

Western Pulaski County Water District
1059 W. Hwy 80
Somerset, KY 42503
606-679-1569
Fax 606-677-9449

RECEIVED
APR 20 2017
PUBLIC SERVICE
COMMISSION

"This institution is an equal opportunity provider, and employer."

April 19, 2017

Ms. Talina R. Mathews
Executive Director
Public Service Commission
211 Sower Blvd
Frankfort, Kentucky 40601

Re: Western Pulaski County Water District
Alternative Rate Filing

Dear Ms. Mathews:

Please find enclosed the forms and supporting documentation of the Western Pulaski County Water District's ARF Application for an adjustment to its water rates. The ARF Application is being filed pursuant to 807 KAR 5:076.

The SRF Application uses calendar year 2015 as the Test Year with appropriate adjustments to normalize revenues and expenses.

A copy of the ARF Application has been mailed to the Office of Rate Intervention in the Attorney General's Office.

Thank you for your consideration in this matter. Please contact Deron S. Byrne with Monarch Engineering, Inc at (502) 839-1310, or by email at dbyrne@monarchengineering.net, if any further information is needed.

Sincerely,



Don Calder
Chairman
Western Pulaski County Water District

Enclosures

cc: Office of the Attorney General, Rate Intervention

SUBMIT ORIGINAL AND FIVE ADDITIONAL COPIES, UNLESS FILING ELECTRONICALLY

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION
For Small Utilities Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

RECEIVED
APR 20 2017
PUBLIC SERVICE COMMISSION

Western Pulaski County Water District
(Name of Utility)

2128 West Highway 80
(Business Mailing Address - Number and Street, or P.O. Box)

Somerset, Kentucky 42503
(Business Mailing Address - City, State, and Zip)

606-679-1569
(Telephone Number)

BASIC INFORMATION

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

Deron S. Byrne, P.E., Principle - Monarch Engineering, Inc.
(Name)

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

Lawrenceburg, Kentucky 40342
(Address - City, State, Zip)

502-839-1310
(Telephone Number)

dbyrne@monarchengineering.net
(Email Address)

(For each statement below, the Applicant should check either "YES", "NO", or "NOT APPLICABLE" (N/A))

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

YES NO N/A

4. a. Applicant is a corporation that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- b. Applicant is a limited liability company that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- c. Applicant is a limited partnership that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- d. Applicant is a sole proprietorship or partnership.
- e. Applicant is a water district organized pursuant to KRS Chapter 74.
- f. Applicant is a water association organized pursuant to KRS Chapter 273.
5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.
- b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov.
6. a. Applicant has 20 or fewer customers and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
- b. Applicant has more than 20 customers and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
- c. Applicant has more than 20 customers and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." **(Attach completed "Reasons for Application" Attachment.)**


YES NO N/A

8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" Attachment.)**
9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, 2015.
10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." **(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)**
11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ 317,578.25 and total revenues from service rates of \$ 3,062,310.25. The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. **(Attach a completed "Revenue Requirement Calculation" Attachment.)**
12. As of the **date of the filing of this application**, Applicant had 8,455 customers.
13. A billing analysis of Applicant's current and proposed rates is attached to this application. **(Attach a completed "Billing Analysis" Attachment.)**
14. Applicant's depreciation schedule of utility plant in service is attached. **(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)**
15. a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.
- b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).
- c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.

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

By submitting this application, the Applicant consents to the procedures set forth in 807 KAR 5:076 and waives any right to place its proposed rates into effect earlier than six months from the date on which the application is accepted by the Public Service Commission for filing.

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

Signed 
 Officer of the Company/Authorized Representative
 Title Principal/Project Engineer - Monarch Engineering, Inc.
 Date APRIL 19, 2017

COMMONWEALTH OF KENTUCKY
 COUNTY OF Anderson

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


 Notary Public
 My commission expires: May 25, 2018

LIST OF ATTACHMENTS
(Indicate all documents submitted by checking box)
WESTERN PULASKI COUNTY WATER DISTRICT

- Customer Notice of Proposed Rate Adjustment
- "Reasons for Application" Attachment
- Current and Proposed Rates" Attachment
- "Statement of Adjusted Operations" Attachment
- "Revenue Requirements Calculation" Attachment
- Attachment Billing Analysis" Attachment
- Depreciation Schedules
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- State Tax Return
- Federal Tax Return
- Statement of Disclosure of Related Party Transactions - ARF Form 3
- Resolution

NOTICE OF PROPOSED RATE CHANGE

The Western Pulaski County Water District (“District”) will submit an Alternative Rate Filing application with the Public Service Commission on or before April 1, 2017 to adjust its rates as set forth below:

	<u>Existing</u>	<u>Proposed</u>	<u>\$ Increase</u>	<u>% Increase</u>
<u>5/8 x 3/4-Inch Meter</u>				
First 2,000 Gallons (Minimum Bill)	\$15.34	\$17.34	\$2.00	13.04%
Over 2,000 Gallons (per 1,000 gallons)	5.82	5.82	0.00	0.00%
<u>1-Inch Meter</u>				
First 10,000 Gallons (Minimum Bill)	\$61.90	\$63.90	\$2.00	3.23%
Over 10,000 Gallons (per 1,000 gallons)	5.82	5.82	0.00	0.00%
<u>1 1/2-Inch Meter</u>				
First 15,000 Gallons (Minimum Bill)	\$91.00	\$93.00	\$2.00	2.20%
Over 15,000 Gallons (per 1,000 gallons)	5.82	5.82	0.00	0.00%
<u>2-Inch Meter</u>				
First 20,000 Gallons (Minimum Bill)	\$120.10	\$122.10	\$2.00	1.67%
Over 20,000 Gallons (per 1,000 gallons)	5.82	5.82	0.00	0.00%
<u>3-Inch Meter</u>				
First 30,000 Gallons (Minimum Bill)	\$178.30	\$180.30	\$2.00	1.21%
Over 30,000 Gallons (per 1,000 gallons)	5.82	5.82	0.00	0.00%

If the Public Service Commission approves the proposed rates, then the monthly bill for a residential customer using an average of 4,000 gallons per month will increase from \$26.98 to \$28.98. This is an increase of \$2.00 or 7.41%.

