

Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410
Telephone (502) 569-7525 Telefax (502) 569-7555 www.rubinhays.com

CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

December 23, 2009

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

2009-00541

RECEIVED
DEC 23 2009
PUBLIC SERVICE
COMMISSION

Re: Mountain Water District - Public Service Commission Application for the Shelby
Sewer Project

Dear Mr. Derouen:

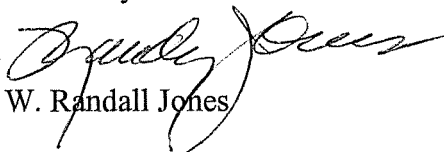
Enclosed please find the original and ten (10) copies of the Application of the Mountain Water District for a Certificate of Public Convenience and Necessity to construct and finance a wastewater improvements project pursuant to KRS Chapter 278.

Also enclosed are eleven (11) copies of the exhibits required, with the exception of the Plans and Specifications, which will be filed by Summit Engineering, Inc., the Engineers on the Project.

If you need any additional information or documentation, please let us know.

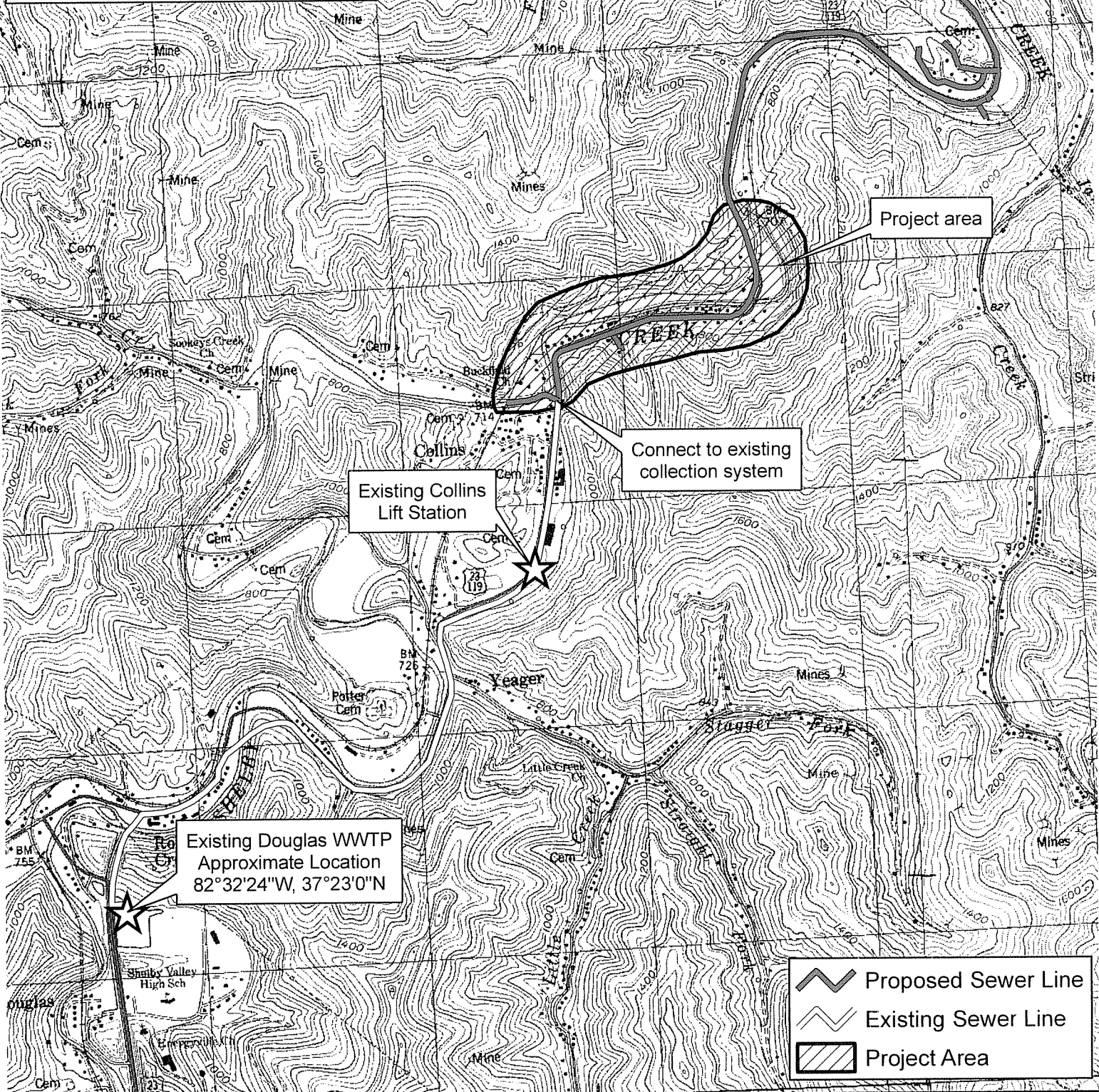
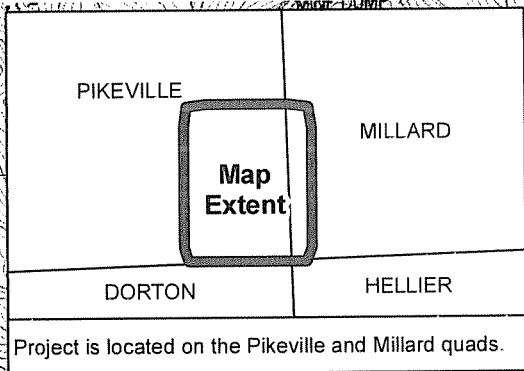
Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jl
Enclosures

cc: Mr. Grondall Potter, MWD
Jody Hunt, P.E., Summit Engineering






End of Current Permitted Sewer Extension

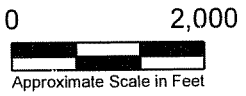
Project area

Connect to existing collection system

Existing Collins Lift Station

Existing Douglas WWTP Approximate Location 82°32'24\"/>

-  Proposed Sewer Line
-  Existing Sewer Line
-  Project Area



SUMMIT ENGINEERING, INC.
 PIKEVILLE, KY HAZARD, KY LEXINGTON, KY
 CHARLESTON, WV CHAPMANVILLE, WV
 BRIDGEPORT, WV BIG ROCK, VA WISE, VA

**SHELBY VALLEY
 SANITARY SEWER
 SECTION 2. COLLINS**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
DEC 28 2009
PUBLIC SERVICE
COMMISSION

In the matter of:

**APPLICATION OF THE MOUNTAIN WATER)
DISTRICT FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO CONSTRUCT)
A SEWER IMPROVEMENTS PROJECT AND TO)
ISSUE SECURITIES IN THE APPROXIMATE)
AMOUNT OF \$750,000 TO FINANCE A PORTION)
OF SAID PROJECT PURSUANT TO KRS 278.020,)
278.300 AND 807 KAR 5:001)**

Case No. 2009-00541

APPLICATION

The Mountain Water District (the "District"), by counsel, pursuant to KRS 278.020, 278.300 and 807 KAR 5:001, petitions the Commission for a certificate of public convenience and necessity to construct a sewer improvement project and to enter an order authorizing the District to issue certain securities in the approximate principal amount of \$750,000 for the purpose of financing a portion of said Project. The following information is filed in accordance with the Commission's regulations:

1. The District's office address is 6332 Zebulon Highway, Route 119, Pikeville, Kentucky 41501. Its principal officers are listed in its 2008 Annual Report, which is on file with the Commission;
2. The District is a non-profit water district organized under KRS Chapter 74 and has no separate articles of incorporation or by-laws;
3. A description of the District's sewer system and its property stated at original cost by accounts is contained in its Annual Report, which is incorporated by reference pursuant to 807

KAR 5:001 Section (5)(5). All required normal financial schedules and other data are in the Annual Report;

4. The sewer improvements project is described in **Exhibit "A"** attached hereto;

5. The total project cost is approximately \$750,000, as set forth in the Project Budget attached hereto as **Exhibit "B"**;

6. The District has obtained all easements required for the Project;

7. This service will not compete with any other utility in the area;

8. Based on these facts, the District believes that it is in the public interest that this certificate of public convenience and necessity be granted;

9. Copies of the certified bid tabulations are attached hereto as **Exhibit "C"**;

10. The following information is provided in response to 807 KAR 5:001 Section (8)(3);

a. Articles of Incorporation - None, the District is a statutorily created water district under KRS Chapter 74;

11. The following information is supplied to 807 KAR 5:001 Section (9)(2);

a. Facts relied upon to show that the Project is in the public interest: See **Exhibit "A"** attached hereto.

b. No new franchises are required. Copies of the permits are attached hereto as **Exhibit "D"**;

c. Diagrams of the proposed construction and construction specifications are contained in the Plans and Specifications on file with the Commission;

d. Three (3) maps of suitable scale showing location of the proposed facilities are filed with this Application;

e. The construction costs will be funded by (i) a Kentucky Infrastructure Authority (“KIA”) - American Recovery and Reinvestment Act Federally Assisted Wastewater Revolving Fund loan in the amount of \$750,000 - see KIA conditional commitment letter attached hereto as **Exhibit "E"**;

f. The estimated cost of operation of the wastewater system after construction is completed is attached hereto as **Exhibit "F"**;

12. The following information is provided as required by 807 KAR 5:001(11);

- a. A general description of the property is contained in the 2008 Annual Report;
- b. Financial information relating to the KIA Loan is contained in **Exhibit "E"**;
- c. All funds are to be used in accordance with the Project Budget;
- d. There is no property acquisition being made in connection with this Project;
- e. No proceeds of the KIA loan will be used to refund outstanding obligations;

13. The detailed Income Statement and Balance Sheet for the twelve month period ending on December 31, 2008 are attached hereto as **Exhibit "G"**.

