons	2.15	per 1,000 gallons

1 1/2" Meter

First	25,000 gallons	\$106.75	Minimum bill
Next	25,000 gallons	3.75	per 1,000 gallons
Next	50,000 gallons	3.35	per 1,000 gallons
Next	100,000 gallons	2.95	per 1,000 gallons
Next	100,000 gallons	2.55	per 1,000 gallons
Over	300,000 gallons	2.15	per 1,000 gallons

2" Meter

First	50,000 gallons	\$200.50	Minimum bill
Next	50,000 gallons	3.35	per 1,000 gallons
Next	100,000 gallons	2.95	per 1,000 gallons
Next	100,000 gallons	2.55	per 1,000 gallons
Over	300,000 gallons	2.15	per 1,000 gallons

2 1/2" Meter

First	75,000 gallons	\$284.25	Minimum bill
Next	25,000 gallons	3.35	per 1,000 gallons
Next	100,000 gallons	2.95	per 1,000 gallons
Next	100,000 gallons	2.55	per 1,000 gallons
Over	300,000 gallons	2.15	per 1,000 gallons

3" Meter

First	100,000 gallons	\$368.00	Minimum bill
Next	100,000 gallons	2.95	per 1,000 gallons
Next	100,000 gallons	2.55	per 1,000 gallons
Over	300,000 gallons	2.15	per 1,000 gallons

4" Meter

First	200,000 gallons	\$663.00	Minimum bill
Next	100,000 gallons	2.55	per 1,000 gallons
Over	300,000 gallons	2.15	per 1,000 gallons

6" Meter

First	300,000 gallons	\$918.00	Minimum bill
Over	300,000 gallons	2.15	per 1,000 gallons



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

April 26, 1999

Bill Morgan
Manager
Union County Water District
409 North Court Street
P. O. Box 146
Morganfield, KY. 42437

Honorable Sidney H. Hulette
Counsel for the District
Hulette & Hulette
107 South Morgan
Morganfield, KY. 42437

Honorable William W. Davis
Bond Counsel for the District
Harper, Ferguson & Davis
1730 Meidinger Tower
Louisville, KY. 40202

RE: Case No. 99-160
UNION COUNTY WATER DISTRICT

The Commission staff has reviewed your application in the above case and finds that it meets the minimum filing requirements. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

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

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

FILED

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

**PUBLIC SERVICE
COMMISSION**

In the Matter of

RECEIVED
APR 20 1999
PUBLIC SERVICE
COMMISSION)
)
) CASE
) NO.
FILED
APR 20 1999
PUBLIC SERVICE
COMMISSION

FILED
APR 20 1999
PUBLIC SERVICE
COMMISSION

THE APPLICATION OF UNION COUNTY WATER DISTRICT, UNION COUNTY, KENTUCKY, (1) FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING CONSTRUCTION OF MAJOR ADDITIONS AND IMPROVEMENTS TO ITS WATER DISTRIBUTION SYSTEM, (2) SEEKING APPROVAL OF REVISED WATER SERVICE RATES AND CHARGES AND (3) SEEKING APPROVAL OF THE ISSUANCE OF CERTAIN SECURITIES.

The Applicant, Union County Water District, situated in Union County, Kentucky (the "District"), acting by and through its Commission, respectfully tenders this Application and requests that the Public Service Commission of Kentucky enter its Order pursuant to KRS 278.023 and 807 KAR 5:069 issuing a Certificate of Public Convenience and Necessity authorizing the District to construct major additions and improvements to its public water system (the "System") for the purpose of furnishing an adequate supply of pure and potable water for domestic, agricultural and commercial use in the District, approving the adjustment of water rates and charges to be levied and collected by the District and approving the issuance of certain securities by the District. In support of this Application and in conformity with the rules of the Public Service Commission, the District states as follows:

1. The District was established by an Order entered by the County Court of Union County, Kentucky, on April 8, 1964, upon petition of the requisite number of freeholders of the area involved and after notice and public hearing in the manner set forth in KRS 74.010.

The District is now, and has been since its inception, regulated by the Public Service Commission of Kentucky, and all records and proceedings of the Public Service Commission with reference to the District are incorporated in this Application by reference.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

April 21, 1999

Bill Morgan
Manager
Union County Water District
409 North Court Street
P. O. Box 146
Morganfield, KY. 42437

Honorable Sidney H. Hulette
Counsel for the District
Hulette & Hulette
107 South Morgan
Morganfield, KY. 42437

Honorable William W. Davis
Bond Counsel for the District
Harper, Ferguson & Davis
1730 Meidinger Tower
Louisville, KY. 40202

RE: Case No. 99-160
UNION COUNTY WATER DISTRICT
(Construct, Finance, Rates; 278.023)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received April 20, 1999 and has been assigned Case No. 99-160. In all future correspondence or filings in connection with this case, please reference the above case number.

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

Sincerely,

Stephanie Bell
Stephanie Bell
Secretary of the Commission

SB/jc

FILED

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

PUBLIC SERVICE COMMISSION

In the Matter of

FILED
APR 20 1999
PUBLIC SERVICE COMMISSION

THE APPLICATION OF UNION COUNTY WATER DISTRICT, UNION COUNTY, KENTUCKY, (1) FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING CONSTRUCTION OF MAJOR ADDITIONS AND IMPROVEMENTS TO ITS WATER DISTRIBUTION SYSTEM, (2) SEEKING APPROVAL OF REVISED WATER SERVICE RATES AND CHARGES AND (3) SEEKING APPROVAL OF THE ISSUANCE OF CERTAIN SECURITIES.

RECEIVED
APR 20 1999
PUBLIC SERVICE COMMISSION
) CASE NO. 99-160
FILED
APR 20 1999
PUBLIC SERVICE COMMISSION

The Applicant, Union County Water District, situated in Union County, Kentucky (the "District"), acting by and through its Commission, respectfully tenders this Application and requests that the Public Service Commission of Kentucky enter its Order pursuant to KRS 278.023 and 807 KAR 5:069 issuing a Certificate of Public Convenience and Necessity authorizing the District to construct major additions and improvements to its public water system (the "System") for the purpose of furnishing an adequate supply of pure and potable water for domestic, agricultural and commercial use in the District, approving the adjustment of water rates and charges to be levied and collected by the District and approving the issuance of certain securities by the District. In support of this Application and in conformity with the rules of the Public Service Commission, the District states as follows:

1. The District was established by an Order entered by the County Court of Union County, Kentucky, on April 8, 1964, upon petition of the requisite number of freeholders of the area involved and after notice and public hearing in the manner set forth in KRS 74.010.

The District is now, and has been since its inception, regulated by the Public Service Commission of Kentucky, and all records and proceedings of the Public Service Commission with reference to the District are incorporated in this Application by reference.

2. The governing body of the District is its Commission, and in conformity with KRS 74.020(1) the County Judge/ Executive of Union County has entered appropriate Orders appointing the present Commissioners who are residents of the District, such present Commissioners, and their respective offices, being as follows: Charles C. Davis, Chairman, Gerald Hunter, Acting Chairman (during the illness of Charles C. Davis), and Billy Donald Greenwell. Each of the three Commissioners has qualified for office. The mailing address of the District is Union County Water District, P.O. Box 146, Morganfield, Kentucky 42437, Attention: Bill Morgan, Manager.

3. In order to finance water service facilities and improvements, the District currently has outstanding the following obligations payable from the income and revenues of the System:

(1) Loan from the Kentucky Infrastructure Authority ("KIA") in the approximate outstanding principal amount of \$703,482 under an Assistance Agreement dated April 1, 1993, between KIA and the District, which loan is repayable in various principal installments (plus interest) on July 1 of each of the years 1999 through 2013; and

(2) Lease from the Kentucky Association of Counties Leasing Trust ("KACLT") in the approximate outstanding principal amount of \$332,000 pursuant to a Lease Agreement dated June 27, 1991, between KACLT and the District, which lease provides for payment of principal components (plus interest) on January 20 and July 20 of each of the years 1999 through January 20, 2011.

4. The District's consulting engineers, Gastineau and Associates, Inc., Nicholasville, Kentucky (the "Engineers"), have prepared a Preliminary Engineering Report and a Final Engineering Report as well as detailed plans and specifications for the construction and installation of the new water service facilities and appurtenances (the "Project") that will serve the District. The Preliminary Engineering Report dated September, 1997, and the Final Engineering Report dated March, 1999, are appended hereto as Exhibit A and Exhibit B, respectively. These Exhibits contain, among other things, descriptions of the Project, cost figures and other pertinent data.

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

5. The District has caused public advertising to be made according to law soliciting competitive bids for the construction and installation of the Project; has received, opened and considered the construction bids; and has filed with the United States Department of Agriculture, Rural Development ("USDA"), the data prepared by the Engineers showing the bids received and the recommendations of the Engineers with respect thereto. USDA has approved the District's proposed award of the best bids as evidenced by the USDA letter of concurrence in the bid award appended hereto as Exhibit C.

The District hereby states, through its undersigned Chairman, that the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066, Section 4(3) and (4), Section 5 (1), Sections 6 and 7, Section 8(1) through (3), Section 9 (1) and Section 10; that all other state approvals or permits for the Project have been obtained; that the proposed water rates of the District will produce total revenue requirements as set out in Exhibits A and B; and that construction of the Project is expected to begin on or about May 20, 1999, and to end on or about February 20, 2000.

6. The proposed adjusted water rates and charges of the District are set out in a Notice of Adjustment of Water Rates which is appended hereto as Exhibit D and has been published in the legal newspaper in Union County. The newspaper clipping evidencing such publication is appended hereto as a part of Exhibit D.

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

8. As shown in Exhibit B and in Exhibit E, the District proposes to finance, in part, the construction and installation of the Project by the issuance of its bonds, to be styled "Water System Revenue Bonds, Series of 1999" (the "Bonds"), in the principal amount of \$1,090,000. A recent preliminary draft of the proposed Bond-authorizing Resolution of the District is appended hereto as Exhibit E.

The District has entered into a loan agreement with USDA pursuant to which USDA will make a loan of \$1,090,000 to the District, to be represented by the Bonds. The Bonds are expected to bear interest at the single, uniform rate of 5.125% per annum. Appended hereto as Exhibit F are copies of letters from USDA to the District setting forth terms, conditions and understandings relating to the loan, together with related USDA correspondence regarding the principal maturities of and interest rate on the Bonds.

With reference to the proposed issuance of the Bonds to USDA, the proceedings relating thereto will provide for the public advertisement of competitive bids for the Bonds according to Kentucky law; and in the event a bid or bids are received for the Bonds at an interest cost basis to the District more advantageous to the District than the loan commitment of USDA, the Bonds will be sold to such other bidder. However, it is not expected any more favorable bids will be received. The Bonds will not be delivered to USDA until such time as approximately the amount of the Bonds has been spent on the Project. This procedure is in accord with USDA rules requiring interim financing of USDA projects to the amount of the USDA loan. Accordingly, construction of the Project will be instituted and funded initially from the proceeds of an interim financing loan to be obtained from the Kentucky Rural Water Finance Corporation ("KRWFC") at a rate not to exceed 5.6% per annum. The interim loan will be secured by (i) the undisbursed proceeds of the interim financing loan and (ii) the proceeds of the Bonds when delivered to USDA according to USDA practices and procedures.

Interim financing is also available to the District from USDA in the event other interim financing sources are not available or are unreasonable.

9. The Commission of the District respectfully represents to the Public Service Commission that there is a genuine need and demand for the Project and that the Commission should enter herein its Order, in compliance with KRS 278.023 and KAR 5:069, (a) issuing its Certificate of Public Convenience and Necessity pursuant to KRS 278.020 authorizing construction and installation of the Project, (b) approving the proposed schedule of water service rates and charges and (c) authorizing pursuant to KRS 278.300 the issuance of \$1,090,000 principal amount of Water System Revenue Bonds, Series of 1999, by the District as described herein.

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

Respectfully submitted,

UNION COUNTY WATER DISTRICT

By 

Gerald Hunter

Acting Chairman of the Commission



William W. Davis

Harper, Ferguson & Davis

1730 Meidinger Tower

Louisville, Kentucky 40202

Telephone: (502) 582-3871

Bond Counsel for the District



Sidney H. Hulette

Hulette & Hulette

107 South Morgan

Morganfield, Kentucky 42437

Telephone: (502) 389-1466

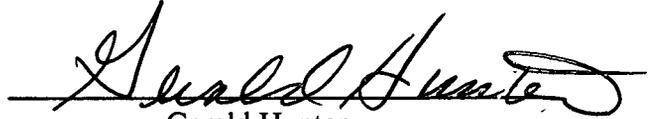
Counsel for the District

* * *

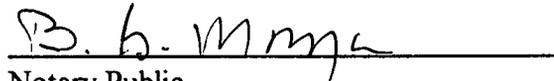
COMMONWEALTH OF KENTUCKY)
)
COUNTY OF UNION)

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

WITNESS my signature this 16th day of April, 1999.


Gerald Hunter

Subscribed and sworn to before me this 16th day of April, 1999. My commission expires April 1999.


Notary Public
Commonwealth of Kentucky

**PRELIMINARY ENGINEERING REPORT
FOR
IMPROVEMENTS
TO THE
UNION COUNTY WATER DISTRICT**

BOARD OF COMMISSIONERS

Charles C. Davis, Chairman
Billy Donald Greenwell
Gerald Hunter

Bill Morgan, Manager

September 1997

Prepared By:

GASTINEAU AND ASSOCIATES, Inc
104 Barkley Estates
Nicholasville, Kentucky 40503

EXHIBIT A

**PRELIMINARY ENGINEERING REPORT
FOR
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TO THE
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SUMMARY ADDENDUM

PRELIMINARY ENGINEERING REPORT
FOR
UNION COUNTY WATER DISTRICT
MORGANFIELD, KENTUCKY

I. AREA TO BE SERVED AND DESCRIPTION OF THE WATER DISTRICT

The Union County Water District has been established in accordance with existing statutes of the Commonwealth of Kentucky. All business of the Water District is transacted and administered by the Board of Commissioners. The Water District operates primarily in Union County. A very few customers are served in Webster County.

A vicinity map showing the relative location of Union County to the rest of the Commonwealth is provided in Exhibit I. The water distribution system of this District is located mostly within the Union County. The incorporated communities of Morganfield, Sturgis and Uniontown are not served by the Water District.

The principal industry of the area is agriculture. Principal cash producers are grains and livestock. The land is productive and the soil fertile. The topography is fairly level to gently rolling.

II. EXISTING FACILITIES

The present system was constructed initially in 1966 with a major extensions in 1976, 1978 and 1985. It has grown to the present customer count of nearly 1900. The District purchases water from the City of Morganfield under a contract which allows for annual adjustments to the wholesale rate based on the cost of production during the previous year.

The existing system consists of over 200 miles of water line varying in sizes between 2" and 10", five booster pump stations, four elevated storage tanks, and three standpipes. Total water storage is 990,000 gallons.

Distribution, storage and pumping facilities of the Union County Water District are divided into two distinct service areas. For the purpose of this report those areas are designated as the North service areas and south service area. Generally, the areas are separated by the City of Morganfield with the north area being north of Morganfield, serving the Waverly area and north to the Henderson County line. The remainder of the system takes in most of the southern portion of Union County south of Morganfield.

III. PROPOSED FACILITIES AND SERVICE

A. General Description of the Proposed Project:

Union County Water District supplies all of the water to the south service area through an existing booster pump station located near the water treatment facilities of the City of Morganfield, Kentucky. This station currently pumps in excess of 20 hours per day to supply the average daily needs in the service area of approximately 680,000 gallons. Without the pump minimum pressure requirements can not be met during those 20 hours.

