

# Hardin County Water District No. 1

*Serving Radcliff and Hardin County for Over 50 Years*

1400 Rogersville Road  
Radcliff, KY. 40160

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April 2, 2008

Ms. Stephanie Stumbo  
Executive Director - Kentucky Public Service Commission  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, KY 40620-0615

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APR - 3 2008

PUBLIC SERVICE  
COMMISSION

**SUBJECT: Supplemental Information - KIA Debt Assumption Approval  
PSC Case No. 2008-00074**

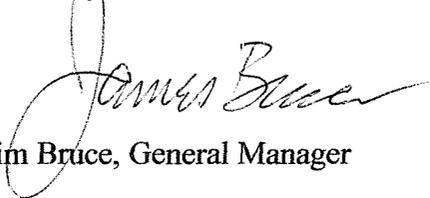
Dear Director Stumbo,

Enclosed please find 5 copies of a Conditional Debt Transfer approval letter / agreement from the Kentucky Infrastructure Authority. This document is the one referred to in our March 13, 2008 letter to your office, under Item #2.

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We cannot execute the agreement until we receive Public Service Commission approving the debt transfer. As soon as that approval is received, we will execute the documents and send your office a copy for your records. If you have any questions, please do not hesitate to call me or our attorney, Mr. David Wilson II (Phone: 270-351-4404).

Sincerely,



Jim Bruce, General Manager

Cf; Mr. David Wilson II, HCWD1 Attorney  
Mr. David Spenard, esq, Assistant Attorney General, Consumer Protection Division

Encl.

**CERTIFICATION OF SERVICE**

The undersigned, James S. Bruce, General Manager for the Hardin County Water District No. 1, hereby verifies that the foregoing was served on Ms. Stephanie Stumbo, Executive Director, Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, KY. 40601-8204 and on the Attorney General, Mr. Jack Conway, ATTENTION Mr. David Spenard, esq., 1024 Capitol Center Drive, Frankfort, KY, 40601 on this 2<sup>ND</sup> Day of April, 2008

HARDIN COUNTY WATER DISTRICT No. 1

By James S. Bruce  
JAMES S. BRUCE, GENERAL MANAGER

STATE OF KENTUCKY  
COUNTY OF HARDIN

I, the undersigned, a Notary Public, do hereby certify that on this \_\_\_\_\_ day of April 2008, personally appeared before me, James S. Bruce who being by me first sworn, subscribed to and acknowledged that they both represent the Hardin County Water District No. 1, a Kentucky Corporation, that they have signed the foregoing document as General Manager of the Corporation.

Aaron B. Pyles  
NOTARY PUBLIC, STATE OF KENTUCKY

My Commission Expires; October 30, 2008





KENTUCKY INFRASTRUCTURE AUTHORITY

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PUBLIC SERVICE  
COMMISSION

Steven L. Beshear  
Governor

1024 Capital Center Drive, Suite 340  
Frankfort, Kentucky 40601  
Phone (502) 573-0260  
Fax (502) 573-0157  
<http://kia.ky.gov>

Tim Thomas  
Executive Director

April 1, 2008

William J. Rissell  
Chairman  
Hardin County Water District #1  
1400 Rogersville Road  
Radcliff, Kentucky 40160

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KENTUCKY INFRASTRUCTURE AUTHORITY  
CONDITIONAL COMMITMENT LETTER FOR THE ASSUMPTION OF  
FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN A97-03

Dear Mr. Rissell:

The Kentucky Infrastructure Authority (KIA) commends your efforts to improve public service facilities in your community. Your letter of request to the KIA for assumption of the Federally Assisted Wastewater Revolving Loan listed above was approved by KIA on March 6, 2008. The attached credit analysis and the Letter requesting assumption are incorporated herein by reference and fully describe the request.

Attached is an update of the credit analysis reflecting the change in ownership. The loan assumption must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature and the Asset Purchase Agreement outlining the transfer of assets from the City of Radcliff to the Hardin County Water District #1 must be approved by the Public Service Commission prior to the execution of the Supplemental Assistance Agreement. All conditions contained within the original Assistance Agreement, remain in effect for the life of the loan. If you have any questions, please feel free to call.

Sincerely,

Sandy Williams  
Financial Analyst

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms.