The rates contained in this notice are the rates proposed by the District. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates in this notice.

The filing may be examined at the District’s office located at 2128 West Highway 80, Somerset, Kentucky 42503; telephone (606) 679-1569.

This filing may also be examined at the Public Service Commission located at 211 Sower Boulevard, Frankfort, Kentucky, Monday –Friday, 8:00 am – 4:30 pm or on the PSC website at <http://www.psc.ky.gov>; telephone (502) 564-3940.

Comments regarding this filing may be submitted by mail to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602; or through its website at <http://www.psc.ky.gov>.

Any person may submit a timely written request for intervention to the Public Service Commission which establishes the grounds for the request including the status and interest of the party.

If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the initial publication or mailing of notice, the PSC may take final action on the proposed rate change.

*Tear Sheets & Affidavits
Of Notice*

Wayne County

The Outlook

45 East Columbia Avenue • P.O. Box 432

Monticello, KY 42633 • Phone (606) 348-3338 • Fax (606) 348-8848

Melinda Jones, Publisher

Newspaper Affidavit

I, Melinda Jones, Publisher of The Wayne County Outlook published at Monticello, Kentucky do solemnly swear that from my own personal knowledge and reference to the files of said publication, the advertisement of:

Western Pulaski Water District - Notice of Proposed
Rate Change

was inserted on the following dates in this newspaper:

<u>Date</u>	<u>Page</u>	<u>Column</u>
3-15-17	10B	1-4
3-22-17	9B	1-4
3-29-17	9B	1-4

Melinda Jones
Publisher

Subscribed and sworn before me this 29th day of March, 2017, A.D.

My commission expires 9-28-17.

Nicki A. Dishman
Notary Public

a loan by RD to the Association in the principal amount of \$1,380,000 to be evidenced by the issuance by the Association of its promissory note in such amount, which RD has agreed to purchase provided the Association meets certain conditions of RD, including revising the water rates as set forth below:

Current Monthly Rates

5/8 x 3/4 Inch Meter	Monthly Rate
First 1,500 gallons	\$17.93 minimum bill
Over 1,500 gallons	7.11 per 1,000 gallons
1 Inch Meter	Monthly Rate
First 5,000 gallons	\$41.77 minimum bill
Over 5,000 gallons	7.11 per 1,000 gallons
2 Inch Meter	Monthly Rate
First 20,000 gallons	\$117.65 minimum bill
Over 20,000 gallons	7.11 per 1,000 gallons
4 Inch Meter	Monthly Rate
First 50,000 gallons	\$277.85 minimum bill
Over 50,000 gallons	7.11 per 1,000 gallons

Proposed Monthly Water Rates

5/8 x 3/4 Inch Meter	New Monthly Rate	Dollar Change	% Change
First 1,500 gallons	\$21.14 minimum bill	\$3.21	18.00%
Over 1,500 gallons	7.38 per 1,000 gallons	0.27	3.80%
1 Inch Meter	New Monthly Rate	Dollar Change	% Change
First 5,000 gallons	\$44.98 minimum bill	\$3.21	7.70%
Over 5,000 gallons	7.38 per 1,000 gallons	0.27	3.80%
2 Inch Meter	New Monthly Rate	Dollar Change	% Change
First 20,000 gallons	\$120.86 minimum bill	\$3.21	2.73%
Over 20,000 gallons	7.38 per 1,000 gallons	0.27	3.80%
4 Inch Meter	New Monthly Rate	Dollar Change	% Change
First 50,000 gallons	\$281.06 minimum bill	\$3.21	1.15%
Over 50,000 gallons	7.38 per 1,000 gallons	2.19	3.80%

The proposed monthly water rates shall be effective for water sold after the date of the final approving Order of the PSC, which Order is expected to be issued no later than 30 days of the filing of the Application. The amount of average usage for all customers in the calendar year 2016 was 3,200 gallons per month thus generating an average monthly billing based on current rates of \$30.01. The proposed monthly rates will increase the average monthly billing to \$33.69 for an impact of \$3.68 or 12.26%. The Application for approval of the rate change has been filed with the PSC and may be examined during normal business hours at the following locations: (i) Bronston Water Association Office, 2013 Highway 90, Bronston, KY 42518; (ii) PSC, 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., E.T.; and (iii) via the PSC website at <http://psc.ky.gov>. Comments regarding the Application may be submitted to the PSC via its website or by mail to PSC, P.O. Box 615, Frankfort, Kentucky 40602.

The proposed rates are required under the terms of an agreement between the Association and RD and KRS 278.023 does not grant the PSC any discretionary authority to modify or reject any portion of the agreement between the Association and RD, or to defer the issuance of all necessary orders to implement the terms of the agreement. The RD loan proceeds will be used in conjunction with a \$458,000 RD grant to finance the costs of the (i) installation of approximately 21,760-linear feet of water line and associated appurtenances and (ii) construction of a 500,000 gallon ground storage water tank.

Signed: Carter Stewart, President, Bronston Water Association.