Although the District does have at least one day storage in their south service area, there is no tank strategically located to help in reducing the pumping time or to serve the area near the city of Morganfield. A tank located near the city side of the District's south service area is necessary to provide sufficient pressure to permit a reduced running time at the main pump station.

Installation of a larger pump either necessitates paralleling all of the District's ten (10") inch line and a major portion of their eight (8") inch line or construction of a storage tank near the beginning of the south service area. The tank appears to be the option of choice for two reasons. First, the cost of a storage tank is estimated to be somewhat less than the cost of installing the large diameter pipe which would be required. And secondly, the larger capacity pumps would not be effective in providing a reduced run time because of the requirement to run them to provide minimum pressures in portions of the system.

A 750,000 gallon elevated storage tank is proposed. This capacity represents slightly more than the average one day supply in the south service area. Coupled with the other existing tanks approximately two day's supply of water will be available in that service area.

An 850 gpm booster pump station is proposed at the location of the existing pump. The station would consist of two pumps, automatic controls, and standby electrical power. Currently, should there be an electrical failure, the booster pumps could not deliver water to the system. At the proposed flow rate, average pumping time would be thirteen to fourteen hours.

Some twelve (12") inch line must also be installed to connect the tank to the main transmission line.

Construction of these proposed facilities will provide the District with the reliability that has not been available to them for many years.

B. Land, Water and Other Rights:

1. Land: The purchase of sites for the proposed tank will be necessary. Sufficient land is available at the existing pump station site for installation of the proposed facility.
2. Water Rights: Stream crossing permits will be obtained from the Division of Water, Frankfort, Kentucky.
3. Other Rights:
 - a. Easements and Permits: Water lines would be located in private property to the maximum extent. State Highway Department Encroachment Permits will be required only for short sections where private easements would not be feasible and where it is necessary to cross state highways with main and service lines.

b. Minimum pressure requirements (30 psi at the meter) of the Kentucky State Department for Natural Resources and Environmental Protection would be met as described in Paragraph III-c, hereafter.

4. Problems in Acquisition: No problems in the acquisition of rights of way are anticipated.

C. Water Supply:

1. Requirements: Since there will be no new customers added by completion of this project the water usage will remain unchanged. The total water use is approximately 22,180,000 gallons per month. This number includes an allowance of 4,990,000 water loss through line leaks breaks, flushing and unaccounted for water.

2. Requirements as to Quality: Kentucky Department for Natural Resources and Environmental Protection, Division of Water, specifies the quality requirements. These requirements will be met to the extent they apply to Union County Water District and the proposed project.

3. Water Supply: As noted earlier in this report, the water supply for this District is the City of Morganfield, Kentucky. The City has sufficient treated water to supply the needs of the District. A forty two year contract exists between the District and the City.

IV. COST ESTIMATE

A. The estimated cost of construction has been itemized in this report and shown in Appendix "A". Estimated construction of the project is \$868,700.

B. All other items of the Project Cost have been itemized and presented in Appendix "A". Total project cost is estimated at \$1,090,00.

V. ANNUAL OPERATING FIGURES

- A. Income: The projected income from the existing customers is presented in Appendix "C". Both existing and proposed rates are shown in Appendix "C". The projected revenue is based on the proposed new rates.
- B. Operation and Maintenance Costs: The cost of operation and maintenance for the District is derived from a projection of information contained in the Financial Reports of the District for years ending June 30, 1997. These figures are projected to the end of fiscal year 1998 earliest time operation could be anticipated. This information is detailed in Appendix "C" of this report.
- C. Debt Service and Bond Coverage: In 1998 the District will have \$1,106,239 of outstanding bonded indebtedness with an annual average debt service requirement of approximately \$109,600. This figure does not include the proposed new debt of \$ 1,054,000 which will require \$ 66,689 debt service.

Based on the estimated construction costs, projected maintenance and operation costs, and obtaining funding as shown in Appendix "B" from Rural Development Administration, the District's rates will have to be adjusted. The proposed new rates and estimated revenues from water sales from those rates are shown in Appendix "D".

VI. MAPS, DRAWINGS, AND SKETCHES

- A. Maps: A map showing the location of proposed facilities is given as Exhibit II to this report. Exhibit I shows a vicinity sketch of the Union County in relation to the other counties of Kentucky.
- B. Drawings and Photographs:
These items were not considered necessary for this Preliminary Engineering Report.

VII. CONSTRUCTION PROBLEMS

Construction of the proposed project is considered to be relatively simple with no complex problems to be surmounted.

VIII. CONCLUSIONS AND RECOMMENDATIONS

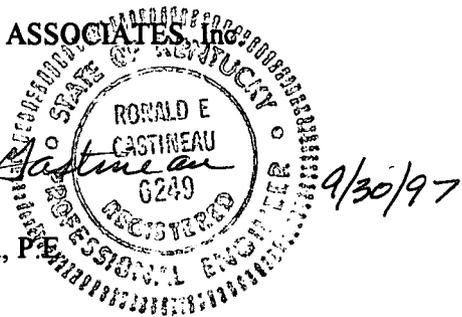
There rates represent an increase over existing rates of approximately thirty (30%) percent. It should be noted that the District must increase their present rates by at least fourteen (14%) percent even if the proposed project is not undertaken. Although the rate increase is significant, it is are not excessive when compared to other rural water utilities. This District has not increased rates since 1986.

- A. Conclusion: The primary purpose of this project is to provide a reasonable redundancy in the District's ability to provide water to its customers. Upon completion of the project, the District will have approximately two day's storage. In addition the pumping time at the main pump station will be reduced.
- B. Recommendations: The project appears to be feasible with the proposed rate increase. The facilities are needed. Therefore, it is recommended that the District proceed with the application process for funding of the project.

Respectfully submitted,

GASTINEAU AND ASSOCIATES, Inc.

Ronald E. Gastineau
Ronald E. Gastineau, P.E.



MAIN STORAGE TANK
UNION COUNTY WATER DISTRICT
ESTIMATED CONSTRUCTION COST

ITEM	UNIT	QUANTITY	UNIT PRICE	COST OF ITEM
12" PVC, C900 Pipe	LF	3400	\$14	\$45,900
12" Gate Valves	EA	2	\$834	\$1,668
8" X 8" Tapping Tee & Valve	EA	1	\$2,100	\$2,100
12" X 8" Reducer	EA	1	\$231	\$232
16" Steel Casing Pipe, Bored & Jacked	LF	70	\$105	\$7,350
Booster Pump Station	EA	1	\$127,000	\$127,000
Standby Power Generator	EA	1	\$28,500	\$28,500
Reconnection to City's Line	EA	1	\$950	\$950
Removal of Existing Pump Station	EA	1	\$2,500	\$2,500
Telemetry	EA	1	\$16,000	\$16,000
PRV/Regulating Valves	EA	1	\$10,500	\$10,500
0.75 MG Elevated Storage Tank	EA	1	\$585,000	\$585,000
Miscellaneous	LS	1	\$41,000	\$41,000
TOTAL ESTIMATED CONSTRUCTION COST				\$868,700

**MAIN STORAGE TANK
UNION COUNTY WATER DISTRICT
PROJECT COST AND PROPOSED FUNDING**

ITEM	COST
Estimated Construction Cost	\$868,700
Engineering	72,190
Resident Inspection	42,220
Administrative and Legal	14,000
Land and Right of Way	3,500
Interest During Construction	34,000
Geotechnical Services	3,200
Contingencies	52,190
TOTAL ESTIMATED PROJECT COST	\$1,090,000
PROPOSED FUNDING	
RDA Loan	\$1,090,000

APPENDIX "C"

Sept. 1997

Revised 11/25/97

UNION COUNTY WATER DISTRICT
REVENUES AND EXPENSES

	1996	1997	PROJECTED FOR 1998/1999 BUDGET YEAR
<u>OPERATING REVENUES</u>			
Water Sales	\$681,734	\$662,577	\$823,187
Water Penalties and connecting fees	\$15,776	\$14,688	\$15,776
Other Revenues	\$27,282	\$28,111	\$28,111
Total Operating Revenues	\$724,792	\$705,376	\$867,074
<u>OPERATING EXPENSES</u>			
Water purchased	\$207,861	\$209,176	\$210,499
Fuel and power purchased for pumping	\$33,660	\$33,539	\$30,490
Water transmission and distribution	\$89,239	\$69,006	\$80,687
Customer account expense	\$20,239	\$20,102	\$21,107
General and administrative	\$198,447	\$211,929	\$229,927
Depreciation	\$110,615	\$111,653	\$0
Tank Maintenance Contract	\$0	\$7,839	\$36,500
Replacement Parts, Equipment & Materials	\$35,126	\$38,244	\$43,600
Total Operating Expenses	\$695,187	\$701,488	\$652,810
NET INCOME	\$29,605	\$3,888	\$214,264

UNION COUNTY WATER DISTRICT
EXISTING RATES - RESIDENTIAL CUSTOMERS

<u>GALLON INCREMENT</u>		<u>COST PER 1000 GALLONS</u>
FIRST	2000	\$7.62 (MINIMUM)
NEXT	3000	\$3.81
NEXT	5000	\$3.51
NEXT	15000	\$3.26
NEXT	25000	\$2.96
NEXT	50000	\$2.61
NEXT	100000	\$2.36
NEXT	100000	\$2.06
ALL OVER	300000	\$1.71

<u>NUMBER OF CUSTOMERS</u>	<u>MONTHLY USAGE</u>		<u>COST PER CUSTOMER</u>	<u>NET MONTHLY BILLINGS</u>
	<u>PER CUSTOMER</u>	<u>TOTAL</u>		
379	1,500	568,500	\$7.62	\$2,887.98
197	2,500	492,500	\$9.53	\$1,876.43
229	3,500	801,500	\$13.34	\$3,053.72
212	4,500	954,000	\$17.15	\$3,634.74
173	5,500	951,500	\$20.81	\$3,599.27
141	6,500	916,500	\$24.32	\$3,428.42
100	7,500	750,000	\$27.83	\$2,782.50
72	8,500	612,000	\$31.34	\$2,256.12
65	9,500	617,500	\$34.85	\$2,264.93
42	10,500	441,000	\$38.23	\$1,605.66
40	11,500	460,000	\$41.49	\$1,659.60
25	12,500	312,500	\$44.75	\$1,118.75
15	12,500	187,500	\$44.75	\$671.25
17	14,500	246,500	\$51.27	\$871.59
13	15,500	201,500	\$54.53	\$708.89
9	16,500	148,500	\$57.79	\$520.11
4	17,500	70,000	\$61.05	\$244.20
7	18,500	129,500	\$64.31	\$450.17
13	19,500	253,500	\$67.57	\$878.41
2	20,500	41,000	\$70.83	\$141.66
4	21,500	86,000	\$74.09	\$296.36
2	22,500	45,000	\$77.35	\$154.70
2	23,500	47,000	\$80.61	\$161.22
2	24,500	49,000	\$83.87	\$167.74
11	27,100	298,100	\$91.72	\$1,008.88
9	32,700	294,300	\$108.29	\$974.63
6	37,700	226,200	\$123.09	\$738.55
7	44,800	313,600	\$144.11	\$1,008.76
4	54,600	218,400	\$171.51	\$686.02
15	76,400	1,146,000	\$228.40	\$3,426.06
1	102,800	102,800	\$296.61	\$296.61
1	224,020	224,020	\$575.48	\$575.48
1	441,700	441,700	\$974.31	\$974.31
TOTALS	1,820	12,647,620		\$45,123.69
YEARLY TOTALS		151,771,440		\$541,484.25

UNION COUNTY WATER DISTRICT
EXISTING RATES - NON-RESIDENTIAL CUSTOMERS

<u>GALLON INCREMENT</u>		<u>COST PER 1000 GALLONS</u>
FIRST	2000	\$7.62 (MINIMUM)
NEXT	3000	\$3.81
NEXT	5000	\$3.51
NEXT	15000	\$3.26
NEXT	25000	\$2.96
NEXT	50000	\$2.61
NEXT	100000	\$2.36
NEXT	100000	\$2.06
ALL OVER	300000	\$1.71

<u>NUMBER OF CUSTOMERS</u>	<u>MONTHLY USAGE</u>		<u>COST PER CUSTOMER</u>	<u>NET MONTHLY BILLINGS</u>
	<u>PER CUSTOMER</u>	<u>TOTAL</u>		
22	1,500	33,000	\$7.62	\$167.64
3	2,500	7,500	\$9.53	\$28.58
1	3,500	3,500	\$13.34	\$13.34
2	4,500	9,000	\$17.15	\$34.29
4	5,500	22,000	\$20.81	\$83.22
4	6,500	26,000	\$24.32	\$97.26
2	8,500	17,000	\$31.34	\$62.67
2	9,500	19,000	\$34.85	\$69.69
2	11,500	23,000	\$41.49	\$82.98
1	12,500	12,500	\$44.75	\$44.75
2	15,500	31,000	\$54.53	\$109.06
2	17,500	35,000	\$61.05	\$122.10
1	21,500	21,500	\$74.09	\$74.09
1	27,500	27,500	\$92.90	\$92.90
2	70,400	140,800	\$212.74	\$425.49
2	158,300	316,600	\$427.59	\$855.18
2	218,400	436,800	\$563.90	\$1,127.81
4	911,100	3,644,400	\$1,776.98	\$7,107.92
TOTALS	59	4,826,100		\$10,598.96
YEARLY TOTALS		57,913,200		\$127,187.47

UNION COUNTY WATER DISTRICT
PROPOSED RATES - RESIDENTIAL CUSTOMERS

<u>GALLON INCREMENT</u>		<u>COST PER 1000 GALLONS</u>
FIRST	2000	\$9.60 (MINIMUM)
NEXT	3000	\$4.80
NEXT	5000	\$4.40
NEXT	15000	\$4.05
NEXT	25000	\$3.75
NEXT	50000	\$3.35
NEXT	100000	\$2.95
NEXT	100000	\$2.55
ALL OVER	300000	\$2.15

<u>NUMBER OF CUSTOMERS</u>	<u>MONTHLY USAGE</u>		<u>COST PER CUSTOMER</u>	<u>NET MONTHLY BILLINGS</u>
	<u>PER CUSTOMER</u>	<u>TOTAL</u>		
379	1,500	568,500	\$9.60	\$3,638.40
197	2,500	492,500	\$12.00	\$2,364.00
229	3,500	801,500	\$16.80	\$3,847.20
212	4,500	954,000	\$21.60	\$4,579.20
173	5,500	951,500	\$26.20	\$4,532.60
141	6,500	916,500	\$30.60	\$4,314.60
100	7,500	750,000	\$35.00	\$3,500.00
72	8,500	612,000	\$39.40	\$2,836.80
65	9,500	617,500	\$43.80	\$2,847.00
42	10,500	441,000	\$48.03	\$2,017.05
40	11,500	460,000	\$52.08	\$2,083.00
25	12,500	312,500	\$56.13	\$1,403.13
15	12,500	187,500	\$56.13	\$841.88
17	14,500	246,500	\$64.23	\$1,091.83
13	15,500	201,500	\$68.28	\$887.58
9	16,500	148,500	\$72.33	\$650.93
4	17,500	70,000	\$76.38	\$305.50
7	18,500	129,500	\$80.43	\$562.98
13	19,500	253,500	\$84.48	\$1,098.18
2	20,500	41,000	\$88.53	\$177.05
4	21,500	86,000	\$92.58	\$370.30
2	22,500	45,000	\$96.63	\$193.25
2	23,500	47,000	\$100.68	\$201.35
2	24,500	49,000	\$104.73	\$209.45
11	27,100	298,100	\$114.63	\$1,260.88
9	32,700	294,300	\$135.63	\$1,220.63
6	37,700	226,200	\$154.38	\$926.25
7	44,800	313,600	\$181.00	\$1,267.00
4	54,600	218,400	\$215.91	\$863.64
15	76,400	1,146,000	\$288.94	\$4,334.10
1	102,800	102,800	\$376.26	\$376.26
1	224,020	224,020	\$724.25	\$724.25
1	441,700	441,700	\$927.66	\$927.66
TOTALS	1,820	12,647,620		\$56,453.88
YEARLY TOTALS		151,771,440		\$677,446.57