Accepted \_\_\_\_\_

Date \_\_\_\_\_

attachments

cc: Jim Bruce, Hardin County Water District #1  
Lola Lyle, Division of Water  
Dirk Bedarff, Peck, Shaffer & Williams  
Lonnie Campbell, State Local Debt Officer, GOLD

<b>EXECUTIVE SUMMARY</b>		Reviewer:	Sandy Williams	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date:	March 6, 2008	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number:	<b>A97-03</b>	
<b>REVOLVING LOAN FUND</b>		WRIS Number	<b>N/A</b>	
<b>BORROWER:</b>	<b>Hardin County Water District #1</b>	HUC Code:	N/A	
	Hardin County			
<b>BRIEF DESCRIPTION:</b>	The City of Radcliff and Hardin County Water District No. 1 have entered into a Memorandum of Understanding and have executed a Wastewater System Acquisition Agreement whereby the District will assume ownership of the City's sanitary sewer system. Concurrent with the transfer of the assets, the District requests assumption of the City's KIA loan A97-03 in the amount of \$3,086,981.51.			
<b>PROJECT FINANCING:</b>		<b>PROJECT BUDGET</b>		
Fund A Loan	\$ 3,086,981.51	A97-03 Loan Assumption	3,086,981.51	
<b>TOTAL</b>	<b>3,086,981.51</b>	<b>TOTAL</b>	<b>3,086,981.51</b>	
<b>REPAYMENT</b>		Est. Annual		
	Rate	3.80%	Payment	\$352,155
	Term	11 years	1st Payment	6 Mo. after first draw
<b>PROFESSIONAL SERVICES</b>	Engineer	N/A		
	Bond Counsel	Peck, Shafer, & Williams		
<b>PROJECT SCHEDULE</b>	System Transfer June 30, 2008			
<b>DEBT PER CUSTOMER</b>	Existing:	\$ 1,564.91		
	Proposed:	\$ 2,565.16		
<b>OTHER DEBT</b>	See Attached			
<b>OTHER STATE-FUNDED PROJECTS LAST 5 YRS</b>	See Attached			
<b>RESIDENTIAL RATES</b>		<u>Users</u>	<u>Avg. Bill</u>	
	Current - Radcliff	8,697	\$29.12 (for 4,000 gallons)	
	Additional - Radcliff	0	\$29.12 (for 4,000 gallons)	
<b>REGIONAL COORDINATION</b>	This project is consistent with regional planning recommendations.			
<b>CASHFLOW</b>	<b>Cash Available for</b>	<b>Income after Debt</b>		
	<b>Debt Service</b>	<b>Debt Service</b>	<b>Service</b>	<b>Coverage Ratio</b>
Audited 2004	1,261,866	1,249,026	12,840	1.01
Audited 2005	2,154,175	1,292,136	862,039	1.67
Audited 2006	2,063,949	1,245,245	818,704	1.66
Projected 2007	2,109,786	1,272,320	837,466	1.66
Projected 2008	2,025,166	1,649,581	375,585	1.23
Projected 2009	2,060,414	1,691,811	368,603	1.22
Projected 2010	2,005,734	1,685,902	319,832	1.19

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND "A")  
HARDIN COUNTY WATER DISTRICT NO. 1  
LOAN ASSUMPTION  
CITY OF RADCLIFF KIA LOAN A97-03**

**I. PROJECT DESCRIPTION**

The City of Radcliff and Hardin County Water District No. 1 have entered into a Memorandum of Understanding and have executed a Wastewater System Acquisition Agreement whereby the District will assume ownership of the City's sanitary sewer system. Concurrent with the transfer of the assets, the District requests assumption of the City's KIA loan A97-03 in the amount of \$3,086,981.51.

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The original loan request was approved in June 1997 in the amount of \$4,836,450. The final loan amount of \$4,809,652.01 was established at project completion in October 1999. The loan proceeds were used to design and construct and expansion and modification of the existing 2.81 MGD oxidation ditch wastewater treatment plant to 4.0 MGD. The renovation was to allow the city to comply with all regional water quality needs and accommodate expected future growth.

**II. PROJECT BUDGET**

	<u>Total</u>
A97-03 Loan Assumption	3,086,982
<b>Total</b>	<b>3,086,982</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund A Loan	3,086,981.51	100%
<b>Total</b>	<b>3,086,981.51</b>	<b>100%</b>

**IV. KIA DEBT SERVICE**

Construction Loan	\$ 3,086,982
Interest Rate	3.80%
Remaining Loan Term (Years)	11
Estimated Annual Debt Service	\$ 345,981
Administrative Fee (0.20%)	6,174
<b>Total Estimated Annual Debt Service</b>	<b>\$ 352,155</b>

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## REPLACEMENT RESERVE

The replacement reserve has been funded in the amount of \$277,740. Under the terms of the original loan approval, one additional payment of \$30,860 must be made into the reserve account to meet the terms of the original assistance agreement.