14. The following exhibits are provided pursuant to 807 KAR 5:001(11)(2);

- a. Financial Exhibit (see paragraph 15 below);
- b. There are no trust deeds or mortgages applicable;
- c. Maps and detailed plans are on file with the Commission. Estimated costs of property broken down by the Uniform System of Accounts is: (i) account number 1005-17 Collection Sewers - \$618,000; (ii) account number 1011-17 Pumping Equipment - \$132,000.

15. The District hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial

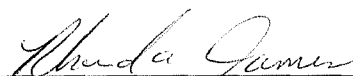
data filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the application. The District states that there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2008. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2008. This is the most recent published financial data available. The District's computer system cannot generate the required financial data in a timely and efficient manner and requiring the District to generate such information may cause the District to lose their favorable construction bids thereby possibly increasing the cost of the Project.

WHEREFORE, the Applicant, Mountain Water District requests that the Public Service Commission of Kentucky take the following actions:


1. Authorize the issuance of the securities requested in the application;
2. Grant to the Applicant a Certificate of Public Convenience and Necessity permitting the Applicant to construct the sewer improvement project;
3. Grant the District a deviation, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the District's 2008 Annual Report in lieu of more recent financial data, there being no material change in the data since December 31, 2008 and due to the favorable construction bids and the time required to generate such information;
4. Process this Application without a formal hearing in order to save time and expense.

The District will promptly respond to any inquiries or information requests by the Commission's staff.

Mountain Water District

By 
Chairperson

Rubin & Hays

By 
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 569-7525

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF PIKE)

The undersigned, Rhonda James, being duly sworn, deposes and states that she is the Chairperson of the Mountain Water District, Applicant; that she has read the foregoing Application and has noted the contents thereof; that the same is true of her own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, she believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this December 18th, 2009.

Rhonda James
Rhonda James, Chairperson
Mountain Water District

Subscribed and sworn to before me by Rhonda James, Chairperson of the Mountain Water District, on this December 18th, 2009.

My Commission expires January 6, 2012.

Sammy Olson
Notary Public, in and for said County and State

Shelby Valley Sanitary Sewer Project Phase III Section II, Collins

Project Description:

The Mountain Water District intends to extend sanitary sewer service to approximately 50 customers in the Shelby Valley Area of Pike County, Kentucky. The project consists of the connection to the existing force main located along Collins Highway Rt. 122 and extending east approximately 1.4 miles along Rt. 122 toward the intersection of US. 460. The new sanitary sewer force main will be constructed in County Right of Way and Kentucky Department of Transportation Highway Right of Way. The project will consist of approximately 8,000 L.F. of 4 inch force main, 1,000 L.F. of 2 inch force main, 6,000 L.F. of 1 ¼ inch force main, and 50 residential grinder pumps. The sewer collected from this sanitary sewer extension will be transported by the existing Collins Lift Station to the Douglas Waste Water Treatment Plant located in Shelby Valley along U.S. 23. The project will provide sanitary sewer service to an area of the county with a high number of straight pipes and / or failing septic systems.

KENTUCKY INFRASTRUCTURE AUTHORITY - Attachment "A-1"

Project Budget

Estimated
enter date

As Bid
Dec. 3, 09

Project ID#:
enter date

Cost Classification									Total
1	Administrative Expenses (1)	7,500			7,500				
2	Legal Expenses	6,840			6,840				
3	Land, Appraisals, Easements	-							
4	Relocation Expense & Payments	-							
5	Planning (2)	-							
6	Engineering Fees - Design	-							
7	Engineering Fees - Construction	18,675			18,675				
8	Engineering Fees - Inspection	37,235			37,235				
9	Construction	550,000			502,075				
10	Equipment	66,000			118,718				
11	Contingency	55,000			50,207				
12	Other	8,750			8,750				
	Total	750,000	-	-	750,000	-	-	-	-

Funding Sources		Amount	Date Committed
1	KIA (ARRA)	\$750,000.00	Dec-09
2			
3			
4			
5			
6			
	Total	750,000	

Local Funding Sources		Amount	Date Committed
1			
2			
3			
	Total	-	

(1) Include Interim Financing

(2) Include in this category, all negotiated fees not included in the RD fee scale calculation

Signature

Title

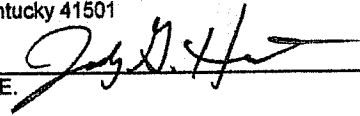
Exhibit A

Bid Tabulation For
Shelby Sanitary Sewer Project Phase III
Section II - Collins

ITEM NUMBER	ITEM DESCRIPTION	UNIT	QUANTITY	US Rentals and Construction		H2O Construction, Inc.	
				UNIT COST	AMOUNT	UNIT COST	AMOUNT
1	GENERAL						
a	Mobilization / Demobilization (Note 1)	LS	1	\$ 10,000.00	\$ 10,000.00	\$ 5,000.00	\$ 5,000.00
b	Seeding and Cleanup	LS	1	\$ 5,000.00	\$ 5,000.00	\$ 4,500.00	\$ 4,500.00
c	Special Pipe Bedding (Note 3)	TON	200	\$ 1.00	\$ 200.00	\$ 10.00	\$ 2,000.00
d	Removal of Existing Septic Tanks	EA	5	\$ 1,000.00	\$ 5,000.00	\$ 100.00	\$ 500.00
e	Flowable Fill (Note 3)	CY	50	\$ 100.00	\$ 5,000.00	\$ 100.00	\$ 5,000.00
f	Pavement Replacement	LS	1	\$ 10,000.00	\$ 10,000.00	\$ 25,000.00	\$ 25,000.00
g	Landscape Allowance	LS	1	\$ 5,000.00	\$ 5,000.00	\$ 500.00	\$ 500.00
2	Force Mains / Sewer Lines						
a	Connect to Existing	EA	1	\$ 2,500.00	\$ 2,500.00	\$ 3,500.00	\$ 3,500.00
b	6" HDPE SDR 11	LF	350	\$ 20.00	\$ 7,000.00	\$ 16.00	\$ 5,600.00
c	4" HDPE SDR 11	LF	7,400	\$ 17.00	\$ 125,800.00	\$ 15.00	\$ 111,000.00
d	2" HDPE SDR 11	LF	1,000	\$ 15.00	\$ 15,000.00	\$ 13.00	\$ 13,000.00
e	1.25" HDPE SDR 11 (Service)	LF	6,000	\$ 13.00	\$ 78,000.00	\$ 12.00	\$ 72,000.00
f	4" ASTM D3034 PVC (House Connection)	LF	2,000	\$ 20.00	\$ 40,000.00	\$ 22.00	\$ 44,000.00
3	Fittings and Valves						
a	6" Valve	EA	1	\$ 1,000.00	\$ 1,000.00	\$ 1,800.00	\$ 1,800.00
b	4" Valve	EA	10	\$ 500.00	\$ 5,000.00	\$ 1,500.00	\$ 15,000.00
c	2" Valve	EA	2	\$ 500.00	\$ 1,000.00	\$ 850.00	\$ 1,700.00
d	Flushing Connection Type 1	EA	4	\$ 2,000.00	\$ 8,000.00	\$ 1,500.00	\$ 6,000.00
e	Flushing Connection Type 2	EA	2	\$ 2,000.00	\$ 4,000.00	\$ 1,500.00	\$ 3,000.00
f	Air Release Valve	EA	1	\$ 2,500.00	\$ 2,500.00	\$ 2,000.00	\$ 2,000.00
4	Encasements						
a	Bore and Encase 4" HDPE	LF	230	\$ 100.00	\$ 23,000.00	\$ 155.00	\$ 35,650.00
b	Open Cut and Encase 6" HDPE	LF	95	\$ 100.00	\$ 9,500.00	\$ 85.00	\$ 8,075.00
c	Open Cut and Encase 4" HDPE	LF	70	\$ 75.00	\$ 5,250.00	\$ 75.00	\$ 5,250.00
5	Residential Grinder Pump/Service Connections						
a	Install Residential Grinder Pump Station, Complete, In-Place	EA	50	\$ 2,600.00	\$ 130,000.00	\$ 2,000.00	\$ 100,000.00
b	Pressure Sewer Lateral Assembly	EA	50	\$ 300.00	\$ 15,000.00	\$ 600.00	\$ 30,000.00
c	Complete Residential Grinder Pump Package- Materials	Purchased by Owner					
d	Extra Vertical Height Residential Grinder Enclosure - Materials	Purchased by Owner					
e	Extra Vertical Height Residential Grinder Enclosure	VF	10	\$ 100.00	\$ 1,000.00	\$ 200.00	\$ 2,000.00
	TOTAL				\$ 513,750.00		\$ 502,075.00

The above is a true and complete tabulation of bids received at 3:00 pm (local time), on Wednesday, December 2, 2009, at the offices of Dan Stratton, Attorney Pike County, Kentucky 41501

Jody G. Hunt, P.E.



Date: 12-3-09

00410-4

STEVEN L. BESHEAR
GOVERNOR



ROBERT D. VANCE
SECRETARY

ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
14 REILLY ROAD
FRANKFORT, KENTUCKY 40601
www.kentucky.gov

RECEIVED

April 9, 2008

APR 9, 2008

SUMMIT ENGINEERING, INC.
LEXINGTON, KY

Mr. Terry Spears
Mountain Water District
PO Box 3157
Pikeville, KY 41501

Re: Shelby Valley San. Sewer Proj.- Phase III, Sec. 1
Pike County, Kentucky
Project ID: 08-0120
Mountain Water District Douglas WWTP -- 3539
Activity ID: APE20080001

Dear Mr. Spears:

In accordance with KRS Chapter 224.10-100 (19), the Environmental and Public Protection Cabinet approves the Construction Permit Application for Sewer Line Construction dated March 10, 2008.