\$20
Surrounding
Counties:
 (Clinton,
 McCreary, Pulaski
 and Russell)
Regular
\$29
Senior Citizen
\$23
In-State-Out-
of-Area
and
Out-of-State:
Regular
\$37
Senior
Citizens
\$33
 (Person receiving
 the paper must be
 62 or older in order
 to be eligible
 for the
 Senior Citizen
 rate.)

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Marble Top Vanities
Phone 348-9574 • Mary Gregory, Owner
We also buy good used appliances & furniture.

POSITION AVAILABLE
Hiring for Full-Time Position
40 Hours per Week

Successful applicant will have:

- Computer knowledge.
- Knowledge of Photoshop/Photography
- Typing skills.
- Customer Service Skills (answering phone/waiting on customers, etc.)
- Must be a team player.

Benefits include:

- Vacation, holiday, personal and sick days.
- Access to health, dental and vision insurance.
- Company paid life insurance.

Send resume with references to:
Advertiser A
PO Box 432
Monticello, KY 42633
 EOE

Page 115 in the Wayne County Clerk's Office.

Parcel Two shall first be offered for sale; then Parcel Three shall be offered for sale; then Parcel Two and Parcel Three shall be offered together with said sales price starting at the combined total bid for Parcel Two and Parcel Three plus \$1,000.00, and thereafter to be increased by bid amounts of no less than \$500.00.

THE TERMS of said sale shall be as follows:

a. The purchaser shall be required to pay no less than ten percent (10%) of the purchase price down, in cash or acceptable check, at the time of sale.

b. The balance thereof on credit of thirty (30) days at the rate of twelve percent (12%) per annum.

c. The sale shall be subject to all unpaid real property and unpaid ad valorem taxes assessed against the property including but not limited to the tax year 2016, with the purchaser to assume responsibility for all subsequent taxes and purchaser shall assume risk of loss from sale date.

d. The purchaser shall assume the real estate taxes for the year 2017.


e. The purchaser shall be required to execute a bond with good sufficient surety thereon which shall have the force and effect of a judgment in order to secure the payment of the balance of the purchase price, and said bond shall constitute a lien on said property until paid.

f. Any purchaser or purchasers shall have the privilege of paying all or part of the purchase price or paying said bond or bonds before maturity by paying the balance of the principal, together with all accrued interest thereon.

g. Upon default of said

discrimination." Familial status includes children under the age of 18 living with parents or legal custodians, pregnant women and people securing custody of children under 18.

This newspaper will not knowingly accept any advertising for real estate which is in violation of the law. Our readers are hereby informed that all dwellings advertised in this newspaper are available on an equal opportunity basis. To complain of discrimination call HUD toll-free at 1-800-669-9777. The toll free telephone number for the hearing impaired is 1-800-927-9275.



Advertise in
The Wayne County Outlook.
Call
(606) 348-3338
for details

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erator is necessary for success:

- Optimum quality of printed products.
- Observance of all scheduled start and stop times.
- Conservation of material resources, especially newsprint.
- A clean and safe working environment.

Requirements:

This position requires a high school education or equivalent, 3-year minimum of printing experience or a Journeyman certification. Experience in web offset printing is desirable, although production experience of any kind may be helpful. Mechanical ability and familiarity with computers is preferred. Candidates should have the ability to adapt to change, prioritize work, handle multiple tasks, remain flexible and interact with people while demonstrating patience. You must be able to lift/carry up to 100 pounds. Must be able to push/pull up to 2,000 pounds. A press operator spends most working hours on his/her feet. In addition to long periods of standing, a press operator is required to climb stairs. Operators engaged in press maintenance and some cleaning activities will be required to stoop, kneel, crouch and crawl. They often work in confined areas. Color vision is required.

This position is full-time shift work, which may include scheduled nights, weekends, and holidays.

Submit resume, salary requirements and cover letter to:

Press Operator
c/o Jill Meadows,

115 CVB Drive, London, KY 40741

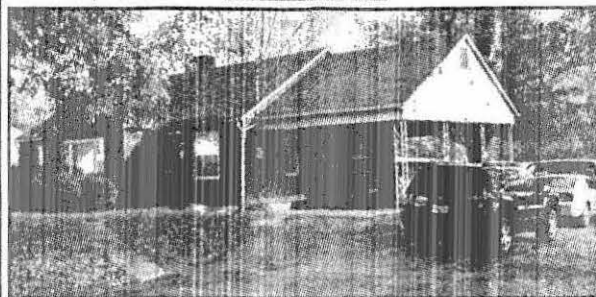
or email

jilllawson@sekypub.com

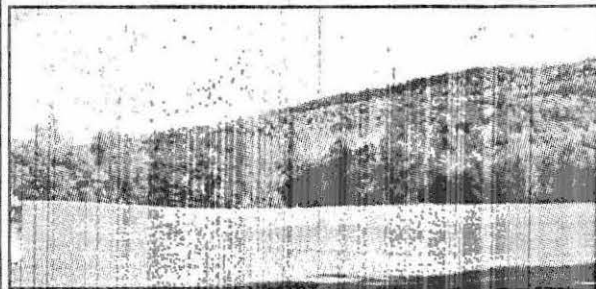
Southeast Kentucky Publishing is a CNHI print facility. Based in Montgomery, Alabama, CNHI is a leading publisher of local news and information. Its newspapers, websites and specialty publications serve communities in 23 states.