### IX. DEBT OBLIGATIONS

<u>Debt Issue</u>	<u>Outstanding</u>	<u>Maturity</u>
<b>Radcliff</b>		
Series 2001 Revenue Bonds	550,000.00	2010
KIA Loan A97-03	<u>3,086,981.51</u>	2018
Radcliff Subtotal	3,636,981.51	
<b>Hardin County Water District No. 1</b>		
Series 2005 Revenue Bonds	\$6,795,000	2025
Series 2002 Revenue Bonds	<u>\$4,270,000</u>	2022
Series 1998 Refunding Revenue Bonds	<u>\$2,545,000</u>	2012
HCWD1 Subtotal	\$13,610,000	
TOTAL	17,246,981.51	

### X. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
<b>Radcliff</b>			
Upgrade Boone Trace Lift Station	HB 267	\$450,000	Grant
Replacement of Two EQ Basin Liners	HB 267	\$450,000	Grant
<b>Hardin Co. WD #1</b>			
Constantine Rd Water System Improvements	HB 380	\$1,000,000	Grant
Pirtle Spring WTP Reconstruction Project	HB 380	\$2,000,000	Grant
Water System Improvements	HB 267	\$2,000,000	Grant

### XI. CONTACTS

#### **Applicant**

Name Hardin County Water District #1  
Address 1400 Rogersville Road  
Radcliff, Kentucky 40160  
County Hardin County  
Contact William J. Rissell  
Phone 270-351-3222

**Applicant Contact**

Name	Hardin County Water District #1
Address	1400 Rogersville Road Radcliff, Kentucky 40160
County	Hardin County
Contact	Jim Bruce
Phone	270-351-3222

**XII. RECOMMENDATIONS**

KIA staff recommends approval of the loan with the standard conditions and following special conditions.

1. The Assumption Agreement will be executed after the Public Service Commission has issued the order that the acquisition of the Radcliff sewer system by the Hardin County Water District No.1 is approved.
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**EXHIBIT 1**  
**Hardin County Water District #1**  
**CASHFLOW ANALYSIS**