If we can be of any further assistance or should you wish to discuss this correspondence, please do not hesitate to contact William Wright at 502/564-3410, extension 589.

Sincerely,

Harold L. Sparks, P.E., Supervisor
Wastewater Facilities Review Section
Facilities Construction Branch
Division of Water

HLS/WLW

c: Pike County Health Department
Jody Hunt, Summit Engineering
Donna Sullivan, Plumbing

Attachment

Sewer Line Construction
Mountain Water District Douglas WWTP
Facility Requirements

Activity ID No.: APE20089061

Page 1 of 5

PORT5 (Douglas wwtp) Shelby Valley Sanitary Sewer Project- Phase III, Sect. 1 :

Submittal/Action Requirements:

Condition

No. Condition

S-1 When this system is completed, the applicant shall submit written certification: Due 30 calendar days after Completion of Construction to the Division of Water that the facilities have been constructed and tested in accordance with the approved plans and specifications and the above approval conditions. Such certification shall be signed by a registered professional engineer. Failure to certify may result in penalty assessment and/or future approvals being withheld. [401 KAR 5:005 Section 24(2)]

Narrative Requirements:

Condition

No. Condition

- T-1 The plans and specifications submitted for the project are approved by the Environmental and Public Protection Cabinet as to sanitary features, subject to the requirements contained within the permit. [401 KAR 5:005 Section 24(4)(a)]
- T-2 Authority to construct these sewers is hereby granted. This approval is issued under the provisions of KRS Chapter 224.10-100 (19) regulations promulgated pursuant thereto. Issuance of this permit does not relieve the permittee from the responsibility of obtaining any permits or licenses required by this Cabinet and other state, federal, and local agencies. [401 KAR 5:005 Section 24(4)(a)]
- T-3 The plans include a lift station with 2 pumps of 265 gpm with 150 feet TDH, 184 residential grinder pumps of 9 to 14 gpm with up to 138 feet TDH, approximately 3,703 linear feet of 2 inch PE force main pipe, approximately 2,571 linear feet of 3 inch PE force main pipe, approximately 14,562 linear feet of 4 inch PE force main pipe, approximately 3,614 linear feet of 6 inch PE force main pipe, and approximately 8,900 linear feet of 8 inch PE force main pipe. The flow from these lines is to be treated at the City of Shelby Valley Wastewater Treatment Plant, KPDES Permit No. KY0042811, Pike County, Kentucky. [401 KAR 5:005 Section 24(4)(a)]
- T-4 The types of sanitary sewer pipe shall be limited to PE. [401 KAR 5:005 Section 1(2)]
- T-5 This sewer line extension approval is for 184 residential connections. The anticipated flow is 55,200 gpd. [401 KAR 5:005 Section 1(2)]
- T-6 Flexible thermoplastic sewer pipe installation for pressure sewers shall conform to ASTM D-2774, latest revision. [Ten States (WW) 33.81]
- T-7 Gravity sewer lines and force mains shall have a minimum of thirty (30) inches of cover or provide comparable protection. [401 KAR 5:005 Section 8(9)]

Sewer Line Construction
Mountain Water District Douglas WWTP
Facility Requirements

Activity ID No.: APE20080001

Page 2 of 3

FORTS (continued):

Narrative Requirements:

Condition No.	Condition
T-8	If gravity sewer lines and force mains are to be constructed in fill areas, the fill areas shall be compacted to ninety-five (95) percent density as determined by the Standard Proctor Density test or to a minimum of ninety (90) percent density as determined by the Modified Proctor Density test prior to the installation of the sewer lines. [401 KAR 5:005 Section 8(10)]
T-9	Sewers crossing water mains shall be laid to provide a vertical distance of 18 inches between the outside of the water main and the outside of the sewer. This shall be the case where the water main is either above or below the sewer. The crossing shall be arranged so that the sewer joints are equidistant and as far as possible from the water main joints. Where a water main crosses under a sewer, adequate structural support shall be provided for the sewer to prevent damage to the water main. [Ten States (WW) 38.32]
T-10	Sewers shall be laid at least 10 feet horizontally from any existing or proposed water main. The distance shall be measured from edge-to-edge. [Ten States (WW) 38.31]
T-11	Air release valves shall be installed at high points in any proposed force main. [401 KAR 5:005 Section 8(19)]
T-12	If the requirements of administrative regulations 401 KAR 4:050, Section 2 are not met, a floodplain construction permit will be required pursuant to KRS 161.250. [401 KAR 4:050 Section 2]
T-13	Requirements for Sewer Line Extensions. A simplex design shall be used only for pump stations which serve an individual residence or business and a spare pump shall be available for immediate installation. [401 KAR 5:005 Section 8(21)]
T-14	An audible and visible alarm shall be provided at any proposed wastewater pump station. [Ten States (WW) 45]
T-15	Requirements for Sewer Line Extensions. All proposed pump station wetwells shall be sized such that, based on the average flow, the time to fill the wetwell from the pump-off elevation to the pump-on elevation shall not exceed thirty (30) minutes. [401 KAR 5:005 Section 8(16)]
T-16	Adequate thrust blocks shall be provided at all significant bends in any proposed sewer force main in order to prevent movement. [Ten States (WW) 48.4]
T-17	The integrity of any proposed force main shall be verified by leakage tests. The applicant shall describe the proposed testing methods and leakage limits in the specifications submitted with the permit application. [401 KAR 5:005 Section 8(6)(b)]
T-18	Facilities shall be designed in accordance with the "Recommended Standards for Wastewater Facilities" of the Great Lakes-Upper Mississippi River Board of State Public Health and Environmental Managers, commonly referred to as "Ten States' Standards", 1990 edition. [401 KAR 5:005 Section 7(1)(a)]

Sewer Line Construction
Mountain Water District Douglas WWTP
Facility Requirements

Activity ID No.: APE20080001

Page 3 of 3

PORT5 (continued):

Narrative Requirements:

Condition No.	Condition
T-19	The permit is issued to the applicant and the permittee shall remain the responsible party for compliance with all applicable statutes and administrative regulations until a notarized applicable change in ownership certification is submitted and the transfer of ownership is acknowledged by the cabinet. [401 KAR 5:005 Section 24(3)]
T-20	There shall be no deviations from the plans and specifications submitted with the application or the conditions specified unless authorized in writing by the cabinet. [401 KAR 5:005 Section 24(4)(b)1]
T-21	The issuance of a permit by the cabinet does not convey any property rights of any kind or any exclusive privilege. [401 KAR 5:005 Section 24(6)]
T-22	A permit to construct a facility shall be effective upon issuance unless otherwise conditioned. Construction shall be completed within twelve (12) months unless additional time is requested. If construction is not commenced within the twelve (12) months following a permit's issuance, a new permit shall be obtained before construction may begin. The cabinet may allow a single twelve (12) month extension to begin construction if site conditions have not changed. [401 KAR 5:005 Section 24(1)]
T-23	The Construction Permit is effective on April 10, 2008 and expires on April 10, 2009. [401 KAR 5:005 Section 24(1)]



STEVEN L. BESHEAR
GOVERNOR

LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT KENTUCKY 40601
www.kentucky.gov

December 2, 2009

Mr. Terry Spears
Mountain Water District
PO Box 3157
Pikeville, KY 41501

RE: Shelby Valley San. Sewer Proj.- Phase III, Sec. 1
Pike County, Kentucky
Project ID: 08-0120
Mountain Water District Douglas WWTP -- 3539
Activity ID: APE20080001
AI ID: 3539

Dear Mr. Terry Spears:

We have received your request for an extension of time to begin construction on sanitary sewers to serve the Shelby Valley San. Sewer Project.- Phase III, Sec. 1. We concur with your request and the expiration date of April 9, 2010 with the following provisions:

1. The plans and specification originally submitted for the sewer are to remain unchanged.
2. The approval conditions in our approval letter issued on April 9, 2008 are to remain in effect.

Please note that time extensions cannot be re-issued indefinitely. If construction of wastewater facility is not initiated before April 9, 2010, then it will be necessary to resubmit the engineering plans and specification together with another application and a review fee. If you should have any questions, please contact William Wright at (502) 564-8158, extension 4829.

Sincerely,

Harold L. Sparks, P.E.
Engineering Section
Water Infrastructure Branch
Division of Water

HLSIWLW

C: Scarlet Perry (Fluorabing)
Summit Engineering





STEVEN L. BESHEAR
GOVERNOR

LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT, KENTUCKY 40601
www.kentucky.gov

December 1, 2009

Mr. Terry Spears
PO Box 3157
Pikeville, KY 41501

RE: Shelby Valley San. Sewer Proj.- Phase III, Sec. I
Pike County, Kentucky
Mountain Water District Douglas WWTP -- 3539
Contract(s) ERF111
Activity ID: FGL20030013

Dear Mr. Spears:

We have reviewed the plans and specifications for the above referenced project. The plans include the construction of a lift station with 2 pumps of 265 gpm with 150 feet TDH, 184 residential grinder pumps of 9 to 14 gpm with up to 138 feet TDH, approximately 3,703 linear feet of 2 inch PE force main pipe, approximately 2,571 linear feet of 3 inch PE force main pipe, approximately 14,562 linear feet of 4 inch PE force main pipe, approximately 3,614 linear feet of 6 inch PE force main pipe, and approximately 8,500 linear feet of 8 inch PE force main pipe. This is to advise that plans and specifications for the above referenced project are APPROVED with respect to sanitary features of design, as of this date with the requirements contained in the attached construction permit.