Ten minutes to Monticello. Great location and easy access to all needs.
Owner originally paid \$35,000. **MUST SELL - \$12,000** cash or owner will consider carrying a note for \$1,000 down and buyer to assume monthly payments of \$275 until balance paid.
CONTACT DON G. WARNER • (423) 215-3166

FOR SALE



House with 11 acres m/l: 3 bedroom, 1 bath w/shower, formal dining room, large living room with fireplace, full basement. In city limits. Located next to Wayne Co. School system. Barn on property. Creek on the back of the property runs year round. Ideal for horses or cattle.
PRICE REDUCED! • Call (606) 875-2392



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Over 20,000 gallons (per 1,000 gallons)	5.82	5.82	0.00	0.00%
3-Inch Meter:				
First 30,000 Gallons (Minimum Bill)	\$178.30	\$180.30	\$2.00	1.21%
Over 30,000 Gallons (per 1,000 gallons)	5.82	5.82	0.00	0.00%

If the Public Service Commission approves the proposed rates, then the monthly bill for a residential customer using an average of 4,000 gallons per month will increase from \$26.98 to \$28.98. This is an increase of \$2.00 or 7.41%.

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The Times Journal

PO Box 190, 120 WILSON ST., RUSSELL SPRINGS, KY 42642
PHONE 270.866.3191 - www.russellcountynewspapers.com - 270.866.3198 FAX

Affidavit of Publication:

Western Pulaski Water District
2128 West Hwy 80
Somerset, KY 42503

March 16th, 2017

Display 1/4 Page \$ 204.75

I hereby affirm that the above listed advertisement was published in The Times Journal on the above listed date and at the size indicated.

Stephanie Smith
Stephanie Smith

4-3-17
Date signed

Notary:

I attest that the above signature is true and correct.

Signed Derek Aaron Dated 4-3-17

I Derek Aaron, am a Kentucky Notary Public – State at Large, for acts performed in Kentucky for recordation in Kentucky; my commission expires: 18 March, 2019.

The Western Pulaski County Water District ("District") will submit an Alternative Rate-Filing application with the Public Service Commission on or before April 1, 2017 to adjust its rates as set forth below.

	<u>Existing</u>	<u>Proposed</u>	<u>\$ Increase</u>	<u>% Increase</u>
<u>5/8 x 1/4-Inch Meter</u>				
First 2,000 Gallons (Minimum Bill)	\$15.34	\$17.34	\$2.00	13.04%
Over 2,000 Gallons (per 1,000 gallons)	5.82	5.82	0.00	0.00%
<u>1-Inch Meter</u>				
First 10,000 Gallons (Minimum Bill)	\$61.90	\$63.90	\$2.00	3.23%
Over 10,000 Gallons (per 1,000 gallons)	5.82	5.82	0.00	0.00%
<u>1 1/2-Inch Meter</u>				
First 15,000 Gallons (Minimum Bill)	\$91.00	\$93.00	\$2.00	2.20%
Over 15,000 Gallons (per 1,000 gallons)	5.82	5.82	0.00	0.00%
<u>2-Inch Meter</u>				
First 20,000 Gallons (Minimum Bill)	\$120.10	\$122.10	\$2.00	1.67%
Over 20,000 Gallons (per 1,000 gallons)	5.82	5.82	0.00	0.00%
<u>3-Inch Meter</u>				
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Affidavit of Publication:

Western Pulaski Water District
2128 West Hwy 80
Somerset, KY 42503

March 23rd, 2017

Display 1/4 Page \$ 204.75

I hereby affirm that the above listed advertisement was published in The Times Journal on the above listed date and at the size indicated.

Stephanie Smith
Stephanie Smith

4-3-17
Date signed

Notary:

I attest that the above signature is true and correct.

Signed Derek Aaron Dated 4-3-17

I Derek Aaron, am a Kentucky Notary Public – State at Large, for acts performed in Kentucky for recordation in Kentucky; my commission expires: 18 March, 2019.

NOTICE OF PROPOSED RATE CHANGE

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	Existing	Proposed	\$ Increase	% Increase
5/8 x 3/4-Inch Meter				
First 2,000 Gallons (Minimum Bill)	\$15.34	\$17.34	\$2.00	13.04%
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March 30th, 2017

Display 1/4 Page \$ 204.75

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Stephanie Smith
Stephanie Smith

4-3-17
Date signed

Notary:

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AFFIDAVIT OF PUBLICATION

I, Angelica Garth, OF THE
COMMONWEALTH JOURNAL, A LEGAL NEWSPAPER HOLDING A SECOND-
CLASS PERMIT, PUBLISHED DAILY EXCEPT FOR MONDAYS IN SOMERSET,
COUNTY OF PULASKI, COMMONWEALTH OF KENTUCKY DO SWEAR THAT
THE ATTACHED PROOF OF PUBLICATION OF A

X LEGAL NOTICE, AS REQUIRED AND PRESCRIBED BY KRS

 PAID ADVERTISEMENT

WAS PUBLISHED IN SAID NEWSPAPER IN THE ISSUE OF 3/15, 22 + 29 2017
FOR WHICH THE SUM \$ IS DUE AND PAYABLE.

SIGNED Angelica Garth
TITLE Classified Ad Manager

SUBSCRIBED AND SWORN TO BEFORE ME, A NOTARY PUBLIC FOR THE
COUNTY OF PULASKI, COMMONWEALTH OF KENTUCKY THIS 29 DAY
OF March 20 17.