UNION COUNTY WATER DISTRICT
PROPOSED RATES - NON-RESIDENTIAL CUSTOMERS

<u>GALLON INCREMENT</u>		<u>COST PER 1000 GALLONS</u>
FIRST	2000	\$9.60 (MINIMUM)
NEXT	3000	\$4.80
NEXT	5000	\$4.40
NEXT	15000	\$4.05
NEXT	25000	\$3.75
NEXT	50000	\$3.35
NEXT	100000	\$2.95
NEXT	100000	\$2.55
ALL OVER	300000	\$2.15

<u>NUMBER OF CUSTOMERS</u>	<u>MONTHLY USAGE</u>		<u>COST PER CUSTOMER</u>	<u>NET MONTHLY BILLINGS</u>
	<u>PER CUSTOMER</u>	<u>TOTAL</u>		
22	1,500	33,000	\$9.60	\$211.20
3	2,500	7,500	\$12.00	\$36.00
1	3,500	3,500	\$16.80	\$16.80
2	4,500	9,000	\$21.60	\$43.20
4	5,500	22,000	\$26.20	\$104.80
4	6,500	26,000	\$30.60	\$122.40
2	8,500	17,000	\$39.40	\$78.80
2	9,500	19,000	\$43.80	\$87.60
2	11,500	23,000	\$52.60	\$105.20
1	12,500	12,500	\$56.13	\$56.13
2	15,500	31,000	\$68.28	\$136.55
2	17,500	35,000	\$76.38	\$152.75
1	21,500	21,500	\$92.58	\$92.58
1	27,500	27,500	\$116.13	\$116.13
2	70,400	140,800	\$268.84	\$537.68
2	158,300	316,600	\$539.99	\$1,079.97
2	218,400	436,800	\$709.92	\$1,419.84
4	911,100	3,644,400	\$1,936.87	\$7,747.46
TOTALS	59	4,826,100		\$12,145.08
YEARLY TOTALS		57,913,200		\$145,740.90

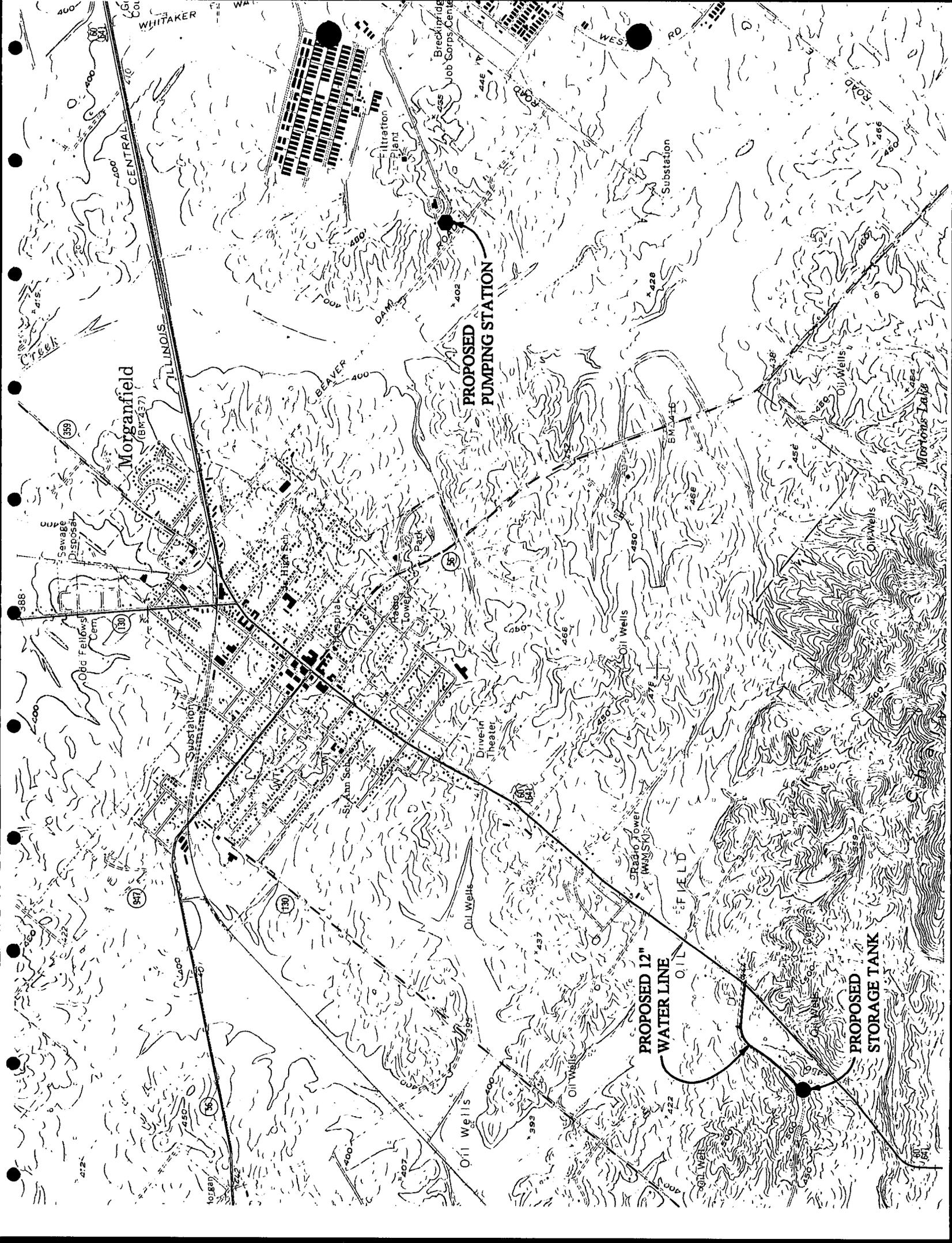
**UNION COUNTY WATER DISTRICT
DEBT SERVICE AND DEBT SERVICE COVERAGE**

Estimated Income	\$867,074
Estimated Expenses	\$652,810
Net Income	\$214,264

DEBT SERVICE

Existing	\$109,369
Proposed (38 yr @ 5 1/2%) \$1,090,000 X .063272	\$68,966
TOTAL DEBT SERVICE	\$178,335

DEBT SERVICE COVERAGE = $\$214,264 / \$178,335$ **1.20**



Morganfield
(BM 437)

PROPOSED
PUMPING STATION

PROPOSED 12"
WATER LINE

PROPOSED
STORAGE TANK

CENTRAL

ILLINOIS

BEAVER

Filtration
Plant

Beckmire
Job Corps Center

RADIO TOWER
(WANSK)

OIL
FIELD

OIL WELLS

OIL WELLS

OIL WELLS

OIL WELLS

Morganfield
Lake

Old Fellows
Cem.

High School

Substation

St. Ann School

Lower
Park

Drive-in
Theater

Oil Wells

Substation

SUMMARY/ADDENDUM

TO

PRELIMINARY ENGINEERING REPORT

Dated September 1997

FOR

Union County Water District

(Name of Water Facility Project)

Applicant Contact Person Ronald Gastineau-606 887-5796

Applicant Phone Number or Bill Morgan-502 389-3868

In order to avoid unnecessary delays in application processing, the applicant and its consulting engineer should prepare a summary of the preliminary engineering report in accordance with this Guide.

Feasibility review and grant determinations may be processed more accurately and more rapidly if the Summary/Addendum is submitted simultaneously with the preliminary engineering report, or as soon thereafter as possible.

I. General

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

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

II. FACILITY CHARACTERISTICS OF EXISTING WATER SYSTEM

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

Union County Water District purchases their water from the city of Morganfield. The city has a realatively new treatment facility with ample capacity. Their source of raw water is the Ohio River.

If the applicant purchases water:

Seller(s): City of Morganfield

Price/1,000 gallons: varies annually currently \$0.839

Present Estimated Market Value of Existing System: \$ 5,505,034

- B. Water Storage:

Type: Ground Storage Tank _____ Elevated Tank 4
Standpipe 3 Other _____

Number of Storage Structures 7

Total Storage Volume Capacity 990,000

Date Storage Tank(s) Constructed 1966-1996

- C. Water Distribution System:

Pipe Material PVC and AC

Approximately 200 miles ranging from 2" to 10"
Lineal Feet of Pipe: 3" Diameter _____ 4" _____

6" _____ 8" _____ 10" _____ 12" _____

Date(s) Water Lines Constructed 1966 - 1995

Number and Capacity of Pump Station(s) 1 - 600 GPM

1 - 300 GPM, 1 - 75 GPM, 1 - 90 GPM

D. Condition of Existing Water System:

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

Piping system is in satisfactory condition. The main pumping station is not large enough and does not have redundancy. Storage is needed to provide adequate pressure in a portion of the system.

III. EXISTING LONG-TERM INDEBTEDNESS

A. List of Bonds and Notes:

<u>Date of Issue</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Pymt Date</u>	<u>Bond/Note Holder</u>	<u>Amount on Deposit in Reserve Acct</u>
19 88 Issue	\$758,239	\$ 27,400	July 1 & Jan 1	KIA	\$61,029
19 88 Issue	\$363,000	\$ 38,150	Jan 20 July 20	KACOLT	
19__ Issue	\$ _____	\$ _____	_____	_____	_____
19__ Issue	\$ _____	\$ _____	_____	_____	_____
19__ Issue	\$ _____	\$ _____	_____	_____	_____
19__ Issue	\$ _____	\$ _____	_____	_____	_____

IV. LAND AND RIGHTS - EXISTING SYSTEM(S)

Number of Treatment Plant Sites	<u>0</u>
Number of Storage Tank Sites	<u>Seven</u>
Number of Pump Stations	<u>Four</u>
Total Acreage	<u>Less than four Acres</u>
Purchase Price	<u>\$ 10,175</u>

V. NUMBER OF EXISTING USERS

A. Water Users:

Residential Size Meters (In Town)* _____

Residential Size Meters/Farmers (Out of Town)* 1820

Larger Users (Larger Than 5/8" Meter (In Town)) _____

Larger Users (Larger Than 5/8" Meter (Out of Town)) _____

Total _____

Number of Total Potential Users Living
in the Service Area _____

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

VI. CURRENT CONNECTION FEES FOR EACH SIZE METER CONNECTION

<u>Meter Size</u>	<u>Connection Fee</u>	<u>Minimum Water Usage for Each Size Meter</u>
<u>5/8" x 3/4"</u>	<u>\$ 400</u>	<u>2,000 gallons</u>
<u>3/4 Inch</u>	<u>600</u>	<u>5,000</u>
<u>1-Inch</u>	<u>\$ 1000</u>	<u>10,000 gallons</u>
<u>1-1/2" Inch</u>	<u>\$ Varies</u>	<u>25,000 gallons</u>
<u>2-Inch</u>	<u>\$ depends</u>	<u>50,000 gallons</u>
<u>2-1/2-Inch</u>	<u>75,000</u>	<u>gallons</u>
<u>3-Inch</u>	<u>\$ On</u>	<u>100,000 gallons</u>
<u>4-Inch</u>	<u>\$ cost</u>	<u>200,000 gallons</u>
<u>5-Inch</u>	<u>\$ of</u>	<u>gallons</u>
<u>6-Inch</u>	<u>\$ installation</u>	<u>300,000 gallons</u>

VII. WATER RATES - EXISTING RATE SCHEDULE

Date this rate went into effect: 1985

Meter Size 5/8" :

First	<u>2,000</u>	Gallons @ \$	<u>7.62</u>	Minimum.
Next	<u>3,000</u>	Gallons @ \$	<u>3.81</u>	per 1,000 Gallons.
Next	<u>5,000</u>	Gallons @ \$	<u>3.51</u>	per 1,000 Gallons.
Next	<u>15,000</u>	Gallons @ \$	<u>3.26</u>	per 1,000 Gallons.
Next	<u>25,000</u>		<u>2.96</u>	
Next	<u>50,000</u>	Gallons @ \$	<u>2.61</u>	per 1,000 Gallons.
Next	<u>100,000</u>		<u>2.36</u>	
Next	<u>100,000</u>	Gallons @ \$	<u>2.06</u>	per 1,000 Gallons.
All Over	<u>300,000</u>	Gallons @ \$	<u>1.71</u>	per 1,000 Gallons.

Meter Size 3/4" :

First	<u>5,000</u>	Gallons @ \$	<u>19.05</u>	Minimum.
Next	<u>5,000</u>	Gallons @ \$	<u>3.51</u>	per 1,000 Gallons.
Next	<u>15,000</u>	Gallons @ \$	<u>3.26</u>	per 1,000 Gallons.
Next	<u>25,000</u>		<u>2.96</u>	
Next	<u>50,000</u>	Gallons @ \$	<u>2.61</u>	per 1,000 Gallons.
Next	<u>100,000</u>	Gallons @ \$	<u>2.36</u>	per 1,000 Gallons.
Next	<u>100,000</u>	Gallons @ \$	<u>2.06</u>	per 1,000 Gallons.
All Over	<u>300,000</u>	Gallons @ \$	<u>1.71</u>	per 1,000 Gallons.

Meter Size 1" :

First	<u>10,000</u>	Gallons @ \$	<u>36.60</u>	Minimum.
Next	<u>15,000</u>	Gallons @ \$	<u>3.26</u>	per 1,000 Gallons.
Next	<u>25,000</u>	Gallons @ \$	<u>2.96</u>	per 1,000 Gallons.
Next	<u>50,000</u>	Gallons @ \$	<u>2.61</u>	per 1,000 Gallons.
Next	<u>100,000</u>	Gallons @ \$	<u>2.36</u>	per 1,000 Gallons.
Next	<u>100,000</u>	Gallons @ \$	<u>2.06</u>	per 1,000 Gallons.
All Over	<u>300,000</u>	Gallons @ \$	<u>1.71</u>	per 1,000 Gallons.

VII. WATER RATES - EXISTING RATE SCHEDULE

Date this rate went into effect: _____

Meter Size 1-1/2" :

First 25,000 Gallons @ \$ 85.50 Minimum.
Next 25,000 Gallons @ \$ 2.96 per 1,000 Gallons.
Next 50,000 Gallons @ \$ 2.61 per 1,000 Gallons.
Next 100,000 Gallons @ \$ 2.36 per 1,000 Gallons.
Next 100,000 Gallons @ \$ 2.06 per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
All Over 300,000 Gallons @ \$ 1.71 per 1,000 Gallons.

Meter Size 2" :

First 50,000 Gallons @ \$ 159.50 Minimum.
Next 50,000 Gallons @ \$ 2.61 per 1,000 Gallons.
Next 100,000 Gallons @ \$ 2.36 per 1,000 Gallons.
Next 100,000 Gallons @ \$ 2.06 per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
All Over 300,000 Gallons @ \$ 1.71 per 1,000 Gallons.

Meter Size 2-1/2" :

First 75,000 Gallons @ \$ 224.75 Minimum.
Next 25,000 Gallons @ \$ 2.61 per 1,000 Gallons.
Next 100,000 Gallons @ \$ 2.36 per 1,000 Gallons.
Next 100,000 Gallons @ \$ 2.06 per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
All Over 300,000 Gallons @ \$ 1.71 per 1,000 Gallons.