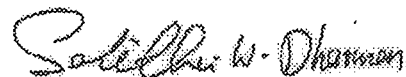
Additionally, your application indicates this project is funded by a State Revolving Fund (SRF) loan with Economic Recovery Funds (ERF) from the American Recovery and Reinvestment Act (ARRA), therefore the following stipulations shall apply:

1. You will receive one (1) set of approved plans and specifications. An identical set should be made available at the project site at all times. If modifications are made to the plans and specifications prior to bidding, then four (4) complete sets of revised plans and specifications shall be submitted to the Division of Water for approval. Our notice of approval will be issued at a later date by separate correspondence.
2. Clear site certificates of all involved properties must be submitted to the Division of Water prior to construction.
3. Required Encroachment Permits must be obtained from Kentucky Department of Transportation.
4. You are hereby authorized to advertise for bids to construct this project. In addition to other notices, you shall advertise the bid for seven (7) to twenty-one (21) days prior to the Bid Opening date in the newspaper with the largest circulation in your area. Please provide the bid opening date to Cathy Arnett, at the Division of Water. Cathy Arnett may be reached at (502) 564-3410, extension 4594.
5. A set of AS-BID plans and specifications (with any APPROVAL conditions addressed) and a copy of the Advertisement shall be submitted to the Division of Water when the project is advertised. These items will be reviewed as part of the Authority to Award process.

6. The attached Project Review and Cost Summary Form is to be completed and signed after bids have been received and then submitted along with the supporting documents indicated on the form. Your signature on this form will certify that all the information to be retained by the recipient has been secured and is available for review by the Division at the pre-construction conference. The complete bid package should be submitted to the Division of Water within fourteen (14) days after the bid opening.
7. Upon approval of the bid documents, the Division of Water will authorize you to award the construction contract, and arrange for a pre-construction conference. Division of Water staff must be present at this pre-construction conference.
8. You are cautioned that the advertisement and award of this contract will be subject to the laws and regulations that govern the ARRA and SRP process.
9. Please be advised that the construction contract is subject to the Equal Employment Opportunity requirements contained in Executive Order 11246. Equal Employment opportunity affirmative action by the prime contractor and all subcontractors is mandated throughout the duration of the contract. Documentation of efforts to comply with Executive Order 11246, Equal Employment Opportunity in accordance with the EPA Special Notice to Bidders is required. Compliance with the DBE Fair Share Policy in accordance with 40 CFR 31.36(f) is required.
10. In accordance with the American Reinvestment and Recovery Act of 2009 the "Buy American" and Davis-Bacon Act provisions shall be applicable to all portions of the project, even those portions not utilizing Economic Recovery Funds.
11. If sanitary features of the approved plans are to be changed during construction, the engineer shall submit the revision to the Division of Water for approval prior to implementation of the modification. Written approval from the Division of Water must be granted prior to on-site work dedicated to the adjustment.
12. When this project is completed, the owner shall submit a written certification to the Division of Water that the above referenced water facilities have been constructed and tested in accordance with the approved plans. Such certification shall be signed by a licensed professional engineer.
13. When this project is completed, the engineer shall submit as-built drawings to the Division of Water.

If you have any questions concerning this project, please contact William Wright at (502) 564-3410 ext. 4829.

Sincerely,



Solitha Dharman, PE
Supervisor, Engineering Section
Drinking Water Branch
Division of Water

SWD:WLW

(Project Review and Cost Summary Form)
(1 set P & S; approval conditions; eligible and ineligible lists)

c: Kentucky Infrastructure Authority
Jody Hunt, Summit Engineering
Cabinet for Economic Development
Construction DataFax Inc.



U.S. ARMY ENGINEER DISTRICT, LOUISVILLE
EASTERN KENTUCKY REGULATORY OFFICE
845 Sassafras Creek Road
Sassafras, Kentucky 41759-8806

June 20, 2008

Operations Division
Regulatory Branch (South)
ID No. LRL-2008-503-jlt

Mayor Toni Akers
P.O. Box 3157
Pikeville, KY 41501

Dear Mayor Akers:

This is in regard to the comment request you sent in a letter dated April 2, 2008, concerning a proposal to bore four pipelines under four streams for the purpose of providing municipal sewer service to the residences and businesses of the Lower Shelby Valley areas in Pike County, Kentucky.

It does not appear that a Department of the Army permit will be needed since the project as proposed referenced above does not impact any "waters of the United States (U.S.)". "Waters of the U.S." include all waters which are currently used, were used in the past, or may be susceptible to use in interstate or foreign commerce and their tributaries.

If the project would necessitate the discharge of dredged or fill material into "waters of the U.S.," including wetlands, plans should be submitted for our review and approval prior to the discharge.

Our comments on this project are limited to only those effects which may fall within our area of jurisdiction and thus does not obviate the need to obtain other permits from state or local agencies. Lack of comments on other environmental aspects should not be construed as either concurrence or nonconcurrence with stated environmental effects.

If we can be of any further assistance, please contact us by writing to the above address or call Mr. Jim Thomas at (606) 642-3053. Any correspondence on this matter should refer to our ID Number LRL-2008-503-jlt.

Sincerely,



Jim Thomas
Project Manager
Eastern Kentucky Regulatory Office

Copy furnished:

Mr. Jody Hunt
131 Summit Drive, Suite 201
Pikeville, KY 41501



Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY

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

John E. Covington III
Executive Director

December 7, 2009

Ms. Rhonda James, Chair
Mountain Water District
830 Zebulon Highway, Route 119, PO Box 3157
Pikeville, KY 41502

**KENTUCKY INFRASTRUCTURE AUTHORITY
AMERICAN RECOVERY AND REINVESTMENT ACT
FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (A2 09-32)**

Dear Ms. James:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On December 7, 2009, the Authority approved your American Recovery and Reinvestment Act ("ARRA") loan for the Shelby Sanitary Sewer Phase III Collins - Section 2 Project subject to the conditions stated below. The total cost of the project shall not exceed \$750,000 of which the Authority loan shall provide \$750,000 of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Mountain Water District upon satisfactory performance of the conditions set forth in this letter. You will have until January 29, 2010, to meet the conditions set forth in this letter and enter into an Assistance Agreement. No extensions shall be granted. Funds will be available for disbursement only after execution of the Assistance Agreement.

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

1. The Authority project loan shall not exceed \$750,000.
2. The loan shall contain principal forgiveness in the amount of 52.1%.

Ms. James
December 7, 2009
Page 2

3. The loan shall bear interest at the rate of 1.0% per annum commencing with the first draw of funds.
4. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
5. Interest shall be payable on the unforgiven amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
6. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
7. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "A" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be performed for the life of the loan.

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

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed by January 29, 2010.
3. The Borrower must agree to expend all Authority loan funds within six months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee typically meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.
8. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
9. The Authority to Award Package documentation shall be submitted to and approved by DOW.
10. An environmental review, shall be conducted by the Division of Water for all construction projects receiving CWSRF funds, within the term of this binding commitment and prior to project bid.
11. Technical plans and specifications and a complete CWSRF specifications

checklist shall be approved by the Division of Water prior to project bid.

12. A clear site certificate shall be obtained and DOW representatives shall be notified for attendance of the pre-construction conference.
13. Project changes or additions shall require a complete environmental and change order review before they can be included in the CWSRF loan project.

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

1. A sign shall be erected at the construction site in a form as prescribed by the Authority. The sign shall indicate that project funding has been provided in whole or in part by ARRA.
2. The project specifications must include the ARRA supplemental general conditions.
3. The project shall comply with the Buy American requirements of ARRA.
4. The project shall use federal wage rates as described in the Davis/Bacon Act.
5. The project shall comply with the reporting requirements of ARRA.
6. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.
7. The project shall be under construction contract by February 10, 2010. If this deadline is not met, the funding commitment will be rescinded.

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

1. The Repair and Maintenance Fund required by Kentucky Infrastructure Authority loan agreements with the Mountain Water District is underfunded by \$560,948 as of December 31, 2008. This deficiency is the result of not making scheduled deposits to the reserve and transferring reserve funds to the operating account to make loan payments. The Mountain Water District will negotiate with the KIA Executive Director for an equitable agreement to replenish the deficient reserve balances.
2. The Mountain Water District shall correct the reserve deficiency of \$560,948 by December 31, 2010.

Ms. James
December 7, 2009
Page 5

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

Sincerely,



Sandy Williams
Financial Analyst

Attachments

cc: Michael R. Spears, Michael R. Spears, CPA
Jody G. Hunt, Summit Engineering, Inc.
Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State and Local Debt Office, DLG
Borrower File - Mountain Water District - A2 09-32

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

Accepted

Date

AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND A2 09-32)

Borrower Information:

Name: _____

Address: _____

City: _____ State: KY Zip: _____

Telephone: _____ Contact: _____

Federal I.D. # _____

Financial Institution Information:

Bank Name: _____

Branch: _____ Phone No: _____

City: _____ State: _____ Zip: _____

Transit / ABA No.: _____

Account Name: _____

Account Number: _____

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

Signature: _____ Date: _____

Name Printed: _____ Job Title: _____

Please return completed form to:

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

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) REPORTING INFORMATION FOR RECIPIENT

This form is required for projects funded in whole or in part from the American Recovery and Reinvestment Act of 2009. This form is to be completed and returned with the signed Conditional Commitment Letter from the Kentucky Infrastructure Authority.