Brenda Hacking

MY COMMISSION EXPIRES August 14, 2018

March 15, 2017.
Call 606-678-8973
Monday-Thursday

person at 176 Enter-
prise Drive Somerset
KY 42501

son. Pay negotiable.
Track's Inn 606-802-
2600



PUBLIC NOTICES

NOTICE OF PROPOSED RATE CHANGE

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FOR Pulaski, Wayne, & Russell Cos., Kentucky
Community, Town or City

P.S.C. KY. NO. 1

SHEET NO. 4

Western Pulaski County Water District
(Name of Utility)

CANCELLING P.S.C. KY. NO. 1

4th Revision SHEET NO. 4

RATES AND CHARGES

MONTHLY WATER RATES

5/8 X 3/4 Inch Meter

First	2,000 Gallons	\$17.34	Minimum Bill	(I)
Over	2,000 Gallons	5.82	per 1,000 Gallons	

1-Inch Meter

First	10,000 Gallons	\$63.90	Minimum Bill	(I)
Over	10,000 Gallons	5.82	per 1,000 Gallons	

1 1/2-Inch Meter

First	15,000 Gallons	\$93.00	Minimum Bill	(I)
Over	15,000 Gallons	5.82	per 1,000 Gallons	

2-Inch Meter

First	20,000 Gallons	\$122.10	Minimum Bill	(I)
Over	20,000 Gallons	5.82	per 1,000 Gallons	

3-Inch Meter

First	30,000 Gallons	\$180.30	Minimum Bill	(I)
Over	30,000 Gallons	5.82	per 1,000 Gallons	

Leak Adjustment	\$4.02	per 1,000 Gallons
-----------------	--------	-------------------

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

REASONS FOR APPLICATION

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

The District needs the rate increase for the following reasons:

- 1) To enable the District to enhance its financial capacity so it can improve its operation in compliance with the federal Safe Drinking Water Act, as amended in 1996, and KRS Chapter 151;
- 2) To enable the District to pay debt on proposed project construction;
- 3) The revenue generated from the proposed rate increase will allow for the replacement of defective mains and service lines from cash reserves instead of issuing new debt;
- 4) The revenue generated from the proposed rate increase will assist to maintain and increase employee salaries and wages;
- 5) To enable the District to purchase a radio read meter system and SCADA system for monitoring water loss, pump cycles, and tank levels;
- 6) To enable the District to purchase master meters to be installed throughout the system to monitor water loss;
- 7) To enable the District to purchase and replace existing vehicles with new maintenance vehicles, and to purchase a new dump truck (\$115,000).

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

	Existing	Proposed	\$ Increase	% Increase
5/8" x 3/4" Meter				
First 2,000 Gallons (Minimum Bill)	\$15.34	\$17.34	\$2.00	13.04%
Over 2,000 Gallons (Per 1,000 Gallons)	5.82	5.82	0.00	0.00%
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3-Inch Meter				
First 30,000 Gallons (Minimum Bill)	\$178.30	\$180.30	\$2.00	1.12%
Over 30,000 Gallons (Per 1,000 Gallons)	5.82	5.82	0.00	0.00%
Other				
Leak Adjustment Rate (Per 1,000 Gallons)	\$4.02	\$4.02	\$0.00	0.00%

SCHEDULE OF ADJUSTED OPERATIONS - WATER UTILITY

TYE 12/31/20 15

	Test Year	Adjustment	Ref.	Pro Forma
Operating Revenues				
Sales of Water				
Unmetered Water Sales				0.00
Metered Water Sales	2,744,732.00			2,744,732.00
Bulk Loading Stations				0.00
Fire Protection Revenue				0.00
Sales for Resale				0.00
Total Sales of Water	2,744,732.00	0.00		2,744,732.00
Other Water Revenues				
Forfeited Discounts				0.00
Miscellaneous Service Revenues	110,233.00			110,233.00
Rents from Water Property	47,119.00			47,119.00
Other Water Revenues				0.00
Total Other Water Revenues	157,352.00	0.00		157,352.00
Total Operating Revenues	2,902,084.00	0.00		2,902,084.00
Operating Expenses				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	294,793.00			294,793.00
Salaries and Wages - Officers	12,400.00			12,400.00
Employee Pensions and Benefits	90,908.00	46,469.00	a.	137,377.00
Purchased Water	1,201,526.00			1,201,526.00
Purchased Power	67,946.00			67,946.00
Fuel for Power Production				0.00
Chemicals				0.00
Materials and Supplies	167,861.00			167,861.00
Contractual Services	137,636.00			137,636.00
Water Testing				0.00
Rents				0.00
Transportation Expenses	21,503.00			21,503.00
Insurance	47,067.00			47,067.00
Regulatory Commission Expenses				0.00
Bad Debt Expense	18,493.00			18,493.00

Miscellaneous Expenses	<u>36,013.00</u>			<u>36,013.00</u>
Total Operation and Maintenance Expenses	2,096,146.00	46,469.00		2,142,615.00
Depreciation Expense	554,655.00	-7,170.00	b.	547,485.00
Amortization Expense				0.00
Taxes Other Than Income				0.00
Income Tax Expense				0.00
Total Operating Expenses	<u>2,650,801.00</u>	<u>39,299.00</u>		<u>2,690,100.00</u>
Utility Operating Income	<u>251,283.00</u>	<u>-39,299.00</u>		<u>211,984.00</u>

References

a. The Western Pulaski County Water District, as a participant in the CERS (County Employees Retirement System), was required to adopt the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions." GASB 68 requires governmental employers, such as the District, to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

The pension liability, based on the District's proportionate share of the Net CERS Pension Liability, is shown on its balance sheet. The pension expense is an actual payment that is calculated as required by GASB 68 and is reflected in its Water Utility Expense Accounts / Employee Pensions and Benefits (604) line item.