VII. WATER RATES - EXISTING RATE SCHEDULE

Date this rate went into effect: _____

Meter Size 3" _____ :

First 100,000 Gallons @ \$ 290.00 Minimum.
Next 100,000 Gallons @ \$ 2.36 per 1,000 Gallons.
Next 100,000 Gallons @ \$ 2.06 per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
All Over 300,000 Gallons @ \$ 1.71 per 1,000 Gallons.

Meter Size 4" _____ :

First 200,000 Gallons @ \$ 526.00 Minimum.
Next 100,000 Gallons @ \$ 2.06 per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
All Over 300,000 Gallons @ \$ 1.71 per 1,000 Gallons.

Meter Size 6" _____ :

First 300,000 Gallons @ \$ 732.00 Minimum.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
Next _____ Gallons @ \$ _____ per 1,000 Gallons.
All Over 300,000 Gallons @ \$ 1.71 per 1,000 Gallons.

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

For Period _____ to _____.

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

Continued

VIII. continued

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

IX. FACILITY CHARACTERISTICS OF PROPOSED WATER SYSTEM

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

Proposed facilities include an 800 GPM main pumping station, a 750,000 gallon elevated tank, and connecting line to the tank. all facilities are required to provide consistent pressure and volume to the District's customers.

B. Water Storage:

Type: Ground Storage Tank _____ Elevated Tank 750,000 gallons
Standpipe _____ Other _____

Number of Storage Structures 1

Total Storage Volume Capacity 750,000 gallons

C. Water Distribution System:

Pipe Material PVC

Lineal Feet of Pipe: 3" Diameter _____ 4" _____ 6" _____
8" _____ 10" _____ 12" 3400

Number and Capacity of Pump Station(s) 1-800 GPM

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

Number of Treatment Plant Sites _____ 0

Number of Pump Sites _____ 0

Number of Other Sites (Storage Tank) _____ 1

Total Acreage _____ 0.23 Acres

Purchase Price \$ 3,500

XI. NUMBER OF NEW USERS

NO NEW USERS

A. Water Users:

Residential Size Meters (In Town)* _____

Residential Size Meters/Farmers (Out of Town)* _____

Larger Users (Larger Than 5/8" Meter (In Town) _____

Larger Users (Larger Than 5/8" Meter (Out of Town) _____

Total _____

Number of Total Potential Users Living
in the Service Area _____

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

XII. PROPOSED CONNECTION FEES FOR EACH SIZE METER CONNECTION

Meter Size	Connection Fee	Minimum Water Usage for Each Size Meter	
<u>5/8" XXX</u>	<u>\$ 400</u>	<u>2,000</u>	<u>gallons</u>
<u>3/4"</u>	<u>600</u>	<u>5,000</u>	<u>gallons</u>
<u>1-Inch</u>	<u>\$ 1000</u>	<u>10,000</u>	<u>gallons</u>
<u>1-1/2" Inch</u>	<u>\$ varies</u>	<u>25,000</u>	<u>gallons</u>
<u>2-Inch</u>	<u>\$ depending</u>	<u>50,000</u>	<u>gallons</u>
<u>2-1/2 Inch</u>	<u>\$ on</u>	<u>75,000</u>	<u>gallons</u>
<u>3-Inch</u>	<u>\$ on</u>	<u>100,000</u>	<u>gallons</u>
<u>4-Inch</u>	<u>\$ cost</u>	<u>200,000</u>	<u>gallons</u>
<u>5-Inch</u>	<u>\$ of</u>		<u>gallons</u>
<u>6-Inch</u>	<u>\$ installation</u>	<u>300,000</u>	<u>gallons</u>

XIII. WATER RATES - PROPOSED

A. Proposed Rate Schedule:

First	<u>2,000</u>	Gallons @ \$	<u>10.30</u>	Minimum.
	3,000		5.14	
Next	<u>5,000</u>	Gallons @ \$	<u>4.74</u>	per 1,000 Gallons.
	15,000		4.40	
Next	<u>25,000</u>	Gallons @ \$	<u>4.00</u>	per 1,000 Gallons.
	50,000		3.52	
Next	<u>100,000</u>	Gallons @ \$	<u>3.19</u>	per 1,000 Gallons.
	100,000		2.78	
Next	<u>100,000</u>	Gallons @ \$	<u>2.78</u>	per 1,000 Gallons.
	300,000		2.31	
All Over	<u>300,000</u>	Gallons @ \$	<u>2.31</u>	per 1,000 Gallons.

IF MORE THAN ONE RATE, USE ADDITIONAL SHEETS.

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

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

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

Continued.....

XIV. Continued.....

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

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

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

Continued.....

XV. Continued.....

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

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

A. Operating Income:

Water Sales	\$ 662,577
Disconnect/Reconnect/Late Charge Fees	<u>14,688</u>
Other (Describe)	<u>28,111</u>
Less Allowances and Deductions	(_____)
Total Operating Income.....	<u>\$ 705,376</u>

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

Source of Supply Expense	\$ 209,176
Pumping Expense	<u>33,539</u>
Water Treatment Expense	<u>76,845</u>
Transmission and Distribution Expense	<u>19,532</u>
Customer Accounts Expense	<u>211,929</u>
Administrative and General Expense	<u>211,929</u>
Total Operating Expenses.....	<u>\$551,021</u>

Net Operating Income.....\$ 154,355

C. Non-Operating Income:

Interest on Deposits	\$ <u>15,422</u>
Other (Identify)	<u> </u>
Total Non-Operating Income.....	<u>\$15,422</u>

D. Net Income.....\$ 169,777

E. Debt Repayment:

FmHA Interest	\$ _____
FmHA Principal	<u> </u>
Non-FmHA Interest	<u>65,550</u>
Non-FmHA Principal	<u>42,270</u>
Total Debt Repayment	<u>\$107,820</u>

F. Balance Available for Coverage and Depreciation...\$ 61,957

XVII. PROPOSED OPERATING BUDGET - EXISTING & NEW USERS
 (1st Full Year of Operation) Year Ending 1998

A. Operating Income:

Water Sales	\$ 823,187
Disconnect/Reconnect/Late Charge Fees	15,776
Other (Describe)	28,111

Less Allowances and Deductions (_____)

Total Operating Income.....\$ 867,074

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

Source of Supply Expense	\$ 210,499
Pumping Expense	30,490
Water Treatment Expense	_____
Transmission and Distribution Expense	160,787 *
Customer Accounts Expense	21,107
Administrative and General Expense	229,927

Total Operating Expenses.....\$ 652,810

Net Operating Income.....\$ 214,264

C. Non-Operating Income:

Interest on Deposits	\$ 0
Other (Identify)	_____

Total Non-Operating Income.....\$ 0

D. Net Income.....\$ 214,264

E. Debt Repayment:

FmHA Interest	\$ 59,950
FmHA Principal	9,016
Non-FmHA Interest	64,881
Non-FmHA Principal	44,448

Total Debt Repayment \$ 178,295

F. Balance Available for Coverage and Depreciation...\$ 35,969

* Includes: Tank Maintenance Contract \$36,500
 Replacement & Parts Equipment & Material \$43,600
 \$80,100

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

A. Operating Income:

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

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

Source of Supply Expense	\$ _____
Pumping Expense	_____
Water Treatment Expense	_____
Transmission and Distribution Expense	_____
Customer Accounts Expense	_____
Administrative and General Expense	_____
Total Operating Expenses.....	\$ _____
Net Operating Income.....	\$ _____

C. Non-Operating Income:

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

D. Net Income.....\$ _____

E. Debt Repayment:

FmHA Interest	\$ _____
FmHA Principal	_____
Non-FmHA Interest	_____
Non-FmHA Principal	_____
Total Debt Repayment	\$ _____

F. Balance Available for Coverage and Depreciation...\$ _____

XIX. ESTIMATED PROJECT COST - WATER

Development	\$ 868,700
Land and Rights	3,500
Legal	14,000
Engineering	117,610
Interest	34,000
Contingencies	52,190
Initial Operating and Maintenance	
Other	
TOTAL	<u>1,090,000</u>

XX. PROPOSED PROJECT FUNDING

Applicant - User Connection Fees	\$
Other Applicant Contribution	
FmHA Loan	1,090,000
FmHA Grant	
Other (Specify)	
TOTAL	<u>\$1,090,000</u>

**FINAL ENGINEERING REPORT
FOR
IMPROVEMENTS
TO THE
UNION COUNTY WATER DISTRICT**

BOARD OF COMMISSIONERS

**Charles C. Davis, Chairman
Billy Donald Greenwell
Gerald Hunter**

Bill Morgan, Manager

March 1999

Prepared By:

**GASTINEAU AND ASSOCIATES, Inc
104 Barkley Estates
Nicholasville, Kentucky 40503**

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SUMMARY ADDENDUM

PRELIMINARY ENGINEERING REPORT
FOR
UNION COUNTY WATER DISTRICT
MORGANFIELD, KENTUCKY

I. AREA TO BE SERVED AND DESCRIPTION OF THE WATER DISTRICT

The Union County Water District has been established in accordance with existing statutes of the Commonwealth of Kentucky. All business of the Water District is transacted and administered by the Board of Commissioners. The Water District operates primarily in Union County. A very few customers are served in Webster County.

A vicinity map showing the relative location of Union County to the rest of the Commonwealth is provided in Exhibit I. The water distribution system of this District is located mostly within the Union County. The incorporated communities of Morganfield, Sturgis and Uniontown are not served by the Water District.

The principal industry of the area is agriculture. Principal cash producers are grains and livestock. The land is productive and the soil fertile. The topography is fairly level to gently rolling.

II. EXISTING FACILITIES

The present system was constructed initially in 1966 with a major extensions in 1976, 1978 and 1985. It has grown to the present customer count of nearly 1900. The District purchases water from the City of Morganfield under a contract which allows for annual adjustments to the wholesale rate based on the cost of production during the previous year.

The existing system consists of over 200 miles of water line varying in sizes between 2" and 10", five booster pump stations, four elevated storage tanks, and three standpipes. Total water storage is 990,000 gallons.

Distribution, storage and pumping facilities of the Union County Water District are divided into two distinct service areas. For the purpose of this report those areas are designated as the North service areas and south service area. Generally, the areas are separated by the City of Morganfield with the north area being north of Morganfield, serving the Waverly area and north to the Henderson County line. The remainder of the system takes in most of the southern portion of Union County south of Morganfield.

III. PROPOSED FACILITIES AND SERVICE

A. General Description of the Proposed Project:

Union County Water District supplies all of the water to the south service area through an existing booster pump station located near the water treatment facilities of the City of Morganfield, Kentucky. This station currently pumps in excess of 20 hours per day to supply the average daily needs in the service area of approximately 680,000 gallons. Without the pump minimum pressure requirements can not be met during those 20 hours.

Although the District does have at least one day storage in their south service area, there is no tank strategically located to help in reducing the pumping time or to serve the area near the city of Morganfield. A tank located near the city side of the District's south service area is necessary to provide sufficient pressure to permit a reduced running time at the main pump station.

Installation of a larger pump either necessitates paralleling all of the District's ten (10") inch line and a major portion of their eight (8") inch line or construction of a storage tank near the beginning of the south service area. The tank appears to be the option of choice for two reasons. First, the cost of a storage tank is estimated to be somewhat less than the cost of installing the large diameter pipe which would be required. And secondly, the larger capacity pumps would not be effective in providing a reduced run time because of the requirement to run them to provide minimum pressures in portions of the system.

A 750,000 gallon elevated storage tank is proposed. This capacity represents slightly more than the average one day supply in the south service area. Coupled with the other existing tanks approximately two day's supply of water will be available in that service area.

An 850 gpm booster pump station is proposed at the location of the existing pump. The station would consist of two pumps, automatic controls, and standby electrical power. Currently, should there be an electrical failure, the booster pumps could not deliver water to the system. At the proposed flow rate, average pumping time would be thirteen to fourteen hours.

Some twelve (12") inch line must also be installed to connect the tank to the main transmission line.

Construction of these proposed facilities will provide the District with the reliability that has not been available to them for many years.

B. Land, Water and Other Rights:

1. Land: The purchase of sites for the proposed tank will be necessary. Sufficient land is available at the existing pump station site for installation of the proposed facility.
2. Water Rights: Stream crossing permits will be obtained from the Division of Water, Frankfort, Kentucky.
3. Other Rights:
 - a. Easements and Permits: Water lines would be located in private property to the maximum extent. State Highway Department Encroachment Permits will be required only for short sections where private easements would not be feasible and where it is necessary to cross state highways with main and service lines.

b. Minimum pressure requirements (30 psi at the meter) of the Kentucky State Department for Natural Resources and Environmental Protection would be met as described in Paragraph III-c, hereafter.

4. Problems in Acquisition: No problems in the acquisition of rights of way are anticipated.

C. Water Supply:

1. Requirements: Since there will be no new customers added by completion of this project the water usage will remain unchanged. The total water use is approximately 22,180,000 gallons per month. This number includes an allowance of 4,990,000 water loss through line leaks breaks, flushing and unaccounted for water.

2. Requirements as to Quality: Kentucky Department for Natural Resources and Environmental Protection, Division of Water, specifies the quality requirements. These requirements will be met to the extent they apply to Union County Water District and the proposed project.

3. Water Supply: As noted earlier in this report, the water supply for this District is the City of Morganfield, Kentucky. The City has sufficient treated water to supply the needs of the District. A forty two year contract exists between the District and the City.

IV. COST ESTIMATE

A. Copies of the low bids received on March 10, 1999 are included in Appendix "A". The total of the three contracts is \$840,373.12. This is below the estimate presented in the preliminary engineering report.

B. All other items of the Project Cost have been itemized and presented in Appendix "A". Total project cost is estimated at \$1,090,00.

V. ANNUAL OPERATING FIGURES

- A. Income: The projected income from the existing customers is presented in Appendix "C". Both existing and proposed rates are shown in Appendix "C". The projected revenue is based on the proposed new rates.
- B. Operation and Maintenance Costs: The cost of operation and maintenance for the District is derived from a projection of information contained in the Financial Reports of the District for years ending June 30, 1997. These figures are projected to the end of the 1998/1999 fiscal year. The new facilities will be operational during 1999. This information is detailed in Appendix "C" of this report.
- C. Debt Service and Bond Coverage: In 1998 the District will have \$1,106,239 of outstanding bonded indebtedness with an annual average debt service requirement of approximately \$109,600. This figure does not include the proposed new debt of \$ 1,090,000 which will require \$ 65,696 debt service.

Based on the estimated construction costs, projected maintenance and operation costs, and obtaining funding as shown in Appendix "B" from Rural Development Administration, the District's rates will have to be adjusted. The proposed new rates and estimated revenues from water sales from those rates are shown in Appendix "D".

VI. MAPS, DRAWINGS, AND SKETCHES

- A. Maps: A map showing the location of proposed facilities is given as Exhibit II to this report. Exhibit I shows a vicinity sketch of the Union County in relation to the other counties of Kentucky.
- B. Drawings and Photographs:
The Plans upon which construction bids were based are considered an attachment to this report.

VII. CONSTRUCTION PROBLEMS

Construction of the proposed project is considered to be relatively simple with no complex problems to be surmounted.

VIII. CONCLUSIONS AND RECOMMENDATIONS

There rates represent an increase over existing rates of approximately thirty (30%) percent. It should be noted that the District must increase their present rates by at least fourteen (14%) percent even if the proposed project is not undertaken. Although the rate increase is significant, it is are not excessive when compared to other rural water utilities. This District has not increased rates since 1986.