Recipient Information:

Name:	Mountain Water District
Data Universal Numbering system (DUNS) No.*:	
Central Contractor Registration (CCR) No.*:	
KIA Loan Number:	A2 09-32
Federal Congressional District(s) of Utility Service Area:	

*If the DUNS No. or CCR No. provided above is registered under a different name than the recipient of ARRA funding, please provide the registration name below:

DUNS Name	
CCR Name	

*If the recipient has not yet obtained a CCR or DUNS Number, please do so no later than September 30th and provide notification to KIA of the numbers once issued. For instructions on CCR or DUNS registration, please see the information at the bottom of the next page.

Physical Location of Project (Primary Place of Performance) for ARRA funded activity...

Street Address	
City, State and Zip (Zip must include 4 digit extension)	
Federal Congressional District(s) of Project Location	

Davis Bacon Administrator Information:

Name	
Firm/Agency/Municipality Name	
Phone	
Email	

Reliance upon Federal Assistance (please answer the below questions Yes or No):

Did recipient receive 80% or more of its annual gross revenues in federal awards during the last fiscal year?	
Did recipient receive \$25 million or more in annual gross revenues from federal awards during the last fiscal year?	
Does the public have access to compensation of senior executives of the recipient through periodic reports filed under Section 13A or 15D of the Securities Exchange Act of 1934 or Section 6104 of the Internal Revenue Code of 1986?	

DUNS and CCR Registration Information:

DUNS <http://fedgov.dnb.com/webform>
1-866-705-5711
Registration can be completed over the phone or via the web. Phone registration requests take approximately 10 minutes and are free. Internet requests are fulfilled within 24 hours.

CCR <http://www.ccr.gov>
Registration can be completed online. The User Guide and handbook can provide information on what information needs to be gathered for the registration process. Links are below:
User Guide www.ccr.gov/doc/CCRUsersGuide
Handbook www.ccr.gov/Handbook.aspx
Once registration information has been submitted, it will usually take a minimum of 48 hours to complete.

ATTACHMENT A

**Mountain Water District
A2 09-32**

EXECUTIVE SUMMARY		Reviewer:	Sandy Williams
KENTUCKY INFRASTRUCTURE AUTHORITY		Date:	December 3, 2009
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number:	A2 09-32
REVOLVING LOAN FUND		WRIS Number:	SX21195697
		HUC Code:	05070203010
BORROWER	Mountain Water District Pike County		
BRIEF DESCRIPTION:	The Mountain Water District is requesting a Fund A loan in the amount of \$750,000 from the American Recovery and Reinvestment Act of 2009 for the Shelby Sanitary Sewer Project - Phase III. This project includes the installation of 2" to 6" collector sewer lines. The project will serve approximately 50 new customers and will provide sanitary sewer service to an area of the county with a high number of straight pipes and / or falling septic systems.		
PROJECT FINANCING:	PROJECT BUDGET		
Fund A Loan	\$ 750,000	Administrative Expenses	\$ 7,500
		Legal Expenses	6,840
		Engineering Fees	55,910
		Construction	550,000
		Equipment	60,000
		Contingency	55,000
		Other	8,750
TOTAL	\$ 750,000	TOTAL	\$ 750,000
REPAYMENT		Rate	1.00%
		Term	20 years
		Est. Annual Payment	\$20,582
		1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Summit Engineering, Inc.	
	Bond Counsel	Peck, Shaffer, & Williams	
PROJECT SCHEDULE	Bid Opening:	December 2, 2009	
	Construction Start:	January 25, 2010	
	Construction Stop:	May 15, 2010	
DEBT PER CUSTOMER	Existing:	\$ 1,058	
	Proposed:	\$ 1,011	
OTHER DEBT	See Attached		
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached		
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>
	Current	2,290	\$ 26.00 (for 4,000 gallons)
	Additional	50	\$ 26.00 (for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.		
CASHFLOW	Cash Available for	Income after Debt	
	Debt Service	Debt Service	Service Coverage Ratio
Audited 2006	1,248,483	2,696,541	(1,448,058) 0.46
Audited 2007	1,250,900	1,283,352	(32,452) 0.97
Audited 2008	1,220,034	1,674,689	(454,655) 0.73
Projected 2009	2,761,779	1,222,804	1,528,975 2.25
Projected 2010	2,564,277	1,408,263	1,176,014 1.84
Projected 2011	2,402,485	1,593,345	809,140 1.51
Projected 2012	2,203,695	1,225,453	978,242 1.80
Projected 2013	1,990,780	1,129,133	861,647 1.76
Projected 2014	1,760,942	1,119,679	641,263 1.57

Reviewer: Sandy Williams
 Date: December 3, 2009
 Loan Number: A2 09-32

**KENTUCKY INFRASTRUCTURE AUTHORITY
 WASTEWATER REVOLVING LOAN FUND (FUND "A")
 MOUNTAIN WATER DISTRICT, PIKE COUNTY
 PROJECT REVIEW
 SX21195697**

I. PROJECT DESCRIPTION

The Mountain Water District is requesting a Fund A loan in the amount of \$750,000 from the American Recovery and Reinvestment Act of 2009 for the Shelby Sanitary Sewer Project - Phase III. This project includes the installation of 2" to 6" collector sewer lines. The project will serve approximately 50 new customers and will provide sanitary sewer service to an area of the county with a high number of straight pipes and failing septic systems.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 7,500
Legal Expenses	6,840
Engineering Fees	55,910
Construction	550,000
Equipment	66,000
Contingency	55,000
Other	8,750
TOTAL	\$750,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Funding Sources		
Fund A Loan	750,000	100%
Total	750,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 750,000
Less: Principal Forgiveness (52.1%)	\$ 390,750
Amortized Loan Amount	\$ 359,250
Interest Rate	1.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 19,863
Administrative Fee (0.20%)	719
Total Estimated Annual Debt Service	\$ 20,582

V. PROJECT SCHEDULE

Bid Opening: December 2, 2009
Construction Start: January 25, 2010
Construction Stop: May 15, 2010

VI. RATE STRUCTURE

Customers	Current	Proposed	Total
Residential Customers	2,102	50	2,152
Commercial Customers	188	0	188
Industrial Customers	0	0	0
Total	2,290	50	2,340

Rates

The monthly charge for wastewater utility service is:

Date of Last Rate Increase	11/1/2006
First 2,000 gallons (minimum)	\$14.00
Next 8,000 gallons	\$6.00
All over 10,000 gallons	\$6.00
Cost for 4,000 gallons	\$26.00
Affordability Index (Rate/MHI)	1.3%

VII. DEMOGRAPHICS

In 2000, the County's population was 68,736 with a Median Household Income (MHI) level of \$23,930, which is 71.1% of the MHI for the Commonwealth (\$33,672). Based on median household income the project will qualify for an interest rate of 1.00%.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

The Mountain Water District is a political subdivision of the Pike County Fiscal Court, organized under Charter 74 of the Kentucky Revised Statutes. It was formed from a merger of four existing water districts, Marrowbone Water District, Shelby Valley Water District, Pond Creek Water District, and John's Creek Water District, on June 30, 1986, and at that time assumed all assets and liabilities of the existing water districts. The territorial limits of Mountain Water District, set by the Pike County Judge/Executive on January 20, 1987, are all of Pike County except for the areas established for the Sandy Valley Water District and the City of Pikeville and any special financing relationships.

Financial information for the project was obtained from audited financial statements of the Mountain Water District for the years ended December 31, 2005 through 2008. Year to date numbers were provided through July 31, 2009 which were used to create the projected numbers for 2009.

HISTORICAL

Over the past four years, Mountain Water District has struggled as it has grown. The expanding district has received over \$11.2 million in line item grant funds over the past 5 years for water and sewer construction projects. However, the District also has a large amount of debt. As of December 31, 2008, the district had total outstanding bonds, notes and leases of \$16,453,979 with interest rates ranging from 1% to 8.5%. The majority of the indebtedness is financed through Rural Development (\$10,534,476) and KIA (\$4,488,526) with interest rates ranging from 1% to 4.5%. The increases expenses and debt service have outpaced revenues each year. However, with the completion of a majority of projects the district is experiencing additional revenue from the new customers. Operating revenue increased 8% in 2008 or \$682,555 and since the District completed a significant amount of construction projects increased revenue will be seen in future years. Revenue is projected to increase an additional 14% in 2009 or \$1.2 million based on actual revenue numbers through July 2009. Furthering the districts positive financial trend, in April 2009, the District renegotiated its management service contract, saving the district \$46,000 monthly or \$552,000 annually.

Overall, the utility's, the Balance Sheet shows reasonable debt management with an average debt to equity of less than 1.0 for all years.

PROFORMA

The proforma is based on the following assumptions:

- Revenues for 2009 are based on actual revenues through July 2009.
- Revenues after 2009 are projected to increase by 2% annually.
- Operating expenses for 2009 are based on actual expenses through July 2009.
- Operating expenses after 2009 are projected to increase by 5% annually.
- Payment of principal, interest and administrative fees begins in December 2012.
- A replace reserve account will be funded annually in the amount of \$1,875 per year for 10 years and must remain for the life of the loan.

Based on the aforementioned assumptions, the utility shows adequate cashflow to repay the KIA Fund A loan and is projected to have a 1.80 coverage ratio in 2012 when repayment begins.

REPLACEMENT RESERVE

The annual replacement cost is \$1,875. This amount should be added to the replacement account each December 1 until the balance reaches \$18,750 and maintained for the life of the loan.

Based on the proforma assumptions, the utility shows adequate cashflow to repay the KIA Fund A loan.