The total amount of this expense for 2015 has been calculated by the District's auditor to be \$137,377 which is an increase of \$46,469 over what the expense was in 2014. It is expected that the annual amount will continue to be at the higher amounts.

b. Depreciation has been adjusted in the Current Billing Analysis based on the District's 2015 Financial Audit

REVENUE REQUIREMENT CALCULATION - DEBT COVERAGE METHOD

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

Pro forma Operating Expenses	\$2,690,100.00
Plus: Average Annual Debt Principal and Interest Payments*	482,443.00
Debt Coverage Requirement**	48,244.25
Total Revenue Requirement	3,220,787.25
Less: Other Operating Revenue	-110,233.00
Non-operating Revenue	-47,119.00
Interest Income	-1,125.00
Revenue Required from Rates	3,062,310.25
Less: Revenue from Sales at Present Rates	-2,744,732.00
Required Revenue Increase	\$317,578.25

Required Revenue Increase stated as a Percentage of Revenue at Present Rates 11.57%

* This should be a 3 year average calculated using the debt principal and interest payments for the three years following the test year.

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

**BILLING ANALYSIS WITH EXISTING RATES
WESTERN PULASKI COUNTY WATER DISTRICT
JANUARY 2015 THROUGH DECEMBER 2015**

METER SIZE	BILLS	GALLONS SOLD	REVENUE
5/8" x 3/4"	99,396	327,541,000	\$2,539,760.00
1-Inch	384	9,600,000	79,641.60
1 1/2-Inch	0	0	0
2-Inch	180	17,820,000	125,330.40
3-Inch	0	0	0
TOTALS	99,960	354,961,000	\$2,744,732.00

5/8" x 3/4" Meter

	USAGE	BILLS	GALLONS	First 2,000	Over 2,000	TOTAL
First	2,000	27,720	153,138,017	153,138,017		153,138,017
All Over	2,000	71,676	174,402,983		174,402,983	174,402,983
TOTALS		99,396	327,541,000	153,138,017	174,402,983	327,541,000

REVENUE BY RATE INCREMENT

	USAGE	BILLS	GALLONS	RATE	REVENUE
First	2,000	99,396	153,138,017	\$15.34	\$1,524,734.64
All Over	2,000		174,402,983	5.82	1,015,025.36
TOTALS		99,396	327,541,000		\$2,539,760.00

1-INCH Meter

	USAGE	BILLS	GALLONS	First 2,000	Over 2,000	TOTAL
First	2,000	384	0	0		0
All Over	2,000		9,600,000		9,600,000	9,600,000
TOTALS		384	9,600,000	0	9,600,000	9,600,000

REVENUE BY RATE INCREMENT

	USAGE	BILLS	GALLONS	RATE	REVENUE
First	2,000	384	0	\$61.90	\$23,769.60
All Over	2,000		9,600,000	5.82	55,872.00
TOTALS		384	9,600,000		\$79,641.60

2-INCH Meter

	USAGE	BILLS	GALLONS	First 2,000	Over 2,000	TOTAL
First	2,000	180	0	0		0
All Over	2,000		17,820,000		17,820,000	17,820,000
TOTALS		180	17,820,000	0	17,820,000	17,820,000

REVENUE BY RATE INCREMENT

	USAGE	BILLS	GALLONS	RATE	REVENUE
First	2,000	180	0	\$120.10	\$21,618.00
All Over	2,000	0	17,820,000	5.82	103,712.40
TOTALS		180	17,820,000		\$125,330.40

**BILLING ANALYSIS WITH PROPOSED RATES
WESTERN PULASKI COUNTY WATER DISTRICT**

METER SIZE	BILLS	GALLONS SOLD	REVENUE
5/8" x 3/4"	99,396	327,541,000	\$2,738,552.00
1-Inch	384	9,600,000	80,409.60
1 1/2-Inch	0	0	0
2-Inch	180	17,820,000	125,690.40
3-Inch	0	0	0
TOTALS	99,960	354,961,000	\$2,944,652.00

Req'd Revenue from Meter Sales \$3,062,310.25
Revenue Inc. per Billing Analysis 2,944,652.00

Difference \$117,658.25 4.00%

5/8" x 3/4" Meter

	USAGE	BILLS	GALLONS	First 2,000	Over 2,000	TOTAL
First	2,000	27,720	153,138,017	153,138,017		153,138,017
All Over	2,000	71,676	174,402,983		174,402,983	174,402,983
TOTALS		99,396	327,541,000	153,138,017	174,402,983	327,541,000

REVENUE BY RATE INCREMENT

	USAGE	BILLS	GALLONS	RATE	REVENUE
First	2,000	99,396	153,138,017	\$17.34	\$1,723,526.64
All Over	2,000		174,402,983	5.82	1,015,025.36
TOTALS		99,396	327,541,000		\$2,738,552.00

1-INCH Meter

	USAGE	BILLS	GALLONS	First 2,000	Over 2,000	TOTAL
First	2,000	384	0	0		0
All Over	2,000		9,600,000		9,600,000	9,600,000
TOTALS		384	9,600,000	0	9,600,000	9,600,000

REVENUE BY RATE INCREMENT

	USAGE	BILLS	GALLONS	RATE	REVENUE
First	2,000	384	0	\$63.90	\$24,537.60
All Over	2,000		9,600,000	5.82	55,872.00
TOTALS		384	9,600,000		\$80,409.60

2-INCH Meter

	USAGE	BILLS	GALLONS	First 2,000	Over 2,000	TOTAL
First	2,000	180	0	0		0
All Over	2,000		17,820,000		17,820,000	17,820,000
TOTALS		180	17,820,000	0	17,820,000	17,820,000

REVENUE BY RATE INCREMENT

	USAGE	BILLS	GALLONS	RATE	REVENUE
First	2,000	180	0	\$122.10	\$21,978.00
All Over	2,000	0	17,820,000	5.82	103,712.40
TOTALS		180	17,820,000		\$125,690.40