	Audited		Audited		Audited	Projected	Projected	Projected	Projected
	2004	% Change	2005	% Change	2006	2007	2008	2009	2010
<b>Revenues</b>									
Metered Water Sales	2,594,396	2%	2,636,307	0%	2,637,828	2,664,206	2,690,848	2,717,757	2,744,934
Wholesale Sales	341,491	19%	406,892	6%	431,090	456,955	484,373	513,435	544,241
Sewer Billing Contract Revenue	207,687	-11%	184,207	11%	204,215	204,215	204,215	204,215	204,215
Sewer Service Revenue	0	-	1,953,808	100%	3,907,327	3,907,327	3,907,327	3,907,327	3,907,327
Penalties, Service Fees and Misc.	335,199	25%	417,519	12%	468,892	468,892	468,892	468,892	468,892
<b>Total Revenues</b>	<b>3,478,773</b>	<b>61%</b>	<b>5,598,733</b>	<b>37%</b>	<b>7,649,352</b>	<b>7,701,596</b>	<b>7,755,655</b>	<b>7,811,626</b>	<b>7,869,610</b>
<b>Expenses</b>									
Treatment	631,472	1%	636,075	17%	745,236	782,498	805,973	830,152	855,056
Distribution	582,566	-24%	440,039	35%	595,501	539,369	595,501	595,501	595,501
Customer Service	322,031	-7%	298,983	15%	342,495	321,170	342,495	321,170	342,495
General & Administrative	693,121	-12%	609,673	8%	657,236	653,343	657,236	653,343	657,236
Purchased Water	44,883	-45%	24,638	222%	79,353	79,353	79,353	79,353	79,353
General Maintenance	55,340	3%	56,906	25%	71,312	71,312	71,312	71,312	71,312
Source of Supply	2,568	431%	13,641	4%	14,245	10,151	14,245	10,151	14,245
Sewer	0	-	959,488	97%	1,886,380	1,886,380	1,942,971	2,001,261	2,061,298
Depreciation	597,686	97%	1,180,197	83%	2,155,385	2,155,385	2,155,385	2,155,385	2,155,385
Replacement Reserve	0	-	0	-	0	0	30,860	0	0
<b>Total Expenses</b>	<b>2,929,667</b>	<b>44%</b>	<b>4,219,640</b>	<b>55%</b>	<b>6,547,143</b>	<b>6,498,961</b>	<b>6,695,331</b>	<b>6,717,628</b>	<b>6,831,882</b>
<b>Net Income Cash</b>	<b>549,106</b>	<b>-151%</b>	<b>1,379,093</b>	<b>20%</b>	<b>1,102,209</b>	<b>1,202,635</b>	<b>1,060,324</b>	<b>1,093,998</b>	<b>1,037,728</b>
<b>Non-Operating Revenues and Expenses</b>									
Investment Income	30,772	-	126,927	-	154,314	155,857	157,416	158,990	160,580
Other	99,422	-	208,116	-	211,925	211,925	211,925	211,925	211,925
<b>Total Non-Operating Rev &amp; Exp</b>	<b>130,194</b>	<b>157%</b>	<b>335,043</b>	<b>9%</b>	<b>366,239</b>	<b>367,782</b>	<b>369,341</b>	<b>370,915</b>	<b>372,505</b>
<b>Add Non-Cash Expenses</b>									
Depreciation	582,566	-	440,039	-	595,501	539,369	595,501	595,501	595,501
<b>Cash Available for Debt Service</b>	<b>1,261,866</b>	-	<b>2,154,175</b>	-	<b>2,063,949</b>	<b>2,109,786</b>	<b>2,025,166</b>	<b>2,060,414</b>	<b>2,005,734</b>
<b>Debt Service</b>									
Existing Debt	1,249,026	-	1,292,136	-	1,245,245	1,272,320	1,293,733	1,312,107	1,277,003
Debt Assumption	0	-	0	-	0	0	355,848	379,704	408,899
<b>Total Debt Service</b>	<b>1,249,026</b>	-	<b>1,292,136</b>	-	<b>1,245,245</b>	<b>1,272,320</b>	<b>1,649,581</b>	<b>1,691,811</b>	<b>1,685,902</b>
<b>Income After Debt Service</b>	<b>12,840</b>	-	<b>862,039</b>	-	<b>818,704</b>	<b>837,466</b>	<b>375,585</b>	<b>368,603</b>	<b>319,832</b>
<b>Debt Coverage Ratio</b>	<b>1.01</b>	-	<b>1.67</b>	-	<b>1.66</b>	<b>1.66</b>	<b>1.23</b>	<b>1.22</b>	<b>1.19</b>