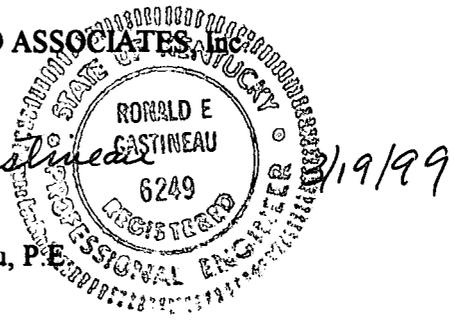
- A. Conclusion: The primary purpose of this project is to provide a reasonable redundancy in the District's ability to provide water to its customers. Upon completion of the project, the District will have approximately two day's storage. In addition the pumping time at the main pump station will be reduced.
- B. Recommendations: Project costs after adjustment for bid amounts are within the amounts shown in the preliminary engineering report. The project is feasible with the proposed rate increase. The facilities are needed. Therefore, it is recommended that the District proceed with the awarding of construction contracts to the low bidders, then proceed to construct the improvements.

Respectfully submitted,

GASTINEAU AND ASSOCIATES, Inc.

Ronald E. Gastineau

Ronald E. Gastineau, P.E.



APPENDIX A

MAIN STORAGE TANK
UNION COUNTY WATER DISTRICT
CONSTRUCTION COST BASED ON LOW BIDS

CONTRACT UCWD 98-1

ITEM NO.	ITEM	COST OF ITEM
1	Excavation and Backfill	\$1,200
2	Piping and Valves	\$20,865.00
3	Pumps	\$10,130.00
4	Electrical	\$12,980.00
5	Testing	\$850.00
6	Site Grading & Surface Restoration	\$775.00
TOTAL BID		\$46,800

CONTRACT UCWD-2

ITEM NO.	ITEM	COST OF ITEM
1	Foundation Design and Construction	\$240,000.00
2	Furnishing and Erecting Storage Tank	\$417,000.00
3	Painting	\$60,000.00
4	Testing and Sterilization	\$1,000.00
5	Site Grading & Surface Restoration	\$4,000.00
6	Chain Link Fence	\$9,000.00
7	Shoring and Scaffolding	\$30,000.00
TOTAL BID		\$761,000.00

CONTRACT UCWD-3

ITEM NO.	ITEM	UNIT	QUANTITY	UNIT COST	COST OF ITEM
1	12" CI 150 C900 PVC Pipe	LF	2994	\$9.40	\$28,143.60
2	12" Resil. Seat Gate Valve	EA	1	\$923.00	\$923.00
3	8" Tapping Sleeve & Valve	EA	1	\$1,257.00	\$1,257.00
4	12" X 8" DIMJ Reducer	EA	1	\$97.00	\$97.00
5	20" Steel Casing Pipe, OC	LF	84	\$17.53	\$1,472.52
6	Crushed Stone Backfill	TON	68	\$10.00	\$680.00
TOTAL BID					\$32,573.12
TOTAL ALL CONTRACTS					\$840,373.12

MAIN STORAGE TANK
UNION COUNTY WATER DISTRICT
PROJECT COST AND PROPOSED FUNDING

ITEM	COST
Estimated Construction Cost	\$840,374.00
Engineering	\$70,339.00
Resident Inspection	\$41,346.00
Administrative and Legal	\$14,000.00
Land and Right of Way	\$1,500.00
Interest During Construction	\$22,000.00
Geotechnical Services	\$1,900.00
Contingencies	\$98,541.00
TOTAL ESTIMATED PROJECT COST	\$1,090,000.00

PROPOSED FUNDING

RDA Loan	\$1,090,000.00
----------	----------------

**UNION COUNTY WATER DISTRICT
REVENUES AND EXPENSES**

	1996	1997	PROJECTED FOR 1998/1999 BUDGET YEAR
<u>OPERATING REVENUES</u>			
Water Sales	\$681,734.00	\$662,577.00	\$823,187.00
Water Penalties and connecting fees	\$15,776.00	\$14,688.00	\$15,776.00
Other Revenues	\$27,282.00	\$28,111.00	\$28,111.00
Total Operating Revenues	\$724,792.00	\$705,376.00	\$867,074.00
<u>OPERATING EXPENSES</u>			
Water purchased	\$207,861.00	\$209,176.00	\$210,499.00
Fuel and power purchased for pumping	\$33,660.00	\$33,539.00	\$30,490.00
Water transmission and distribution	\$89,239.00	\$69,006.00	\$80,687.00
Customer account expense	\$20,239.00	\$20,102.00	\$21,107.00
General and administrative	\$198,447.00	\$211,929.00	\$229,927.00
Depreciation	\$110,615.00	\$111,653.00	\$0.00
Tank Maintenance Contract	\$0.00	\$7,839.00	\$36,500.00
Replacement Parts, equipment & Materials	\$35,126.00	\$38,244.00	\$43,600.00
Total Operating Expenses	\$695,187.00	\$701,488.00	\$652,810.00
NET INCOME	\$29,605.00	\$3,888.00	\$214,264.00

UNION COUNTY WATER DISTRICT
EXISTING RATES - RESIDENTIAL CUSTOMERS

<u>GALLON INCREMENT</u>		<u>COST PER 1000 GALLONS</u>
FIRST	2000	\$7.62 (MINIMUM)
NEXT	3000	\$3.81
NEXT	5000	\$3.51
NEXT	15000	\$3.26
NEXT	25000	\$2.96
NEXT	50000	\$2.61
NEXT	100000	\$2.36
NEXT	100000	\$2.06
ALL OVER	300000	\$1.71

<u>NUMBER OF CUSTOMERS</u>	<u>MONTHLY USAGE</u>		<u>COST PER CUSTOMER</u>	<u>NET MONTHLY BILLINGS</u>
	<u>PER CUSTOMER</u>	<u>TOTAL</u>		
379	1,500	568,500	\$7.62	\$2,887.98
197	2,500	492,500	\$9.53	\$1,876.43
229	3,500	801,500	\$13.34	\$3,053.72
212	4,500	954,000	\$17.15	\$3,634.74
173	5,500	951,500	\$20.81	\$3,599.27
141	6,500	916,500	\$24.32	\$3,428.42
100	7,500	750,000	\$27.83	\$2,782.50
72	8,500	612,000	\$31.34	\$2,256.12
65	9,500	617,500	\$34.85	\$2,264.93
42	10,500	441,000	\$38.23	\$1,605.66
40	11,500	460,000	\$41.49	\$1,659.60
25	12,500	312,500	\$44.75	\$1,118.75
15	12,500	187,500	\$44.75	\$671.25
17	14,500	246,500	\$51.27	\$871.59
13	15,500	201,500	\$54.53	\$708.89
9	16,500	148,500	\$57.79	\$520.11
4	17,500	70,000	\$61.05	\$244.20
7	18,500	129,500	\$64.31	\$450.17
13	19,500	253,500	\$67.57	\$878.41
2	20,500	41,000	\$70.83	\$141.66
4	21,500	86,000	\$74.09	\$296.36
2	22,500	45,000	\$77.35	\$154.70
2	23,500	47,000	\$80.61	\$161.22
2	24,500	49,000	\$83.87	\$167.74
11	27,100	298,100	\$91.72	\$1,008.88
9	32,700	294,300	\$108.29	\$974.63
6	37,700	226,200	\$123.09	\$738.55
7	44,800	313,600	\$144.11	\$1,008.76
4	54,600	218,400	\$171.51	\$686.02
15	76,400	1,146,000	\$228.40	\$3,426.06
1	102,800	102,800	\$296.61	\$296.61
1	224,020	224,020	\$575.48	\$575.48
1	441,700	441,700	\$974.31	\$974.31
TOTALS				
1,820		12,647,620		\$45,123.69
YEARLY TOTALS				
		151,771,440		\$541,484.25

**UNION COUNTY WATER DISTRICT
 EXISTING RATES - NON-RESIDENTIAL CUSTOMERS**

<u>GALLON INCREMENT</u>		<u>COST PER 1000 GALLONS</u>
FIRST	2000	\$7.62 (MINIMUM)
NEXT	3000	\$3.81
NEXT	5000	\$3.51
NEXT	15000	\$3.26
NEXT	25000	\$2.96
NEXT	50000	\$2.61
NEXT	100000	\$2.36
NEXT	100000	\$2.06
ALL OVER	300000	\$1.71

<u>NUMBER OF CUSTOMERS</u>	<u>MONTHLY USAGE</u>		<u>COST PER CUSTOMER</u>	<u>NET MONTHLY BILLINGS</u>
	<u>PER CUSTOMER</u>	<u>TOTAL</u>		
22	1,500	33,000	\$7.62	\$167.64
3	2,500	7,500	\$9.53	\$28.58
1	3,500	3,500	\$13.34	\$13.34
2	4,500	9,000	\$17.15	\$34.29
4	5,500	22,000	\$20.81	\$83.22
4	6,500	26,000	\$24.32	\$97.26
2	8,500	17,000	\$31.34	\$62.67
2	9,500	19,000	\$34.85	\$69.69
2	11,500	23,000	\$41.49	\$82.98
1	12,500	12,500	\$44.75	\$44.75
2	15,500	31,000	\$54.53	\$109.06
2	17,500	35,000	\$61.05	\$122.10
1	21,500	21,500	\$74.09	\$74.09
1	27,500	27,500	\$92.90	\$92.90
2	70,400	140,800	\$212.74	\$425.49
2	158,300	316,600	\$427.59	\$855.18
2	218,400	436,800	\$563.90	\$1,127.81
4	911,100	3,644,400	\$1,776.98	\$7,107.92
TOTALS	59	4,826,100		\$10,598.96
YEARLY TOTALS		57,913,200		\$127,187.47

UNION COUNTY WATER DISTRICT
PROPOSED RATES - RESIDENTIAL CUSTOMERS

<u>GALLON INCREMENT</u>		<u>COST PER 1000 GALLONS</u>
FIRST	2000	\$9.60 (MINIMUM)
NEXT	3000	\$4.80
NEXT	5000	\$4.40
NEXT	15000	\$4.05
NEXT	25000	\$3.75
NEXT	50000	\$3.35
NEXT	100000	\$2.95
NEXT	100000	\$2.55
ALL OVER	300000	\$2.15

<u>NUMBER OF CUSTOMERS</u>	<u>MONTHLY USAGE</u>		<u>COST PER CUSTOMER</u>	<u>NET MONTHLY BILLINGS</u>
	<u>PER CUSTOMER</u>	<u>TOTAL</u>		
379	1,500	568,500	\$9.60	\$3,638.40
197	2,500	492,500	\$12.00	\$2,364.00
229	3,500	801,500	\$16.80	\$3,847.20
212	4,500	954,000	\$21.60	\$4,579.20
173	5,500	951,500	\$26.20	\$4,532.60
141	6,500	916,500	\$30.60	\$4,314.60
100	7,500	750,000	\$35.00	\$3,500.00
72	8,500	612,000	\$39.40	\$2,836.80
65	9,500	617,500	\$43.80	\$2,847.00
42	10,500	441,000	\$48.03	\$2,017.05
40	11,500	460,000	\$52.08	\$2,083.00
25	12,500	312,500	\$56.13	\$1,403.13
15	12,500	187,500	\$56.13	\$841.88
17	14,500	246,500	\$64.23	\$1,091.83
13	15,500	201,500	\$68.28	\$887.58
9	16,500	148,500	\$72.33	\$650.93
4	17,500	70,000	\$76.38	\$305.50
7	18,500	129,500	\$80.43	\$562.98
13	19,500	253,500	\$84.48	\$1,098.18
2	20,500	41,000	\$88.53	\$177.05
4	21,500	86,000	\$92.58	\$370.30
2	22,500	45,000	\$96.63	\$193.25
2	23,500	47,000	\$100.68	\$201.35
2	24,500	49,000	\$104.73	\$209.45
11	27,100	298,100	\$114.63	\$1,260.88
9	32,700	294,300	\$135.63	\$1,220.63
6	37,700	226,200	\$154.38	\$926.25
7	44,800	313,600	\$181.00	\$1,267.00
4	54,600	218,400	\$215.91	\$863.64
15	76,400	1,146,000	\$288.94	\$4,334.10
1	102,800	102,800	\$376.26	\$376.26
1	224,020	224,020	\$724.25	\$724.25
1	441,700	441,700	\$927.66	\$927.66
TOTALS	1,820	12,647,620		\$56,453.88
YEARLY TOTALS		151,771,440		\$677,446.57

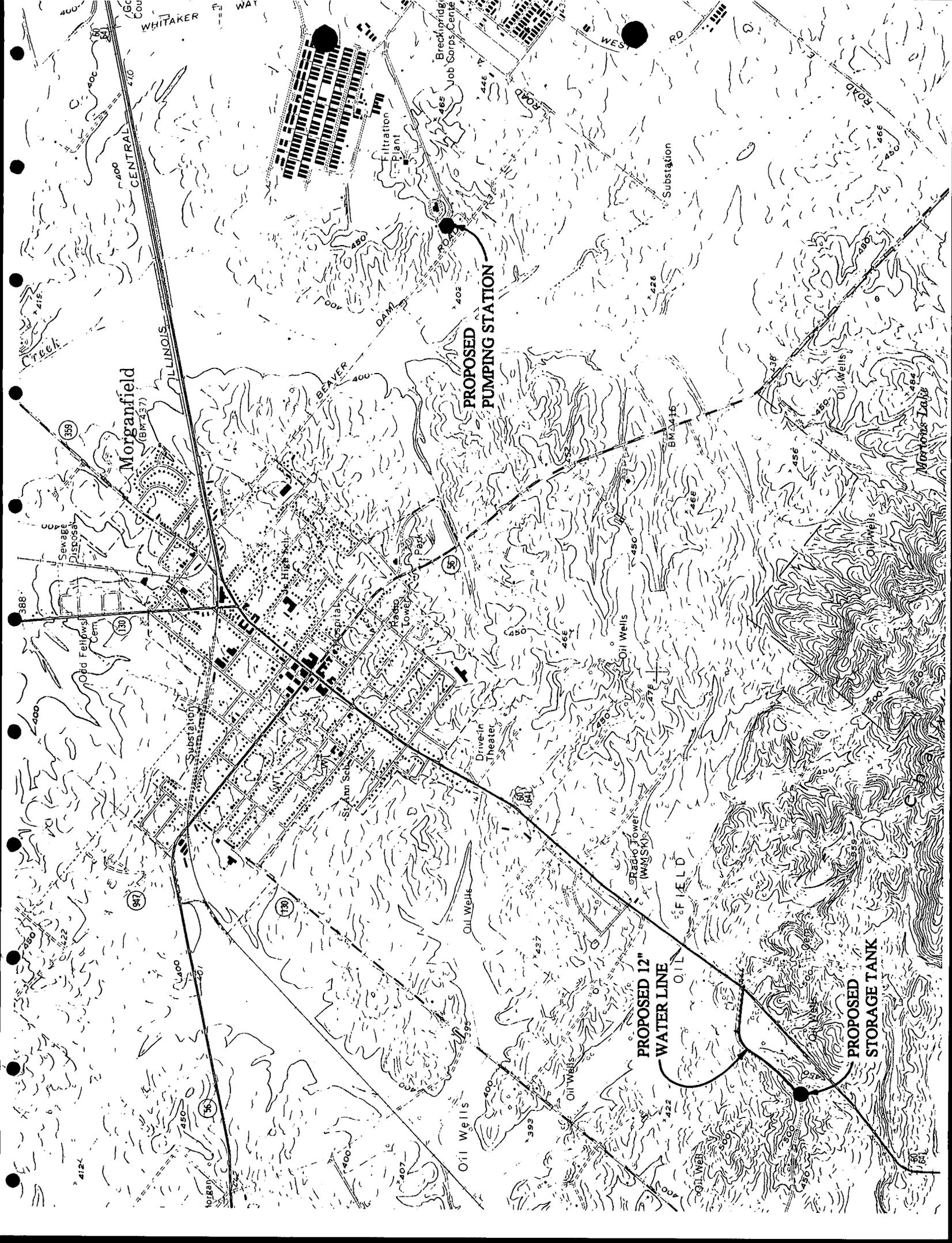
UNION COUNTY WATER DISTRICT
PROPOSED RATES - NON-RESIDENTIAL CUSTOMERS

<u>GALLON INCREMENT</u>		<u>COST PER 1000 GALLONS</u>
FIRST	2000	\$9.60 (MINIMUM)
NEXT	3000	\$4.80
NEXT	5000	\$4.40
NEXT	15000	\$4.05
NEXT	25000	\$3.75
NEXT	50000	\$3.35
NEXT	100000	\$2.95
NEXT	100000	\$2.55
ALL OVER	300000	\$2.15