DEBT SERVICE SCHEDULE
WESTERN PULASKI COUNTY WATER DISTRICT
 CY 2015 - 2019

Bond Issue or Loan	2015		2016		2017		2018		2019		3 Year Avg. P & I	Coverage	
	Principlal	Interest	Principlal	Interest	Principlal	Interest	Principlal	Interest	Principlal	Interest			
2002A RD	\$14,500	\$35,321	\$15,200	\$34,668	\$15,900	\$33,984	\$16,600	\$33,269	\$17,300	\$32,522	\$49,874	\$4,987	
2002B RD	8,900	21,596	9,300	21,195	9,700	20,777	10,100	20,340	10,600	19,886	30,471	3,047	
2010 RD	16,500	19,433	16,900	19,062	17,200	18,682	17,600	18,295	18,000	17,899	35,913	3,591	
2012E KRWFC	115,000	58,155	120,000	55,625	120,000	52,985	125,000	50,345	125,000	47,283	174,652	17,465	
2013 RD	0	31,500	23,700	31,500	24,200	30,967	24,800	30,422	25,300	29,864	55,196	5,520	
2017 KIA/DWSRF	0	0	0	0	139,294	65,387	141,742	62,588	144,234	59,741	136,337	13,634	
Totals	\$154,900	\$166,005	\$185,100	\$162,050	\$326,294	\$222,782	\$335,842	\$215,259	\$340,434	\$207,195			
											Total 3 Year Averages	\$482,443	\$48,244.25

CAPITAL ASSET ROLLFORWARD

Workpaper Index

Governmental Unit
 Prepared by
 Fund or activity

Balance sheet date
 Date prepared

Capital Assets	Avg Dep Life	Balance as of 12/31/2014	Increases	Decreases	Balance as of 12/31/2015
Land and land rights	40	481,988			481,988
Trans and Distribution lines	40	6,799,768			6,799,768
Line Extensions	25	9,221,186	576,419		9,797,605
Meter Installations	25	2,129,524	73,810		2,203,334
Services	5	568,482			568,482
Communication Radios	5	9,106			9,106
Office Equipment	10	189,757	10,360		200,117
Equipment and tools	39	57,542			57,542
Office Building	40	249,057	1,080		250,137
Distribution reservoir	40	46,477			46,477
Buildings	39	-	137,934		137,934
Hydrants	15	20,147			20,147
Electric Pumping Equipment	25	533,133			533,133
Trucks	5	259,797			259,797
		20,565,964	799,603	-	21,365,567

(1) Contracts with D&H and MTI approved 2014.

(@) (1)

Accumulated Depreciation

Trans and Distribution lines	3,692,580	143,103		3,835,683
Line Extensions	1,862,276	242,924		2,105,200
Meter Installations	1,323,935	79,383		1,403,318
Services	431,318	22,739		454,057
Communication Radios	9,106			9,106
Office Equipment	165,979	5,795		171,774
Equipment and tools	34,220	5,139		39,359
Office Building	2,504	7,402		9,906
Distribution reservoir	43,277	1,047		44,324
Hydrants	20,147	-		20,147
Electric Pumping Equipment	162,530	25,892		188,422
Trucks	217,757	14,059		231,816
	7,965,629	547,483	-	8,513,112
				-

*Note: Bookeeper had included payoff of interim financing of construction (1,305,512) in line extension. Depreciation on line extensions overstated \$11,198
 Depreciation as recorded 254122
 Corrected amount 242924
 Difference 11198

(l)

- (t) Reviewed invoices and checks See RD Loan advances acct 13107 in file
- (1) Per minutes
- (@) Reviewed invoices and contract on new building
- (l) Agrees to depreciation schedule(taking into acct adjustment)

Adjustment:		
10818 Accumulated depr Line Ext	11,198.00	
82600 Depreciation Expense		11,198.00
82600 Depreciaton expense	1,476.00	
10830 Accum Depr Meters		1,476.00