IX. DEBT OBLIGATIONS

Debt Issue	Outstanding	Maturity
Bonds Payable		
Shelby Wastewater Project Bond 4.125% 2005	\$716,000	2045
USDA Rural Development 4.5% 1999	\$2,248,000	2039
USDA Rural Development 4.5% 1995	\$1,120,000	2035
USDA Rural Development 4.5% 1994	\$527,000	2032
USDA Rural Development 4.5% 1990	\$282,000	2021
USDA Rural Development 4.5% 2003	\$407,000	2043
USDA Rural Development 5.0% 1998	\$345,000	2027
USDA Rural Development 4.5% 2004	\$1,398,000	2020
USDA Rural Development 5.0% 1992	\$1,134,000	2030
USDA Rural Development 3.5% 2002	\$742,000	2035
USDA Rural Development 4.125% 2005	\$1,615,476	2027
Notes Payable (capital leases in total)		
KIA 3.3% 1992	\$36,353	2023
KIA 2.9% 1994	\$3,131,708	2023
KIA 3.0% 1994	\$205,981	2023
KIA 1.8% 2002 F01-07	\$963,841	2024
KIA 1.0% 2004 A03-06	\$150,643	2023
Various Capital Leases (22 leases)	\$210,293	various
Community Trust Bank Note 8.25%	\$376,525	Jan 2013
Community Trust Bank Note 3.25%	\$505,120	Dec 2010
Community Trust Bank Note 5.00%	\$49,212	July 2011
Community Trust Bank Line of Credit 5.25%	\$107,375	
Total	\$16,271,527	

X. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

Project Title	Funding		Type
	Source	Amount	
Forest Hills Sewer Projects	HB267	\$658,000	Grant
Phelps Phase II Sewer	HB267	658,000	Grant
Long Fork Rd-Virgie-Indian Creek Area - Sewer	HB608	1,400,000	Grant
Smith Fork Sewer Phase II	HB410	800,000	Grant
Belfry - Pond Area Sewer	HB410	2,000,000	Grant
LMI Service Connections	HB410	194,600	Grant
LMI Service Connections	HB410	205,400	Grant
Various Water and Sewer Projects	HB267	572,888	Grant
Various Water & Sewer Extensions & Upgrades	HB380	238,000	Grant
Various Water & Sewer Extensions & Upgrades	HB380	117,000	Grant

Project Title	Funding Source	Amount	Type
Various Water & Sewer Extensions & Upgrades	HB380	106,000	Grant
Various Water & Sewer Extensions & Upgrades	HB380	136,000	Grant
Various Water & Sewer Extensions & Upgrades	HB380	151,000	Grant
Various Water & Sewer Extensions & Upgrades	HB380	83,000	Grant
Various Water & Sewer Extensions & Upgrades	HB380	36,000	Grant
Various Water & Sewer Extensions & Upgrades	HB380	119,000	Grant
Various Water & Sewer Extensions & Upgrades	HB380	90,500	Grant
Various Water & Sewer Extensions & Upgrades	HB380	48,500	Grant
Various Water & Sewer Extensions & Upgrades	HB380	157,000	Grant
Waterline Extensions	HB608	150,000	Grant
Water Treatment Plant - Upgrades	HB410	400,000	Grant
Telemetry Equipment	HB608	200,000	Grant
Short Line Water Extensions	HB608	1,300,000	Grant
Various Short Line Extensions	HB410	100,000	Grant
Belfry - Pond Area Sewer	HB410	850,000	Grant
Sycamore/Lower John's Creek Water Project	HB410	400,000	Grant
Various Short Line Extensions	HB410	100,000	Grant
Total		\$11,270,888	

XI. CONTACTS

Applicant

Name Mountain Water District
Address 830 Zebulon Highway, Route 119, PO Box 3157
Pikeville, KY 41502
County Pike
Contact Rhonda James
Phone 606-631-9162

Engineer

Name Jody G. Hunt
Firm Summit Engineering, Inc.
Address 131 Summit Drive
Pikeville, KY 41501
Phone (606) 432-1447
Email jhunt@summit-engr.com

Applicant Contact

Name CPA, Michael R. Spears, CPA
Address P.O. Box 1270
Prestonsburg, KY 41653
Contact Michael R. Spears
Phone (606) 886-8040
Email mikespears@setel.com

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions, the additional ARRA conditions and the following special condition.

1. The Repair and Maintenance Fund required by Kentucky Infrastructure Authority loan agreements with the Mountain Water District is underfunded by \$560,948 as of December 31, 2008. This deficiency is the result of not making scheduled deposits to the reserve and transferring reserve funds to the operating account to make loan payments. The Mountain Water District will negotiate with the KIA Executive Director for an equitable agreement to replenish the deficient reserve balances.
2. The Mountain Water District shall correct the reserve deficiency of \$560,948 by December 31, 2010.

EXHIBIT 1
 Mountain Water District
 CASH FLOW ANALYSIS

	Audited Dec-31 2005	% Change	Audited Dec-31 2006	% Change	Audited Dec-31 2007	% Change	Audited Dec-31 2008	% Change	1,237,425 Projected Dec-31 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014
Operating Revenues														
Water Revenues	6,933,344	-2%	6,793,167	-4%	7,079,593	12%	7,896,436	14%	9,019,123	9,199,306	9,383,495	9,571,166	9,762,599	9,957,840
Sewer Revenues	647,607	23%	656,990	2%	839,581	15%	798,051	-19%	839,501	866,373	873,500	899,970	909,789	926,995
Other	169,878	-5%	162,013	-7%	209,349	27%	196,972	-1%	191,091	187,093	181,881	181,061	181,391	181,391
Total Revenues	7,750,829	1%	7,612,170	-4%	8,118,523	5%	8,891,459	14%	10,039,714	10,230,968	10,436,866	10,643,226	10,852,489	11,065,935
Operating Expenses														
Operating Expenses	5,944,363	13%	6,605,698	5%	6,911,000	10%	7,696,997	11%	7,293,516	7,666,791	8,041,101	8,443,166	8,865,313	9,308,579
Depreciation	2,342,964	4%	2,342,537	5%	2,465,454	17%	2,856,036	11%	2,580,411	2,580,411	2,580,411	2,580,411	2,580,411	2,580,411
Replacement Reserve												1,875	1,875	1,875
Total Expenses	8,387,347	11%	8,948,235	5%	9,376,454	12%	10,452,933	6%	9,873,927	10,230,992	10,621,512	11,023,442	11,447,603	11,890,855
Net Operating Income	(339,518)	236%	(1,341,069)	10%	(1,256,724)	34%	(1,560,563)	-110%	165,668	(1,636)	(183,426)	(382,216)	(586,131)	(824,959)
Non-Operating Income and Expenses														
Interest on Investments	25,967	82%	46,975	-10%	42,179	-8%	14,562	-67%	5,499	5,499	5,499	5,499	5,499	5,499
Total Non-Operating Income & Expenses	25,967	82%	46,975	-10%	42,179	-8%	14,562	-67%	5,499	5,499	5,499	5,499	5,499	5,499
Add Non-Cash Expenses														
Depreciation	2,242,964	4%	2,342,537	5%	2,465,454	17%	2,856,036	11%	2,580,411	2,580,411	2,580,411	2,580,411	2,580,411	2,580,411
Cash Available for Debt Service	1,929,333	-35%	1,248,483	8%	1,259,993	-2%	1,220,834	126%	4,751,779	4,584,377	4,402,485	4,203,695	4,000,740	3,760,942
Debt Service														
Existing Principal	1,396,658		2,059,372		749,477		1,119,467		526,027	806,235	1,036,698	695,522	602,917	691,963
Existing Interest	879,795		667,169		633,975		655,232		626,777	603,028	557,747	529,645	566,634	437,133
Proposed RIA Loan												19,291	20,592	20,562
Total Debt Service	2,076,453		2,990,541		1,283,352		1,674,699		1,222,804	1,409,363	1,594,345	1,225,453	1,130,133	1,119,678
Income After Debt Service	(147,120)		(1,448,058)		(2,452)		(454,665)		1,528,975	1,176,014	208,140	978,242	261,647	241,263
Debt Coverage Ratio	0.93		0.46		0.97		0.73		2.26	1.94	1.51	1.60	1.76	1.57

Mountain Water District
BALANCE SHEETS (JUNE 30 YEAR END)