<u>NUMBER OF CUSTOMERS</u>	<u>MONTHLY USAGE</u>		<u>COST PER CUSTOMER</u>	<u>NET MONTHLY BILLINGS</u>
	<u>PER CUSTOMER</u>	<u>TOTAL</u>		
22	1,500	33,000	\$9.60	\$211.20
3	2,500	7,500	\$12.00	\$36.00
1	3,500	3,500	\$16.80	\$16.80
2	4,500	9,000	\$21.60	\$43.20
4	5,500	22,000	\$26.20	\$104.80
4	6,500	26,000	\$30.60	\$122.40
2	8,500	17,000	\$39.40	\$78.80
2	9,500	19,000	\$43.80	\$87.60
2	11,500	23,000	\$52.60	\$105.20
1	12,500	12,500	\$56.13	\$56.13
2	15,500	31,000	\$68.28	\$136.55
2	17,500	35,000	\$76.38	\$152.75
1	21,500	21,500	\$92.58	\$92.58
1	27,500	27,500	\$116.13	\$116.13
2	70,400	140,800	\$268.84	\$537.68
2	158,300	316,600	\$539.99	\$1,079.97
2	218,400	436,800	\$709.92	\$1,419.84
4	911,100	3,644,400	\$1,936.87	\$7,747.46
TOTALS	59	4,826,100		\$12,145.08
YEARLY TOTALS		57,913,200		\$145,740.90

**UNION COUNTY WATER DISTRICT
DEBT SERVICE AND DEBT SERVICE COVERAGE**

Estimated Income		\$867,074
Estimated Expenses		\$652,810
Net Income		\$214,264
DEBT SERVICE		
Existing		\$109,369
Proposed (38 yr @ 5 1/8%) \$1,090,000 X .060272		\$65,696
TOTAL DEBT SERVICE		\$175,065
DEBT SERVICE COVERAGE	\$214,264 / \$175,065 =	1.22



Morganfield
(BM7437)

PROPOSED
PUMPING STATION

PROPOSED 12"
WATER LINE

PROPOSED
STORAGE TANK

WHITAKER WAY
CENTRAL
400
360
400
420

Breckbridge
Job Corps Centre
440
460
480
420
400

388
400
420
440
460
480
500

4124
450
470
490
510
530
550

Radio Tower
(WJMSK)
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OIL
FIELD

Oil Wells
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April 12, 1999

SUBJECT: Union County Water District
Concurrence in Contract Award

TO: Rural Development Manager
Princeton, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of the subject contract to the following low bidders:

Contract UCWD 98-1 to Burgess Construction Company in the amount of \$46,800.00;
Contract UCWD 98-2 to Caldwell Tanks, Inc. in the amount of \$761,000.00; and
Contract UCWD 98-3 to Ricketts Ditching in the amount of \$32,573.12.

for *Christine B. Brewer*
THOMAS G. FERN
State Director
Rural Development

cc: Gastineau and Associates
Nicholasville, Kentucky

✓ Harper, Ferguson and Davis
Nicholasville, Kentucky

NOTICE OF ADJUSTMENT OF WATER RATES

Union County Water District Union County, Kentucky

Notice is hereby given that, pursuant to an application to be filed within 30 days with the Public Service Commission of Kentucky under KRS 278.023 by the Union County Water District (the "District"), the District proposes to adjust its monthly water service rates and charges as follows:

Present Rates

5/8" Meter

First	2,000	gallons	\$7.62	minimum bill
Next	3,000	gallons	3.81	per 1,000 gallons
Next	5,000	gallons	3.51	per 1,000 gallons
Next	15,000	gallons	3.26	per 1,000 gallons
Next	25,000	gallons	2.96	per 1,000 gallons
Next	50,000	gallons	2.61	per 1,000 gallons
Next	100,000	gallons	2.36	per 1,000 gallons
Next	100,000	gallons	2.06	per 1,000 gallons
All Over	300,000	gallons	1.71	per 1,000 gallons

3/4" Meter

First	5,000	gallons	\$19.05	minimum bill
Next	5,000	gallons	3.51	per 1,000 gallons
Next	15,000	gallons	3.26	per 1,000 gallons
Next	25,000	gallons	2.96	per 1,000 gallons
Next	50,000	gallons	2.61	per 1,000 gallons
Next	100,000	gallons	2.36	per 1,000 gallons
Next	100,000	gallons	2.06	per 1,000 gallons
All Over	300,000	gallons	1.71	per 1,000 gallons

1" Meter

First	10,000	gallons	\$36.60	minimum bill
Next	15,000	gallons	3.26	per 1,000 gallons
Next	25,000	gallons	2.96	per 1,000 gallons
Next	50,000	gallons	2.61	per 1,000 gallons
Next	100,000	gallons	2.36	per 1,000 gallons
Next	100,000	gallons	2.06	per 1,000 gallons
All Over	300,000	gallons	1.71	per 1,000 gallons

1-1/2" Meter

First	25,000	gallons	\$85.50	minimum bill
Next	25,000	gallons	2.96	per 1,000 gallons
Next	50,000	gallons	2.61	per 1,000 gallons
Next	100,000	gallons	2.36	per 1,000 gallons
Next	100,000	gallons	2.06	per 1,000 gallons
All Over	300,000	gallons	1.71	per 1,000 gallons

2" Meter

First	50,000	gallons	\$159.50	minimum bill
Next	50,000	gallons	2.61	per 1,000 gallons
Next	100,000	gallons	2.36	per 1,000 gallons
Next	100,000	gallons	2.06	per 1,000 gallons
All Over	300,000	gallons	1.71	per 1,000 gallons

2-1/2" Meter

First	75,000	gallons	\$224.75	minimum bill
Next	25,000	gallons	2.61	per 1,000 gallons
Next	100,000	gallons	2.36	per 1,000 gallons
Next	100,000	gallons	2.06	per 1,000 gallons
All Over	300,000	gallons	1.71	per 1,000 gallons

3" Meter

First	100,000	gallons	\$290.00	minimum bill
Next	100,000	gallons	2.36	per 1,000 gallons
Next	100,000	gallons	2.06	per 1,000 gallons
All Over	300,000	gallons	1.71	per 1,000 gallons

4" Meter

First	200,000	gallons	\$526.00	minimum bill
Next	100,000	gallons	2.06	per 1,000 gallons
All Over	300,000	gallons	1.71	per 1,000 gallons

6" Meter

First	300,000	gallons	\$732.00	minimum bill
All Over	300,000	gallons	1.71	per 1,000 gallons

Proposed Rates

5/8" Meter

First	2,000	gallons	\$ 9.60	minimum bill
Next	3,000	gallons	4.80	per 1,000 gallons
Next	5,000	gallons	4.40	per 1,000 gallons
Next	15,000	gallons	4.05	per 1,000 gallons
Next	25,000	gallons	3.75	per 1,000 gallons
Next	50,000	gallons	3.35	per 1,000 gallons
Next	100,000	gallons	2.95	per 1,000 gallons
Next	100,000	gallons	2.55	per 1,000 gallons
All Over	300,000	gallons	2.15	per 1,000 gallons

3/4" Meter

First	5,000	gallons	\$24.00	minimum bill
All Over	5,000	gallons		same as 5/8" meter

1" Meter

First	10,000	gallons	\$46.00	minimum bill
All Over	10,000	gallons		same as 5/8" meter

1-1/2" Meter

First	25,000	gallons	\$106.75	minimum bill
All Over	25,000	gallons		same as 5/8" meter

2" Meter

First	50,000	gallons	\$200.50	minimum bill
All Over	50,000	gallons		same as 5/8" meter

2-1/2" Meter

First	75,000	gallons	\$284.25	minimum bill
Next	25,000	gallons	3.35	per 1,000 gallons
All Over	100,000	gallons		same as 5/8" meter

3" Meter

First	100,000	gallons	\$368.00	minimum bill
All Over	100,000	gallons		same as 5/8" meter

4" Meter

First	200,000	gallons	\$663.00	minimum bill
All Over	200,000	gallons		same as 5/8" meter

6" Meter

First	300,000	gallons	\$918.00	minimum bill
All Over	300,000	gallons		same as 5/8" meter

By use of federal loan proceeds, the District plans to construct and install a major water project in the District's south service area consisting of a new 750,000 gallon elevated storage tank, a 12 inch connecting line and a new 850 gpm booster pump station.

UNION COUNTY WATER DISTRICT
409 North Court Street
Morganfield, Kentucky 42437

The Union County Advocate

PO Box 370 * 214 W. Main Street * Morganfield, KY 42437

NOTARIZED PROOF OF PUBLICATION

STATE OF KENTUCKY

COUNTY OF UNION

Before me, a Notary Public, in and for said County and

State, this 2nd day of April, 1998, 1999

came LISA TURNER

personally known to me, who being duly sworn, states

as follows: That he/she is Composing Manager
of The Union County Advocate

and that said on this date this publication carried the

advertising for The Union County Water District

occupying the following space:

4 Col X 11"

Lisa Turner
Signature

Barbara Shirley
Notary Public

My Commission Expires: Feb/25/2002

Notice of Adjustment of Water Rates

**Union County Water District
 Union County, Kentucky**

Notice is hereby given that, pursuant to an application to be filed within 30 days with the Public Service Commission of Kentucky under KRS 278.023 by the Union County Water District (the "District"), the District proposes to adjust its monthly water service rates and charges as follows:

Present Rates

5/8" Meter

First	2,000	gallons	\$7.62	minimum bill
Next	3,000	gallons	3.81	per 1,000 gallons
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All Over	300,000	gallons	1.71	per 1,000 gallons

1" Meter

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Next	25,000	gallons	2.96	per 1,000 gallons
Next	50,000	gallons	2.61	per 1,000 gallons
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Proposed Rates

5/8" Meter

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1" Meter

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All Over	10,000	gallons		same as 5/8" meter

1-1/2" Meter

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2" Meter

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6" Meter

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By use of federal loan proceeds, the District plans to construct and install a major water project in the District's south service areas consisting of a new 750,000 gallon elevated storage tank, a 12 inch connecting line and a new 850 gpm booster pump station.

UNION COUNTY WATER DISTRICT
 409 North Court Street
 Morganfield, Kentucky 42437

- BOND-AUTHORIZING RESOLUTION -

A RESOLUTION OF THE COMMISSION OF UNION COUNTY WATER DISTRICT, UNION COUNTY, KENTUCKY, PROVIDING FOR THE CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S WATER DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF SAID DISTRICT'S \$1,090,000 WATER SYSTEM REVENUE BONDS, SERIES OF 1999, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID) SUCH BONDS TO BE ISSUED IN ACKNOWLEDGMENT OF ANY PRIOR RIGHTS THAT MAY EXIST IN FAVORING THE HOLDERS OF CERTAIN OTHER OBLIGATIONS; MAKING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE INCOME AND REVENUES OF SAID WATER DISTRIBUTION SYSTEM; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM THE INCOME AND REVENUES OF THE SYSTEM AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED.

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A RESOLUTION OF THE COMMISSION OF UNION COUNTY WATER DISTRICT, UNION COUNTY, KENTUCKY, PROVIDING FOR THE CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S WATER DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF SAID DISTRICT'S \$1,090,000 WATER SYSTEM REVENUE BONDS, SERIES OF 1999, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID) SUCH BONDS TO BE ISSUED IN ACKNOWLEDGMENT OF ANY PRIOR RIGHTS THAT MAY EXIST IN FAVORING THE HOLDERS OF CERTAIN OTHER OBLIGATIONS; MAKING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE INCOME AND REVENUES OF SAID WATER DISTRIBUTION SYSTEM; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM THE INCOME AND REVENUES OF THE SYSTEM AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED.

WHEREAS, upon petition and hearing after public notice according to the provisions of Chapter 74 of the Kentucky Revised Statutes ("KRS"), Orders were duly entered by the County Judge/Executive of Union County, Kentucky, on April 8, 1964, determining necessity for and creating and establishing the Union County Water District (the "District") and appointing Commissioners, the same thereupon constituting and being a public body corporate with all powers and authority as provided in KRS Chapter 74; and the District is at this time a de jure Water District situated wholly in Union County, Kentucky; and

WHEREAS, the District has long operated its public water distribution system (the "System") serving the area of the District, and in this connection the District currently has outstanding the following obligations payable from the revenues of the System:

(1) Loan from the Kentucky Infrastructure Authority ("KIA") in the approximate outstanding principal amount of \$703,482 under an Assistance Agreement dated April 1, 1993, between KIA and the District, which loan is repayable in various principal installments (plus interest) on July 1 of each of the years 1999 through 2013 (the "KIA Loan"); and

(2) Lease from the Kentucky Association of Counties Leasing Trust ("KACLT") in the approximate outstanding principal amount of \$332,000 pursuant to a Lease Agreement dated June 27, 1991, between KACLT and the District, which lease

provides for payment of principal components (plus interest) on January 20 and July 20 of each of the years 1999 through January 20, 2011 (the "KACLT Lease");

and the KIA Loan and the KACLT Lease are sometimes referred to collectively as the "Outstanding Obligations"; and

WHEREAS, in proceedings before the Public Service Commission of Kentucky, the District has obtained the right and authority to construct and operate major extensions and additions to the System, and plans and specifications have heretofore been prepared by Gastineau & Associates, Inc., Nicholasville, Kentucky, and approved by the District's Commission and all State and supervisory authorities having jurisdiction thereof; and it is the opinion of the Commission of the District that it is feasible to undertake the construction and installation of such new facilities at this time; and

WHEREAS, it has been determined upon the basis of public bids for construction duly solicited in the manner required by law, and upon the basis of other costs and estimates, that the aggregate of all costs and expenses in connection with the aforesaid project will be \$1,090,000, 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 \$1,090,000; and

WHEREAS, it is now appropriate for the District to provide for borrowing said sum of \$1,090,000 through issuance and sale of its Water System Revenue Bonds, Series of 1999 (the "1999 Bonds") according to authority of Kentucky Revised Statutes ("KRS") Chapters 74 and 106; and the 1999 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 UNION COUNTY WATER DISTRICT, UNION COUNTY, KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION I

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 additions and extensions to the District's

public water distribution system (the "Project"), all substantially according to the plans, specifications and designs prepared for the District by Gastineau & Associates, Inc., Nicholasville, Kentucky (the "Engineers"). Immediate undertaking of such construction and installation is hereby authorized.

SECTION 2

PROJECT TO BE MUNICIPALLY OWNED AND OPERATED

The construction and installation of the Project is undertaken by the District for public purposes and same shall constitute and be a part of the District's public water distribution system, as expanded and improved from time to time (the "System"), and so long as any of the 1999 Bonds hereinafter authorized, or bonds issued on a parity therewith, shall remain outstanding and unpaid as to principal or interest, the System shall continue to be municipally owned, controlled, operated and maintained by the District for the security and source of payment of the 1999 Bonds and all other parity bonds outstanding heretofore or hereafter issued. The Project is to be undertaken and the System is to be operated pursuant to the provisions of KRS Chapters 74 and 106, now in full force and effect.