**Hardin County Water District #1  
BALANCE SHEETS**

	<b>ASSETS</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Upon Project Completion</b>
<b>Current Assets</b>					
Cash and Cash Equivalents		131,522	521,962	653,315	653,315
Investments		1,170,205	1,229,267	779,890	779,890
Receivables		493,406	867,231	856,098	856,098
Inventory		69,895	179,536	182,842	182,842
Prepaid Expenses		278,325	42,748	16,822	16,822
<b>Total Current Assets</b>		<u>2,143,353</u>	<u>2,840,744</u>	<u>2,488,967</u>	<u>2,488,967</u>
<b>Long Term Investments</b>					
Unrestricted Reserve		554,922	312,513	795,717	795,717
Restricted Assets - Reserve Funds		1,662,696	2,197,004	1,911,129	1,911,129
<b>Total Long Term Investments</b>		<u>2,217,618</u>	<u>2,509,517</u>	<u>2,706,846</u>	<u>2,706,846</u>
<b>Property, Plant and Equipment</b>					
Utility Systems		23,673,598	100,418,896	103,591,700	131,109,264
Construction in Progress		357,787	495,993	324,206	324,206
Less Accumulated Depreciation		(7,916,644)	(65,037,301)	(67,026,594)	(77,291,033)
<b>Total Fixed Assets</b>		<u>16,114,741</u>	<u>35,877,588</u>	<u>36,889,312</u>	<u>54,142,437</u>
<b>Total Assets</b>		<u><u>20,475,712</u></u>	<u><u>41,227,849</u></u>	<u><u>42,085,125</u></u>	<u><u>59,338,250</u></u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable		264,565	75,738	371,176	371,176
Due to Other Funds		0	38,376	45,145	45,145
Meter Deposits and Other Liabilities		125,782	131,516	133,507	133,507
Accrued Expenses		38,683	36,672	63,488	63,488
Sewer Collections Payable		286,729	281,923	273,983	273,983
Other		10,983	13,124	9,547	9,547
<b>Total Current Liabilities</b>		<u>726,742</u>	<u>577,349</u>	<u>896,846</u>	<u>896,846</u>
<b>Current Liabilities Payable From Restricted Assets</b>					
Current Maturities of Long Term Debt		840,000	680,000	700,000	700,000
Accrued Interest on Long Term Debt		64,898	150,251	111,768	111,768
<b>Total Current Liabilities</b>		<u>904,898</u>	<u>830,251</u>	<u>811,768</u>	<u>811,768</u>
<b>Long Term Liabilities</b>					
Long Term Debt & Capital Leases, Less Current Portion		10,010,000	13,610,000	12,910,000	21,609,188
Less Unamortized Discount and Expenses		(538,360)	(578,356)	(499,040)	(499,040)
<b>Total Long Term Liabilities</b>		<u>9,471,640</u>	<u>13,031,644</u>	<u>12,410,960</u>	<u>21,110,148</u>
<b>Other Liabilities</b>					
Customer Advances for Construction		144,595	196,731	221,609	221,609
<b>Total Other Liabilities</b>		<u>144,595</u>	<u>196,731</u>	<u>221,609</u>	<u>221,609</u>
<b>Total Liabilities</b>		<u><u>11,247,875</u></u>	<u><u>14,635,975</u></u>	<u><u>14,341,183</u></u>	<u><u>23,040,371</u></u>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net		5,803,101	22,165,944	23,778,352	32,332,289
Restricted		912,199	1,424,611	1,116,111	1,116,111
Unrestricted (deficit)		2,512,537	3,001,319	2,849,479	2,849,479
<b>Total Retained Earnings</b>		<u>9,227,837</u>	<u>26,591,874</u>	<u>27,743,942</u>	<u>36,297,879</u>
<b>Total Liabilities and Equity</b>		<u><u>20,475,712</u></u>	<u><u>41,227,849</u></u>	<u><u>42,085,125</u></u>	<u><u>59,338,250</u></u>
<b>Balance Sheet Analysis</b>					
Current Ratio		2.95	4.92	2.78	2.78
Debt to Equity		1.22	0.55	0.52	0.63
Working Capital		1,416,611	2,263,395	1,592,121	1,592,121

4/1/2008

Hardin Co WD1 assumption of A97-03 from Radcliff Fund A Executive Summary Template.xls

# Hardin County Water District No. 1

*Serving Radcliff and Hardin County for Over 50 Years*

1400 Rogersville Road  
Radcliff, KY. 40160

RECEIVED

November 30, 2007

2007 DEC -5 P 4: 31

Mr. Tim Thomas  
Kentucky Infrastructure Authority  
1024 Capital Center Drive, Suite 340  
Frankfort, Kentucky 40601

KENTUCKY INFRASTRUCTURE  
AUTHORITY

**SUBJECT: Intent to Assume Debt - Application Package  
Kentucky Infrastructure Authority, Revolving Loan, A-97-03**

Dear Mr. Thomas:

The City of Radcliff and Hardin County Water District No. 1 have entered into a Memorandum of Understanding whereby the District will assume ownership of the City's sanitary sewer system. An objective of this agreement is for the District to carry over and assume current sewer rates, accounts, assets, liabilities and staff with no changes in the first year.

A final contract is being drafted for both parties consideration and approval. Both entities believe it is prudent to contact KIA to determine if any specific language is required in a contract and what procedures are required for the transfer of the current loans from the City to the District.

A package of 3 years audits for both entities is being prepared along with a loan application in order for the District to provide KIA with critical information about the District and a summary of what has lead to this decision. We anticipate this package could be forwarded by mid December.

The City and District have designated Mr. Jim Bruce, General Manager, with the District as the primary contact for information exchange (phone: 270-351-3222). He will call you regarding this transaction.

Sincerely,



Mr. William J. Rissel, Chairman, HCWD1



Honorable Sheila Enyart  
City of Radcliff  
411 W. Lincoln Trail Boulevard  
Radcliff, KY 40160 (Phone: 270-351-4714)

Cf: Ms. Sandy Williams, KIA  
Mr. Mike Pike, City Attorney, Radcliff  
Mr. David Wilson II, HCWD1 Attorney  
Mr. Jim Bruce, HCWD1, General Manager

Phone 1-270-351-3222

FAX: 1-270-352-3055

[www.HCWD.com](http://www.HCWD.com)