ASSETS	2005	2006	2007	2008	Upon Project Completion
Current Assets					
Cash	114,801	10,982	95,065	278,420	278,420
Accounts Receivable	914,280	797,000	771,806	723,635	801,809
Inventory	131,190	0	0	0	0
Prepaid Expenses	19,290	284,500	304,722	0	0
Other Current Assets	0	0	199,866	0	13,937
Total Current Assets	1,179,580	1,092,462	1,371,559	1,002,055	1,084,266
Restricted Assets					
Investments	1,591,810	1,527,422	1,053,432	1,014,537	940,539
Total Restricted Assets	1,591,810	1,527,422	1,053,432	1,014,537	940,539
Utility Plant					
Land, System, Building and Equipment (Net)	81,836,238	86,627,542	90,111,370	112,493,454	113,347,753
Construction in Progress	17,970,306	21,000,478	24,412,440	9,423,832	11,931,984
Total	99,806,544	107,628,020	114,523,810	121,917,286	125,279,737
Less Accumulated Depreciation ()	(21,391,828)	(23,405,257)	(25,087,516)	(27,650,249)	(29,205,119)
Net Fixed Assets	78,414,716	84,222,763	89,436,300	94,073,037	96,074,618
Other Assets					
Other	625	625	625	625	0
Total Other Assets	625	625	625	625	0
Total Assets	81,185,730	86,843,272	91,861,918	96,090,244	98,109,423
LIABILITIES					
Current Liabilities					
Accounts Payable	122,762	175,292	193,679	446,430	154,817
Other	8,127	17,117	16,764	29,287	18,070
Total Current Liabilities	130,889	192,409	210,443	475,717	172,887
Liabilities Payable - Restricted Assets					
Notes and Capital Leases Payable	2,511,060	2,533,035	958,263	597,460	280,817
Customer Deposits	297,139	329,831	310,854	293,969	291,612
Accrued Interest Payable	234,904	230,821	282,956	9,755	5,057
Current Portion of Long Term Debt	215,400	232,500	259,000	0	310,500
Total Liabilities Payable - Restricted Assets	3,358,503	3,126,157	1,809,073	840,393	888,066
Long Term Liabilities					
Bonds Payable	9,801,800	9,569,300	10,802,500	10,534,476	9,646,876
Notes and Capital Leases Payable	6,282,583	6,090,110	4,708,921	5,038,965	3,539,443
Advances for Construction	13,426,350	18,692,212	23,384,055	10,083,450	10,083,450
Total Long Term Liabilities	29,509,733	34,351,622	38,895,476	25,708,591	23,269,769
Total Liabilities	33,090,125	37,636,197	40,810,992	37,022,860	24,310,342
Retained Earnings:					
Invested in Capital Assets Not of Related Debt	45,997,522	47,339,624	49,328,861	67,628,382	72,520,752
Restricted	1,220,105	1,104,820	797,540	716,892	940,539
Unrestricted	898,976	762,631	824,823	828,290	828,290
Total Retained Earnings	48,116,603	49,207,075	50,951,224	69,163,564	73,789,581
Total Liabilities and Equities	81,185,730	86,843,272	91,861,918	96,090,244	98,109,423
Balance Sheet Analysis					
Current Ratio	9.01	5.68	6.55	2.11	6.33
Debt to Equity	0.69	0.76	0.80	0.39	0.33
Working Capital	1,048,691	900,059	1,162,116	526,359	821,379
Percent of Total Assets in Working Capital	1.29%	1.04%	1.27%	0.55%	0.84%
Percent of Operating Revenue in Receivables	1.68%	0.00%	0.00%	0.00%	0.00%

MOUNTAIN WATER DISTRICT

ANALYSIS OF OPERATIONAL EXPENSES / SEWER CUSTOMERS

BASED ON CURRENT CUSTOMER BASE PLUS ADDITIONAL CUSTOMERS FOR SHELBY VALLEY EXTENSION

	Actual Expenses for 11 Months			Projected Actual for 12 Months	Additional Costs (47 New Cust)	Total Cost w/Additional Customers
	Wastewater Plant	Collection Systems	Total Sewer			
PERSONNEL	171,485	49,145	220,630	240,687	4,918	245,606
VEHICLE EXPENSE		12,244	12,244	13,357	273	13,630
INSURANCE	4,980	1,423	6,403	6,985	0	6,985
CHEMICALS	35,582	2,581	38,163	41,632	851	42,483
LAB & SAFETY	38,988		38,988	42,532	869	43,402
ELECTRIC	60,334		60,334	65,819	1,345	67,164
REPAIR & MAINTENANCE	191,728	127	191,855	209,296	4,277	213,573
ADMINISTRATIVE	2,365	12,500	14,865	16,216	0	16,216
OTHER DIRECT	1,026		1,026	1,119	0	1,119
TOTAL	506,488	78,020	584,508	637,645	12,533	650,178
SEWAGE FEES		157,315	157,315	171,616	0	171,616
TOTAL OPERATIONS COSTS		235,335	741,823	809,261	12,533	821,795
# Customers (Existing)	2,300	2,300	2,300	2,300		2,300
# New Customers					47	47
Total Customers						2,347
Cost/Customer/Year			\$322.53	\$351.85	\$266.66	\$350.15
Cost/Customer/Month			\$26.88	\$29.32	\$22.22	\$29.18

**MOUNTAIN WATER DISTRICT
INCOME STATEMENT**
Combined Operating Statement for the Period Ended December 31, 2008

	<u>Current</u>	<u>Year-to-Date</u>
Revenue		
Operating Revenue	\$ 688,698	\$ 8,742,835
Total Revenue	<u>688,698</u>	<u>8,742,835</u>
Operating Expenses		
Transmission & Distribution Expense	0	25
General & Administrative	779,579	7,535,644
Total Operating Expenses	779,579	7,535,669
Depreciation Expense	628,460	2,880,320
General Tax Expense	1,695	1,695
(Gains) Losses on Dispositions	<u>(940)</u>	<u>(29,364)</u>
Utility Operating Expense	1,408,794	10,394,319
Utility Operating Income (Loss)	(720,096)	(1,651,484)
Other Income & Deductions:		
Interest Income	564	14,652
Interest Expense	<u>210,061</u>	<u>(555,232)</u>
Total Other Income & Deductions	<u>210,625</u>	<u>(540,580)</u>
Net Income (Loss) for Period	<u>\$ (509,471)</u>	<u>\$ (2,192,064)</u>

**MOUNTAIN WATER DISTRICT
INCOME STATEMENT
Actual vs. Budget**

	1 Month Ended December 31, 2008 Actual	1 Month Ended December 31, 2008 Budget	Over / (Under) Budget	12 Months December 31, Actual	12 Months Ended December 31, 2008 Budget	Over / (Under) Budget
Sales						
METERED SALES - RESIDENTIAL	\$ 628,341.66	\$ 0.00	\$ 628,341.66	\$ 6,355,544.62	\$ 0.00	\$ 6,355,544.62
METERED SALES - COMMERCIAL	68,485.88	0.00	68,485.88	776,464.95	0.00	776,464.95
METERED SALES - INDUSTRIAL	4,066.43	0.00	4,066.43	52,051.25	0.00	52,051.25
METERED SALES - PUBLIC AUTH.	24,036.25	0.00	24,036.25	280,329.72	0.00	280,329.72
METERED SALES - MULTI FAMILY	21,325.08	0.00	21,325.08	268,360.82	0.00	268,360.82
METERED SALES - ELKHORN CITY	(3,201.00)	0.00	(3,201.00)	(43,615.50)	0.00	(43,615.50)
FIRE PROTECTION REVENUE	100.00	0.00	100.00	1,150.00	0.00	1,150.00
CUSTOMER LATE PAYMENT CHARG	18,189.61	0.00	18,189.61	198,822.18	0.00	198,822.18
OTHER WATER SERVICE REVENUE	(67,747.66)	0.00	(67,747.66)	81,303.80	0.00	81,303.80
SERVICE CONNECTION FEES	4,578.31	0.00	4,578.31	64,372.35	0.00	64,372.35
SEWER REVENUE -RESIDENTIAL	(22,019.15)	0.00	(22,019.15)	513,511.41	0.00	513,511.41
SEWER REVENUE - COMMERCIAL	16,562.34	0.00	16,562.34	194,539.64	0.00	194,539.64
Less Returns & Allowances	0.00	0.00	0.00	0.00	0.00	0.00
Total Sales	<u>688,697.75</u>	<u>0.00</u>	<u>688,697.75</u>	<u>8,742,835.24</u>	<u>0.00</u>	<u>8,742,835.24</u>
Gross Profit	<u>688,697.75</u>	<u>0.00</u>	<u>688,697.75</u>	<u>8,742,835.24</u>	<u>0.00</u>	<u>8,742,835.24</u>
Operating Expenses						
DEFRECIATION EXPENSE	373,088.89	0.00	373,088.89	2,403,308.89	0.00	2,403,308.89
DEFRECIATION EXPENSE - SEWER	255,371.31	0.00	255,371.31	483,011.31	0.00	483,011.31
PAYROLL TAXES - FICA & U.C.	1,694.63	0.00	1,694.63	1,694.63	0.00	1,694.63
COMP COMMISSIONERS - AUTO DIS	(2,562.84)	0.00	(2,562.84)	28,924.43	0.00	28,924.43
MATERIALS AND SUPPLIES USED	773.46	0.00	773.46	5,520.17	0.00	5,520.17
CONTRACT SERVICE - ACCOUNTIN	8,605.00	0.00	8,605.00	69,188.79	0.00	69,188.79
CONTRACT SERVICE - LEGAL	9,564.80	0.00	9,564.80	44,708.81	0.00	44,708.81
CONTRACT SERVICE - MANAGEME	939,222.45	0.00	939,222.45	7,876,459.92	0.00	7,876,459.92
CONTRACT MGMNT EXP ASSUMED	(187,823.65)	0.00	(187,823.65)	(509,756.70)	0.00	(509,756.70)
RENTAL OF BLDG - REAL PROPERT	0.00	0.00	0.00	25.00	0.00	25.00
AUTO & TRANSPCRTATION EXPEN	3,540.55	0.00	3,540.55	0.00	0.00	0.00

**MOUNTAIN WATER DISTRICT
BALANCE SHEET
As of December 31, 2008 and 2007**

ASSETS

	<u>Year-to-Date as of December 31, 2008</u>	<u>Comparative as of December 31, 2007</u>
Current Assets		
CASH IN BANK	\$ 610,282	\$ 186,991
CASH IN BANK - RESTRICTED	682,674	961,507
ACCOUNTS RECEIVABLE	723,636	971,772
PREPAID EXPENSES	0	304,722
OTHER CURRENT ASSETS	<u>625</u>	<u>625</u>
Total Current Assets	<u>2,017,217</u>	<u>2,425,616</u>
Other Assets		
PLANT IN SERVICE	112,493,454	90,111,370
CONSTRUCTION IN PROGRESS	<u>9,429,822</u>	<u>24,412,446</u>
TOTAL PLANT IN SERVICE	121,923,276	114,523,816
LESS:		
ACCUMULATED DEPRECIATION	<u>(27,850,534)</u>	<u>(25,087,516)</u>
Total Other Assets	94,072,742	89,436,300
Total Assets	<u>\$ 96,089,959</u>	<u>\$ 91,861,917</u>