SECTION 3

ACKNOWLEDGMENT OF OUTSTANDING OBLIGATIONS: 1999 BOND ISSUE AUTHORIZED, CERTAIN TERMS AND DETAILS

The District acknowledges that there are outstanding at this time the Outstanding Obligations, which are payable from revenues of the System. The District hereby agrees and covenants that so long as the 1999 Bonds are outstanding, it will not issue any bonds or obligations ranking superior as to security and source of payment to the 1999 Bonds.

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 1999 Bonds hereinafter authorized, there are hereby authorized to be issued the District's Water System Revenue Bonds, Series of 1999, in the principal amount of \$1,090,000 (the "1999 Bonds"), 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 adopted and set forth. The 1999 Bonds hereby authorized shall be offered at public sale as provided in Section 4 hereof and shall be issuable in the form of a single fully registered bond as provided in Section 5 hereof.

The 1999 Bonds shall be dated as of the date of delivery to the original purchaser thereof; shall mature as to principal in installments on January 1 in each of the years 2001 to 2038, inclusive, as set forth in the schedule appearing below; and shall bear interest from their date until payment of principal, such interest to the respective principal maturity dates to be payable

semiannually on January 1 and July 1 of each year, and such interest to be at such rates as may be established by a supplemental Resolution upon the basis of competitive sale of the 1999 Bonds as hereinafter provided. The installments of principal of the 1999 Bonds, in fully registered form as aforesaid, shall be as set forth in the following schedule:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2001	\$ 10,000	2014	\$18,000	2027	\$36,000
2002	10,000	2015	20,000	2028	38,000
2003	11,000	2016	20,000	2029	40,000
2004	11,000	2017	22,000	2030	42,000
2005	12,000	2018	23,000	2031	45,000
2006	12,000	2019	24,000	2032	46,000
2007	13,000	2020	25,000	2033	50,000
2008	14,000	2021	27,000	2034	51,000
2009	14,000	2022	28,000	2035	55,000
2010	15,000	2023	30,000	2036	57,000
2011	16,000	2024	31,000	2037	61,000
2012	17,000	2025	33,000	2038	61,000
2013	18,000	2026	34,000		

provided, however, that installments of principal of 1999 Bonds maturing on and after January 1, 2010, shall be subject to prepayment at the option of the District prior to maturity in whole or from time to time in part in inverse order of maturities (less than all of a single maturity to be selected by lot) on any interest payment date on and after January 1, 2009, 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 1999 Bonds; provided, that so long as USDA, or any of its assigns, is the owner of any of the 1999 Bonds, same may be prepaid in whole or in part at any time at par plus accrued interest, and without notice or prepayment premium. The 1999 Bonds may be prepaid only in increments of \$1,000.

Both principal of and interest on the 1999 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 1999 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 1999 Bond. The 1999 Bonds, and 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 System Revenue Bonds, Bond and Interest Sinking Fund created by this Resolution, 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 and further subject to any prior rights that may exist for the benefit of the Outstanding Obligations.

SECTION 4

PROVISIONS RELATING TO SALE OF 1999 BOND ISSUE

The 1999 Bonds authorized by this Resolution shall be publicly offered for sale according to a Notice of Sale of Bonds conforming to the requirements of KRS Chapter 424 (and particularly KRS 424.140(3) and KRS 424.360), which shall be published one time, not less than seven (7) days nor more than twenty-one (21) days prior to the date therein specified (by and at the discretion of the Chairman of the Commission of the District) for the opening and consideration of purchase bids, in each of the following: (a) the legal newspaper published in Union County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; and (b) The Courier-Journal, Louisville, Kentucky, a legal newspaper having statewide circulation.

Said Notice shall state the name and amount of 1999 Bonds to be sold, the time of the sale and other details concerning the 1999 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 1999 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 1999 Bonds and who are not purchasing for more than one account and do not intend to redistribute the 1999 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 1999 Bonds.

(B) The single interest rate for the 1999 Bonds must be in a multiple of 1/8 or 1/10 of one percent.

(C) Bids will be considered only for the entire 1999 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 1999 Bonds,

which good faith deposit may be applied as partial payment for the 1999 Bonds, or as liquidated damage 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 1999 Bonds bid for, computed from the first day of the month following the date of sale of the 1999 Bonds (even though the 1999 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 1999 Bonds at the office of the District within 45 days after notice is given of the award. If the 1999 Bonds are not ready for delivery and payment within 45 days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the 1999 Bonds, except that 1999 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 1999 Bonds, together with evidence of approval of the 1999 Bond issue by the Public Service Commission of Kentucky pursuant to the requirements of KRS Chapter 278 and customary closing documents, including no-litigation certificate.

(J) The successful bidder will receive the approving legal opinion of Harper, Ferguson & Davis, Bond Counsel, Louisville, Kentucky, as to the legality of and tax-exempt status of interest on the 1999 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 1999 Bonds.

SECTION 5

1999 BONDS TO BE ISSUED IN FULLY REGISTERED FORM: FULLY REGISTERED BOND FORM

Upon the sale of the 1999 Bonds, the District shall issue a single fully registered 1999 Bond numbered R-1 (hereinafter referred to as a "Fully Registered Bond"). The Fully Registered Bond shall be in the aggregate principal amount of the Bonds it represents, 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 1999 Bond issue herein authorized and referred to, shall be non-negotiable, without interest coupons, registered as to principal and interest, payable as directed by the payee, and be in substantially the form hereinafter set forth.

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

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

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
UNION COUNTY, KENTUCKY
UNION COUNTY WATER DISTRICT
WATER SYSTEM REVENUE BOND, SERIES OF 1999

No. R-1

\$1,090,000

KNOW ALL MEN BY THESE PRESENTS:

That Union County Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Union County, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of ONE MILLION NINETY THOUSAND DOLLARS (\$1,090,000) on the first day of January in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
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(Here insert the principal maturities of the 1999 Bonds)

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

This Bond is the Bond in fully registered form representing a duly authorized issue of Bonds designated "Water System Revenue Bonds, Series of 1999" in the principal amount of \$1,090,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 74 and 106 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District (the "Resolution"), for the purpose of paying the costs (to the extent not otherwise provided to be paid) of acquiring, constructing and installing extensions and additions to the District's public water 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 as may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue of which it forms a part, and any 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 System Revenue Bonds, Bond and Interest Sinking Fund"; provided, however, such pledge is subject to any prior rights that may exist in favor of the holders of the Outstanding Obligations, as defined in the Resolution, so long as any of the same remain outstanding and unpaid.

A statutory mortgage lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, and extensions thereof, is created by Section 106.080 of the Kentucky Revised Statutes and by the aforesaid Resolution for the benefit and protection of the holder of this Bond, and the same shall remain in effect until payment in full of the principal of and interest on this Bond.

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 January 1, 2009, 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 \$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 the 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, or any of its assigns, 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 series of which this Bond forms a part, 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 Union County Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is _____.

UNION COUNTY WATER
DISTRICT

ATTEST:

By _____
Chairman of the Commission

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

(FORM OF REGISTRATION)

<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 Drive, Suite 200 Lexington, Kentucky 40503*	

*(To be inserted if USDA purchases the 1999 Bonds)

SECTION 6

DISPOSITION OF 1999 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 Morganfield National Bank, Morganfield, Kentucky, or in such other 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 1999 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 1999 Bonds shall be applied as follows:

Upon the issuance and delivery of the 1999 Bonds authorized by this Resolution, the entire proceeds thereof shall be deposited in an account designated "Union County Water District 1999 Construction Fund" (the "Construction Fund"), which is hereby created. Said 1999 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 1999 Bonds and paying interim financing obligations (both principal and interest) incurred in connection with the Project as authorized by said separate interim financing Resolution of the Commission of the District; provided, however, any 1999 Bond proceeds so used to pay such interim financing obligations may be disbursed directly to the appropriate lending institution(s) without the requirement of being deposited to the Construction Fund.

A sum in the Construction Fund estimated to be equal to interest which will accrue on the 1999 Bonds (following delivery thereof) during construction and development of the Project shall be earmarked, used and applied to the payment of interest on the 1999 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 and Treasurer and, if USDA is the purchaser of the Bonds, by USDA. Reference is made in this connection to the provisions of the separate interim financing Resolution adopted concurrently herewith.

Pending disbursement, the 1999 Bond proceeds shall be deposited, as aforesaid, in the Construction Fund, and to the extent that such deposit causes the aggregate deposits by the District in the Depository Bank to be in excess of the amount insured by FDIC, the same shall be secured by a surety bond or bonds furnished by a surety company or companies qualified to do business in Kentucky and approved by the Commission of the District, or by a valid pledge of direct obligations of the United States Government, or obligations as to which the payment of principal and interest are guaranteed by the United States Government, having a market value at least equivalent to such deposit.

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

In the event any unexpended 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 Water System Revenue Bond, Bond and Interest Sinking Fund, hereinafter referred to, and shall be used at the earliest practicable date for the retirement of 1999 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 1999 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 1999 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 1999 Bonds issued and outstanding hereunder and for their further security.

SECTION 7

OPERATION OF SYSTEM; FLOW OF FUNDS; ACCUMULATION OF REVENUES

From and after issuance and delivery of any 1999 Bonds herein authorized or permitted to be issued, and so long as any thereof remain outstanding and unpaid, the System shall be operated on a fiscal year basis beginning each January 1 and ending on the next December 31, and on that basis the income and revenues shall be collected, segregated, accounted for and distributed as set out in the following paragraphs of this Section 7.

A separate and special fund or account of the District, distinct and apart from all other funds and accounts, is hereby created and is designated and identified as the "Union County Water District Water Revenue Fund" (the "Revenue Fund"), which Fund is hereby continued and shall be maintained with the Depository Bank; and the District covenants and agrees that it will deposit therein, promptly as received from time to time, all income and revenues of the System as hereinafter defined. The moneys in the Revenue Fund from time to time shall be used and disbursed and applied by the District only for the purposes, and in the manner and order of priorities, specified in this Section 7. In addition to making from the Revenue Fund all disbursements and payments required to be made in fulfillment of the contractual commitments made in connection with the Outstanding Obligations, 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:

(A) A separate and special fund or account of the District is hereby created and is designated and identified as the "Union County Water District Water System Revenue Bonds, Bond and Interest Sinking Fund" (the "Sinking Fund"), which Fund is hereby continued and shall continue to be maintained so long as any of the 1999 Bonds or additional parity bonds permitted to be issued are outstanding, in the Depository Bank; and all moneys deposited therein from time to time shall be used and disbursed and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on the outstanding 1999 Bonds, and additional parity bonds, if any are issued.

There shall be transferred on or before the 20th day of each month from the Revenue Fund to the Sinking Fund on account of the 1999 Bonds sums not less than:

(i) beginning with and including the month in which interest shall last be payable from 1999 Bond proceeds, a sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on all 1999 Bonds then outstanding; and

(ii) beginning on January 20, 2000, a sum equal to one-twelfth (1/12) of the principal of all 1999 Bonds maturing on the next succeeding January 1.

In the event additional parity bonds are issued pursuant to the conditions and restrictions set forth hereinafter, 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, to the extent not insured by FDIC, be secured by a valid pledge of bonds, notes, or certificates of indebtedness of the United States Government having at all times an equal market value; or the same may, upon order of the Commission, be invested and reinvested in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing not later than the date on which such funds are needed to pay principal and interest on outstanding bonds. Income from any such investments shall be accumulated in the Sinking Fund and may be invested in the same manner.

(B) A separate and special fund or account of the District is hereby created, distinct and apart from all other funds and accounts of the District, and is designated and identified as the "Union County Water District Water Depreciation Fund" (the "Depreciation Fund").

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 not less than \$560 (or more, if fixed by Resolution of the Commission of the District) 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 Depreciation 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. Any fees which may be 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 Section 7 hereof, means all proceeds of water service rates and charges, and does not include any of the 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. Said 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 said 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.

(C) A separate and special fund or account of the District is hereby created, distinct and apart from all other funds and accounts of the District, and is designated and identified as the "Union County Water District Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), which Fund shall 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.

(D) 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 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.

* * * * *

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 1999 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 1999 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 1999 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 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 1999 Bonds or parity bonds in accordance with the provisions governing prepayment of 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 1999 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 1999 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 1999 Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will file a copy of each such Budget, and of any amendments thereto, in the office of the Secretary of the District, and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation, payments into the Depreciation Fund for extensions, improvements, and extraordinary repairs and maintenance, and payments into the Sinking Fund. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Commission of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the District agrees that it will prepare an estimate of cash income and revenues to be derived from operation of the System for each fiscal year, and to the extent that said cash income and revenues are insufficient to provide for all payments required to be made into the Sinking Fund during such ensuing fiscal year, and to make the monthly payments specified by subsection (B) of 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 1999 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 1999 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 1999 Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance by the 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 1999 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 Workmen's 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 1999 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 1999 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 1999 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 1999 Bonds herein authorized, for the following purposes and subject to the following conditions and restrictions:

(A) The District shall have the right to add new System facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to the 1999 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 1999 Bonds;
- (ii) the District is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the income and revenues of the System or any part thereof; and
- (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 (with adjustments as hereinafter provided) are certified by an independent certified public accountant to have been equal to at least one and twenty hundredths (1.20) times the maximum annual requirement for principal of and interest on all 1999 Bonds and parity bonds, if any, then outstanding and on the additional bonds proposed to be issued. Such net revenues may be adjusted for the purpose of the foregoing computations to reflect (a) any revisions in the schedule of water rates and charges being imposed at the time of the issuance of the additional bonds proposed to be issued and (b) any increase in such net revenues projected by reason of the revenues reasonably anticipated to be derived from the new water service facilities (to be made a part of the System) being financed in whole or in part by such additional bonds; provided that such latter adjustment shall be made only if

a contract or contracts for the immediate construction and acquisition of such new water service facilities have been entered into prior to the issuance of such additional bonds. All of such adjustments shall be based upon the written certification of a recognized independent consulting engineer or firm of consulting engineers. The foregoing conditions and limitations prescribed in this subparagraph (iii) may be waived or modified by the written consent of the holders of at least seventy-five percent (75%) in principal amount of the outstanding 1999 Bonds and parity bonds, if any.

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

- (i) adjust the monthly deposits into the Sinking Fund on the same basis as that prescribed in Section 7(A) 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 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 January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year.

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

The additional parity bonds (sometimes herein referred to as "permitted" to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds payable from the revenues of the System on a basis of equality and parity with the 1999 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 1999 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 1999 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 1999 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 1999 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 1999 Bonds herein authorized and any parity bonds herein permitted to be issued, and after the issuance of any of the 1999 Bonds, no change, variation or alteration of any kind of the provisions of this Resolution shall be made in any manner without the written consent of the holder or holders of the 1999 Bonds, except as herein provided, until such time as all of the 1999 Bonds and parity bonds issued hereunder, and the interest thereon, have been paid in full.

SECTION 11

STATUTORY MORTGAGE LIEN ACKNOWLEDGED

A statutory mortgage lien upon the System, together with all appurtenances and additions thereto and extensions thereof, and including the revenues thereof, is granted and created by Section 106.080 of the Kentucky Revised Statutes for the benefit and protection of the holders of the Prior Bonds, 1999 Bonds and parity bonds permitted to be issued under authority of this Resolution, and of the interest payable thereon; and said statutory mortgage lien is hereby recognized and shall be effective with respect to the 1999 Bonds upon the delivery thereof and shall continue in full force and effect so long as there shall remain unpaid any part of the principal of or interest on the 1999 Bonds and any parity bonds.

SECTION 12

TAX COVENANTS

The District covenants and agrees that the Project will be constructed expeditiously and the expenditure of the portion of the proceeds of the 1999 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 1999 Bonds that so long as any of the 1999 Bonds remain outstanding, moneys on deposit in any fund or account in connection with the 1999 Bonds,

whether or not such moneys were derived from the proceeds of the sale of the 1999 Bonds or from any other sources, will not be invested or used in a manner which will cause the 1999 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 1999 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 1999 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 1999 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 1999 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 1999 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 1999 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 1999 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 1999 Bonds are issued, at least 45% of such proceeds will be spent for such purposes within one year from such date, at least 75% of such proceeds will be spent for such purposes within eighteen months from such date, and at least 100% of such proceeds will be spent within two years from such date. It is also reasonably expected at least 50% of all proceeds (including investment proceeds) of the Bonds will be used for expenditures on the Project within six months, at least 60% will be so used within 12 months and 100% will be so used within 18 months from the date of issuance of the 1999 Bonds. If for any reason the arbitrage rebate

requirements of Section 148(f) of the Code should be deemed to apply to the 1999 Bonds, the District will take all action necessary to comply therewith.

(C) It is reasonably expected that during the term of the 1999 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 1999 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 1999 Bonds, other than (a) certain preliminary expenditures such as engineering and planning costs not exceeding 20% of the 1999 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 1999 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 1999 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 1999 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 1999 Bonds shall, for the purposes of federal income taxation, be excludable from gross income.

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

SECTION 13

SEVERABILITY CLAUSE

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

SECTION 14

REPEAL OF INCONSISTENT PROVISIONS

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

SECTION 15

WHEN RESOLUTION EFFECTIVE

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

ADOPTED BY THE COMMISSION OF THE UNION COUNTY WATER DISTRICT, UNION COUNTY, KENTUCKY, at a meeting held on the ____ day of _____, 1999, on the same occasion signed by the Chairman, attested under seal by the Secretary, and declared to be in full force and effect.

(SEAL)

Chairman of the Commission

ATTEST:

Secretary

CERTIFICATION

The undersigned, Secretary of the Commission of Union County Water District, Union County, Kentucky, hereby certifies that the foregoing is a true, complete and correct copy of a Resolution adopted by the Commission of said District, signed by the Chairman thereof, and attested under seal by me as Secretary upon the occasion of a properly convened meeting of the Commission of said District held on the ____ day of _____, 1999, as shown by the official records in my custody and under my control.

WITNESS my hand this _____, 1999.

Secretary



March 23, 1999

Mr. Charles C. Davis, Chairman
Union County Water District
P.O. Box 146
Morganfield, Kentucky 42437

Re: Letter of Conditions Dated April 24, 1998

Dear Mr. Davis:

This letter shall serve as Amendment No. 1 to your Letter of Conditions dated April 24, 1998. The purpose of the amendment is to revise the water user rates and charges.

Paragraph numbered "22" is revised to read as follows:

22. Rates and Charges:

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

Water rates will be at least:

5/8" Meter

First	2,000	gallons @ \$	9.60 - Minimum Bill.
Next	3,000	gallons @ \$	4.80 - per 1,000 gallons.
Next	5,000	gallons @ \$	4.40 - per 1,000 gallons.
Next	15,000	gallons @ \$	4.05 - per 1,000 gallons.
Next	25,000	gallons @ \$	3.75 - per 1,000 gallons.
Next	50,000	gallons @ \$	3.35 - per 1,000 gallons.
Next	100,000	gallons @ \$	2.95 - per 1,000 gallons.
Next	100,000	gallons @ \$	2.55 - per 1,000 gallons.
All Over	300,000	gallons @ \$	2.15 - per 1,000 gallons.

3/4" Meter

First	5,000	gallons @ \$	24.00 - Minimum Bill.
All Over	5,000	gallons @	Same as 5/8" Meter.

1" Meter

First 10,000 gallons @ \$ 46.00 - Minimum Bill.
 All Over 10,000 gallons @ Same as 5/8" Meter.

1 1/2" Meter

First 25,000 gallons @ \$ 106.75 - Minimum Bill.
 All Over 25,000 gallons @ Same as 5/8" Meter.

2" Meter

First 50,000 gallons @ \$ 200.50 - Minimum Bill.
 All Over 50,000 gallons @ Same as 5/8" Meter.

2 1/2" Meter

First 75,000 gallons @ \$ 284.25 - Minimum Bill.
 Next 25,000 gallons @ \$ 3.35 - per 1,000 gallons.
 All Over 100,000 gallons @ Same as 5/8" Meter.

3" Meter

First 100,000 gallons @ \$ 368.00 - Minimum Bill.
 All Over 100,000 gallons @ Same as 5/8" Meter.

4" Meter

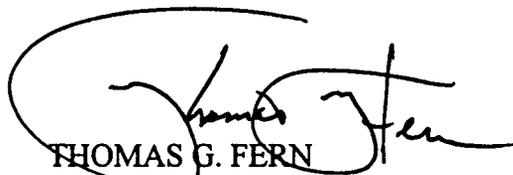
First 200,000 gallons @ \$ 663.00 - Minimum Bill.
 All Over 200,000 gallons @ Same as 5/8" Meter.

6" Meter

First 300,000 gallons @ \$ 918.00 - Minimum Bill.
 All Over 300,000 gallons @ Same as 5/8" Meter.

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

Sincerely,



THOMAS G. FERN
 State Director
 Rural Development

cc: Rural Development Manager - Princeton, Kentucky
 Community Development Manager - Owensboro, Kentucky
 Green River ADD - Owensboro, Kentucky
 ✓Harper, Ferguson and Davis - Louisville, Kentucky
 Sidney H. Hulette - Morganfield, Kentucky
 Gastineau and Associates, Inc. - Nicholasville, Kentucky
 PSC - ATTN: Claude Rhorer - Frankfort, Kentucky



United States
Department of
Agriculture

Rural
Development

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

April 24, 1998

Mr. Charles C. Davis, Chairman
Union County Water District
Morganfield, Kentucky 42437

Dear Mr. Davis:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. The (loan and/or grant) will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area office staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application. It should also be understood that Rural Development is under no obligation to provide additional funds to meet an overrun in construction costs.

This letter is not to be considered as loan approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,090,000.

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

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

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

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

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

1. Number of Users and Their Contribution:

There shall be 1,879 existing water users. The Rural Development Manager will review and authenticate the number of users and amount of connection fees prior to advertising for construction bids. No contribution is required from the Water District.

2. Repayment Period:

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

Rural Development encourages the use of the Preauthorized Debit (PAD) payment process, which authorizes the electronic withdrawal of funds from your bank account on the exact installment payment due date (contact the Rural Development Manager for further information).

3. Funded Depreciation Reserve Account:

The Water District will be required to deposit \$560.00 per month into a "Funded Depreciation Reserve Account". The monthly deposits are for the life of the loan.

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

The annual deposit to the Reserve Account are required to commence the first full fiscal year after the facility becomes operational.

4. Security Requirements:

A combined pledge of gross water revenue will be provided in the Bond Resolution. Bonds shall rank on a parity with existing bonds, if possible. If this is not possible, the bond will be subordinate and junior to the existing bonds, in which case the Water District will be required to abrogate its right to issue additional bonds ranking on a parity with the existing bonds, so long as any unpaid indebtedness remains on this bond issue.

5. Land Rights and Real Property:

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

6. Organization:

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

7. Business Operations:

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

8. Accounts, Records and Audits:

The Water District will be required to maintain adequate records and accounts and submit statistical and financial reports, quarterly and annually, in accordance with subsection 1780.47 of RUS Instruction 1780 and RUS Staff Instruction 1780-4, a copy of which is enclosed. The enclosed audit booklet will be used as a guide for preparation of audits. Annual audits, budgets, and reports will be submitted to Rural Development. The Water District shall be required to submit a copy of its audit agreement for review and approval prior to pre-closing the loan. The Water District shall obtain the assistance of its accountant to establish the Water District's accounting system. Rural Development approval of the accounting system is required.

9. Accomplish Audits for Years in Which Federal Financial Assistance is Received:

The Water District will accomplish audits in accordance with OMB Circular A-133, during the years in which federal funds are received. The Water District will provide copies of the audits to the Area Office and the appropriate Federal cognizant agency as designated by OMB Circular A-133.

10. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the Water District. The Water District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The Water District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The Water District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$67,000.
- D. Real Property Insurance - The Water District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures. The amounts of coverage should be based on recommendations obtained by the Water District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The Water District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

11. Planning and Performing Development:

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

B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:

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

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

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

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

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

13. Closing Instructions:

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

14. Compliance with Special Laws and Regulations:

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

15. System Operator:

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

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

A. Form RD 1942-47, "Association Loan Resolution (Public Body)."

B. Form RD 400-1, "Equal Opportunity Agreement."

- C. Form RD 400-4, "Assurance Agreement."
- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."

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

17. Refinancing and Graduation Requirements:

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

18. Commercial Interim Financing:

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

Before the loan is closed, the Water District will be required to provide Rural Development with statements from the contractor, engineer and attorneys that they have been paid to date in accordance with their contract or other agreements and, in the case of the contractor, that he has paid his suppliers and sub-contractors.

19. Disbursement of Project Funds:

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

During construction, the Water District shall disburse project funds in a manner consistent with subsection 1780.76 (e) of RUS Instruction 1780. Form RD 1924-18, "Partial Payment Estimate," or similar form approved by Rural Development, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to Rural Development for review and acceptance. Prior to disbursement of funds by the Water District, the Board of Directors shall review and approve each payment estimate. All bills and vouchers must be approved by Rural Development prior to payment by the Water District.

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

Monthly audits of the Water District's construction account records shall be made by Rural Development.

20. Cost of Facility:

Breakdown of Costs:

Development	\$ 868,700
Land and Rights	3,500
Legal and Administrative	14,000
Engineering	117,600
Interest	34,000
Contingencies	<u>52,200</u>
TOTAL	\$1,090,000

Financing:

RUS Loan	<u>\$1,090,000</u>
TOTAL	\$1,090,000

22. Rates and Charges:

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

Water rates will be at least:

First	2,000 gallons @ \$9.60 - Minimum Bill.
Next	3,000 gallons @ \$4.80 - per 1,000 gallons.
Next	5,000 gallons @ \$4.40 - per 1,000 gallons.
Next	15,000 gallons @ \$4.05 - per 1,000 gallons.
Next	25,000 gallons @ \$3.75 - per 1,000 gallons.
Next	50,000 gallons @ \$3.35 - per 1,000 gallons.
Next	100,000 gallons @ \$2.95 - per 1,000 gallons.
Next	100,000 gallons @ \$2.55 - per 1,000 gallons.
All Over	300,000 gallons @ \$2.15 - per 1,000 gallons.

23. Water Purchase Contract:

The Water District will submit a Water Purchase Contract for approval by Rural Development before advertising for construction bids. If the contract is not on Form RD 442-30, "Water Purchase Contract," the contract will require approval by our Regional Attorney. The contract must meet the requirements of subsection 1780.62 of RUS Instruction 1780.

24. Floodplain Construction:

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

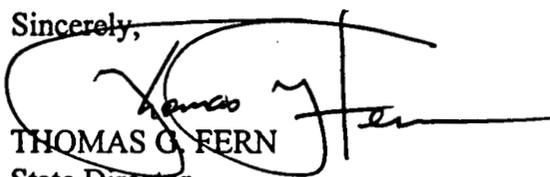
25. Final Approval Conditions:

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

In accordance with the intent of Congress as expressed in the FY 1998 Appropriations Act, recipients of Water and Waste assistance provided by the Rural Utilities Service are encouraged, in expending the assistance, to purchase only American-made equipment and products.

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

Sincerely,


THOMAS G. FERN
State Director
Rural Development

Enclosures

cc: Rural Development Manager - Princeton, KY
Community Development Manager - Owensboro, KY
Green River ADD - Owensboro, KY
(Local Counsel)
✓(Bond Counsel)
Gastineau and Associates, Inc. - Nicholasville, KY
PSC - ATTN: Claude Rhorer - Frankfort, KY



United States
Department of
Agriculture

Rural
Development

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

May 6, 1998

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

Re: Union County Water District
\$1,090,000 Bond Issue

Dear Mr. Davis:

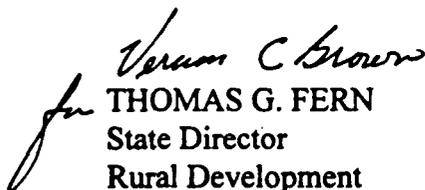
We are enclosing the Maturity Schedule for the referenced Bond Issue. The required deposits to the Funded Depreciation Reserve Account are \$560.00 per month for the life of the loan. The Rural Development loan of \$1,090,000.00 was approved at an interest rate of 5.25%.

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

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

Please let us know if you have any questions.

Sincerely,


THOMAS G. FERN
State Director
Rural Development

Enclosure

cc: Rural Development Manager
Princeton, Kentucky

Rural Development is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

EXHIBIT F

BORROWER NAME: UNION COUNTY WATER DISTRICT
 INTEREST RATE: 5.25
 PRINCIPAL: 1,090,000
 May 6, 1998

year	period	number	payment	interest	principal	balance
1999	1	1	57,225.00	57,225.00	0	1,090,000
2000	1	2	57,225.00	57,225.00	0	1,090,000
2001	1	3	67,225.00	57,225.00	10,000	1,080,000
2002	1	4	66,700.00	56,700.00	10,000	1,070,000
2003	1	5	67,175.00	56,175.00	11,000	1,059,000
2004	1	6	66,597.50	55,597.50	11,000	1,048,000
2005	1	7	67,020.00	55,020.00	12,000	1,036,000
2006	1	8	66,390.00	54,390.00	12,000	1,024,000
2007	1	9	66,760.00	53,760.00	13,000	1,011,000
2008	1	10	67,077.50	53,077.50	14,000	997,000
2009	1	11	66,342.50	52,342.50	14,000	983,000
2010	1	12	66,607.50	51,607.50	15,000	968,000
2011	1	13	66,820.00	50,820.00	16,000	952,000
2012	1	14	66,980.00	49,980.00	17,000	935,000
2013	1	15	67,087.50	49,087.50	18,000	917,000
2014	1	16	66,142.50	48,142.50	18,000	899,000
2015	1	17	67,197.50	47,197.50	20,000	879,000
2016	1	18	66,147.50	46,147.50	20,000	859,000
2017	1	19	67,097.50	45,097.50	22,000	837,000
2018	1	20	66,942.50	43,942.50	23,000	814,000
2019	1	21	66,735.00	42,735.00	24,000	790,000
2020	1	22	66,475.00	41,475.00	25,000	765,000
2021	1	23	67,162.50	40,162.50	27,000	738,000
2022	1	24	66,745.00	38,745.00	28,000	710,000
2023	1	25	67,275.00	37,275.00	30,000	680,000
2024	1	26	66,700.00	35,700.00	31,000	649,000
2025	1	27	67,072.50	34,072.50	33,000	616,000
2026	1	28	66,340.00	32,340.00	34,000	582,000
2027	1	29	66,555.00	30,555.00	36,000	546,000
2028	1	30	66,665.00	28,665.00	38,000	508,000
2029	1	31	66,670.00	26,670.00	40,000	468,000
2030	1	32	66,570.00	24,570.00	42,000	426,000
2031	1	33	67,365.00	22,365.00	45,000	381,000
2032	1	34	66,002.50	20,002.50	46,000	335,000
2033	1	35	67,587.50	17,587.50	50,000	285,000
2034	1	36	65,962.50	14,962.50	51,000	234,000
2035	1	37	67,285.00	12,285.00	55,000	179,000
2036	1	38	66,397.50	9,397.50	57,000	122,000
2037	1	39	67,405.00	6,405.00	61,000	61,000
2038	1	40	64,202.50	3,202.50	61,000	0
			2,649,932.50	1,559,932.50	1,090,000	