**MOUNTAIN WATER DISTRICT
BALANCE SHEET
As of December 31, 2008 and 2007**

LIABILITIES & EQUITY

	<u>Year-to-Date as of December 31, 2008</u>	<u>Comparative as of December 31, 2007</u>
Current Liabilities:		
ACCOUNTS PAYABLE	446,439	192,679
CURRENT PORTION DUE - NOTES PAYABLE	521,549	2,299,343
CUSTOMER DEPOSITS	293,069	310,854
ACCRUED PAYROLL & RELATED EXPENSES	511	32
ACCRUED INTEREST - LONG TERM DEBT	9,755	282,956
OTHER CURRENT LIABILITIES	28,746	16,734
Total Current Liabilities	<u>1,300,068</u>	<u>3,102,598</u>
Long-Term Liabilities:		
NOTES PAYABLE	1,137,908	803,958
NOTES PAYABLE - KENTUCKY INFRASTRUCTURE AUTHORITY	4,488,526	4,859,226
BONDS PAYABLE - RURAL DEVELOPMENT	10,534,476	11,060,500
LESS: CURRENT PORTION DUE	(521,549)	(2,299,343)
Total Long-Term Liabilities	<u>15,630,361</u>	<u>14,424,341</u>
Equity & Contributions in Aid of Construction:		
RETAINED EARNINGS (DEFICIT)	(18,527,106)	(16,890,444)
CURRENT YEAR NET INCOME (LOSS)	(2,192,064)	(1,636,662)
ADVANCES FOR CONSTRUCTION	10,083,450	23,384,055
CONTRIBUTIONS IN AID OF CONSTRUCTION	84,619,766	64,492,825
TAP-ON-FEES	5,166,483	4,985,204
Total Equity & Contributions	<u>79,150,529</u>	<u>74,334,978</u>
Total Equity & Liabilities	<u>\$ 96,089,959</u>	<u>\$ 91,861,917</u>

MOUNTAIN WATER DISTRICT
Supporting Balance Sheet Schedule
As of December 31, 2008 and 2007

ASSETS:

	Year-to-Date as of <u>December 31, 2008</u>	Comparative as of <u>December 31, 2007</u>
Cash Reserves - Restricted:		
BB & T - DEPRECIATION RESERVE	\$ 1,794	\$ 7,984
CTB - SHELBY COAL DEVELOPMENT	34,491	21,475
BB & T - Sinking Fund	796	796
CTB - JOHNS CREEK WATER PROJ.	3,224	8,693
BB&T - Special Projects	3,916	(2,173)
CTB - CUSTOMER DEPOSIT ESCROW	358,987	371,558
CTB - FEMA Receivables	36,535	115,519
CTB - O & M RESERVES	187	204
Community Trust Bank - Misc Line Extension	71,421	276,218
CTB - PHELPS SEWER PROJECT	41,056	41,056
CTB - MALL CHARGE ESCROW	54,332	44,768
CTB - R & M RESERVE	0	17
CTB - Shelby Sewer Project	73,969	73,425
CTB - Phelps Water Line Extension	(30)	(30)
CTB - Cowpen Sewer Project	1,860	1,860
Phelps Sewer Tap Fees	0	20
CTD - PHCLPS GOLD GRANT	129	129
CTB - Phelps/Buskirk WW RD	9	9
	<hr/>	<hr/>
Total Cash Reserves - Restricted	\$ 682,676	\$ 961,308
Operating Cash:		
CTB - DIST. WIDE TAP FEES	43,663	85,187
Petty Cash	320	320
CTB - Operating Account	261,893	86,234
US BANK - PAYROLL ACCOUNT	16,207	8,511
CTB - Dist Wide WW Tap Fees	10,340	6,740
BIG CREEK SEWER-COAL SETTLEMENT	232,991	0
Penny Rd Water and Sewer	44,868	0
	<hr/>	<hr/>
Total Operating Cash	\$ 610,282	\$ 186,992
Accounts Receivable:		
RECEIVABLE - WATER SALES	704,187	694,553
RECEIVABLE - RETURNED CHECKS	1,904	2,108
RECEIVABLE - OTHER FEES, ETC..	5,079	44,023
A/R - CIP - SEWER	0	119,617
A/R - US RENTALS	0	80,248
RECEIVABLE - SEWER REVENUE	72,465	83,223
PROVISION FOR UNCOLLECTIBLES	(60,000)	(52,000)
	<hr/>	<hr/>
Total Accounts Receivable	\$ 723,635	\$ 971,772

Clearing Accounts:

MOUNTAIN WATER DISTRICT
Supporting Balance Sheet Schedule
As of December 31, 2008 and 2007.

Prepaid Expenses:			
PREPAID MGT. FEES	<u>0</u>		<u>304,722</u>
Total Prepaid Expenses	\$ 0	\$	304,722
Other Current Assets:			
OTHER DEFERRED DEBTS	<u>625</u>		<u>625</u>
Total Other Current Assets	\$ 625	\$	625

MOUNTAIN WATER DISTRICT
Supporting Balance Sheet Schedule
As of December 31, 2008 and 2007

LIABILITIES:

	Year-to-Date as of <u>December 31, 2008</u>	Comparative as of <u>December 31, 2007</u>
Bonds Payable:		
RD Bond 91-33	\$ 1,615,476	\$ 1,650,000
RD Bond - Shelby Sewer Project	716,000	732,500
RD BOND 91-23 RACCOON/PC	2,248,000	2,317,000
RD BOND 91-16 ELKHORN CREEK	1,120,000	1,164,000
RD BOND 91-14 INDIAN CREEK	527,000	551,000
RD BOND 91-12 SHELBY WATER	282,000	315,000
RD Bond - 91-01 Phelps Sewer	407,000	417,000
RD BOND 91-01 GRAPEVINE	345,000	368,000
RD BOND 91-32 AMR PROJECT	1,398,000	1,587,000
RD BOND 91-06 DORTON	1,134,000	1,193,000
RD BOND 91-24 RUSSELL FK WTP	742,000	766,000
	<hr/>	<hr/>
Total Bonds Payable	\$ 10,534,476	\$ 11,060,500
Long-Term Debt:		
KIA LOAN B90-11 MTN TOP BAKING	36,353	53,233
KIA LOAN B291-07 MULTI AREA	3,131,708	3,376,775
KIA LOAN B291-01 INDIAN CREEK	205,981	221,961
KIA LOAN F01-07 WATER PLANT	963,841	1,043,684
KIA LOAN A03-06 SO WMSN III	150,643	163,572
N/P CTB CONS (\$8393.78)	376,525	0
N/P CTB NEW (\$9,547.16)	505,120	0
COMM TRUST INST - VEH #96 60M	4,405	8,933
COMM TRUST INST - VEH #97 60M	4,653	8,715
CTB LOC - COAL SEV 2005	0	299,462
COMM TRUST 60100463101/3 #99	3,216	8,274
CTB-2006 F-250 V#101	16,072	22,565
CTB - 2006 FORD RANGER V#104	3,934	10,370
CTB - 2006 FORD RANGER V# 105	3,047	7,985
CTB - 2006 FORD RANGER V# 108	4,414	11,568
CTB - 2006 FORD F250 V# 106	18,650	24,638
CTB - 2006 FORD F250 V# 107	18,648	24,638
CTB - 2006 FORD F250 V# 111	21,421	28,302
2008 Colorado #112	6,956	11,028
Unit #113	6,957	11,028
2008 Nissan #116	19,204	23,698
set up new note 2007	15,737	19,090
2007 new note	49,900	62,718
CTB CONSOLIDATION LN 60 M 4.25%	0	22,540
GMAC 60M 0% VEH. 91	0	2,602
New Loan Citizten Bank V # 118,119 & 120	42,672	0
CTB-LN OF COMMITMENT - FEMA REC	0	39,502
COMM TRUST - 60M - VEH #92	588	4,476
COMM TRUST 60M - VEH #93	0	6,759
COMM TRUST LN - VEH #94	3,693	9,412
LEASE PAYABLE KOMATZU	0	2,127
CASE CREDIT 60M 5.5%/BH #11	7,760	17,279

MOUNTAIN WATER DISTRICT
Supporting Balance Sheet Schedule
As of December 31, 2008 and 2007

CTB LOC - FLOOD DAMAGE 2004	0	107,375
COMM TRUST INSTALLMENT - VEH. #95	<u>4,337</u>	<u>8,875</u>
Total Long-Term Debt	\$ 5,626,435	\$ 5,663,184
Employee Related Payables:		
FICA TAXES WITHHELD	511	0
KY INCOME TAX WITHHELD	<u>0</u>	<u>32</u>
Total Employee Related Payables	\$ 511	\$ 32
Other Current Liabilities:		
TAXES COLLECTED ON CUST. BILLS	<u>28,746</u>	<u>16,734</u>
Total Other Current Liabilities	\$ 28,746	\$ 16,734
Contributions In Aid of Construction:		
CONTRIBUTIONS - GOVT GRANTS	56,783,499	51,410,403
CONTRIBUTIONS IN AID - SEWER	18,771,664	4,573,141
CONTRIBUTIONS - OTHER AID	8,139,989	8,139,989
CONTRIBUTION IN AID - SEWER	<u>924,594</u>	<u>369,292</u>
Total Contributions in Aid of Construction	\$ 84,619,766	\$ 64,492,825