Assets by Classification - 1120

WESTERN PULASKI COUNTY WATER DIST 61-1367132

12/31/2015

Item No.	Description of Property **** indicates DISPOSED	Date Placed In Service	Asset Ccde	Business Use %	Cost or Other Basis	Sec. 179 Deduction	Credit	Special Allowance	Salvage Value	Recovery Basis	Recovery Period	Method	Convention Ccde	Prior Accum. Deprec., 179, Bonus	2015 Deprec.	2015 Accum. Deprec.
Qualified leasehold improvement property																
1351	HYDRANTS	6/30/2000	R-7	100.00%	20,147	0	0	0	0	20,147	15.0	SL/GDS	HY	20,147	0	20,147
Total: Qual LH improve prop					20,147	0	0	0	0	20,147				20,147	0	20,147
Qualified restaurant property																
1111	ELECTRIC PUMPING PLANT	6/30/2000	R-8	100.00%	30,802	0	0	0	0	30,802	25.0	SL/GDS	HY	23,307	1,232	24,539
1112	CLIFTY ROAD PUMP STATIO	6/30/2000	R-8	100.00%	90,625	0	0	0	0	90,625	25.0	SL/GDS	HY	40,137	3,625	43,762
1113	NELSON KNOB PUMP STATA	5/3/2007	R-8	100.00%	13,000	0	0	0	0	13,000	15.0	SL/GDS	HY	6,501	867	7,368
1052	NANCY WATER TANK	12/31/2009	R-8	100.00%	240,603	0	0	0	0	240,603	25.0	SL/GDS	HY	52,712	9,624	62,336
1115	WEST 80 PUMP STATION	12/31/2009	R-8	100.00%	132,852	0	0	0	0	132,852	15.0	SL/GDS	HY	34,104	8,861	42,965
1116	HWY 80 PUMP STATION	12/31/2009	R-8	100.00%	20,250	0	0	0	0	20,250	15.0	SL/GDS	HY	5,268	1,351	6,619
	WEST 80 PUMP STATION	6/30/2013	R-8	100.00%	5,000	0	0	0	0	5,000	15.0	SL/ADS	HY	501	334	835
Total: Qual restaurant prop					533,132	0	0	0	0	533,132				162,530	25,894	188,424
15-yr Distributive Trades & Services																
1311	TRANSMISSION + DISTRIBU	6/30/2000	R-9	100.00%	5,412,862	0	0	0	0	5,412,862	50.0	SL/GDS	HY	2,754,956	108,257	2,863,213
1312	TRANSMISSION + DISTRIBU	6/30/2000	R-9	100.00%	1,368,593	0	0	0	0	1,368,593	40.0	SL/GDS	HY	932,514	34,215	966,729
1313	TRANSMISSION + DISTRIBU	6/30/2003	R-9	100.00%	14,163	0	0	0	0	14,163	40.0	SL/GDS	HY	4,071	354	4,425
1314	TRANS & DIST MAINS	12/31/2009	R-9	100.00%	4,150	0	0	0	0	4,150	15.0	SL/GDS	HY	1,039	277	1,316
Total: 15-yr Distrib Trades/Service					6,799,768	0	0	0	0	6,799,768				3,692,560	143,103	3,835,663
20-yr Farm buildings (other than single purpose agricultural or horticultural structure)																
1341	METERS + INSTALLATION	6/30/2000	R-3	100.00%	1,469,156	0	0	0	0	1,469,156	25.0	150DB	HY	1,144,290	52,655	1,196,945
1342	METERS + INSTALLATION	6/30/2004	R-3	100.00%	113,805	0	0	0	0	113,805	25.0	150DB	HY	46,592	4,079	50,671
1343	METERS + INSTALLATION	6/30/2005	R-3	100.00%	118,230	0	0	0	0	118,230	25.0	SL/ADS	HY	45,123	4,729	49,852
1343	METERS & INSTALLATION	6/30/2006	R-3	100.00%	107,590	0	0	0	0	107,590	25.0	150DB	HY	36,647	3,856	40,503
1344	METERS & INSTALLATION	6/30/2007	R-3	100.00%	86,360	0	0	0	0	86,360	25.0	150DB	HY	27,540	3,529	31,069
1345	METERS & INSTALL-2008	6/30/2008	R-3	100.00%	23,891	0	0	0	0	23,891	25.0	150DB	HY	6,607	959	7,566
1346	METERS & INSTALL	12/31/2009	R-3	100.00%	12,384	0	0	0	0	12,384	20.0	150DB	HY	3,447	605	4,052
	METERS & INSTALLATION	6/30/2010	R-3	100.00%	26,982	0	0	0	0	26,982	20.0	150DB	HY	6,172	1,426	7,598
	METERS & INSTALLATION	12/31/2010	R-3	100.00%	28,132	0	0	0	0	28,132	25.0	150DB	HY	5,753	1,278	7,031
	METERS	4/5/2012	R-3	100.00%	4,575	0	0	0	0	4,575	25.0	SL/ADS	HY	458	183	641
	METERS & INSTALL - 2013	6/30/2013	R-3	100.00%	21,767	0	0	0	0	21,767	25.0	SL/ADS	HY	1,306	871	2,177
	METERS & INSTALLATION	6/30/2014	R-3	100.00%	70,169	0	0	0	0	70,169	25	SL/ADS	HY	0	2,807	2,807
	METERS & INSTALLATION	6/30/2015	R-3	100.00%	46,483	0	0	0	0	0	25.0	SL/ADS	HY	0	930	930
Total: 20-yr Farm bldg (not sgl purpose)					2,129,524	0	0	0	0	2,083,041				1,323,935	77,907	1,401,842
27.5-yr Residential rental real estate																
1331	SERVICES	6/30/2000	R-4	100.00%	568,482	0	0	0	0	568,482	25.0	SL/GDS	MM	431,318	22,739	454,057
Total: 27.5-yr Res rental real estate					568,482	0	0	0	0	568,482				431,318	22,739	454,057
40-yr Foreign real estate																
1202	2002 LINE EXTENSION	6/30/2002	R-6	100.00%	1,710,018	0	0	0	0	1,710,018	40.0	SL/ADS	MM	550,966	42,750	593,716
1203	2003 LINE EXTENSION	6/30/2003	R-6	100.00%	2,107,512	0	0	0	0	2,107,512	40.0	SL/ADS	MM	684,495	52,688	737,183
1203	2004 LINE EXTENSION	6/30/2004	R-6	100.00%	584,406	0	0	0	0	584,406	40.0	SL/ADS	MM	153,405	14,610	168,015
1205	LINE EXTENSION - 2005	6/30/2005	R-6	100.00%	105,306	0	0	0	0	105,306	39.0	SL/ADS	MM	25,740	2,700	28,440
1206	LINE EXTENSION-2006	6/30/2006	R-6	100.00%	123,289	0	0	0	0	123,289	40.0	SL/ADS	MM	26,197	3,082	29,279
1207	2007 LINE EXTENSION	6/30/2007	R-6	100.00%	385,550	0	0	0	0	385,550	40.0	SL/ADS	MM	98,337	9,639	107,976

Assets by Classification - 1120

WESTERN PULASKI COUNTY WATER DIST 61-1367132

12/31/2015

Item No.	Description of Property **** indicates DISPOSED	Date Placed In Service	Asset Code	Business Use %	Cost or Other Basis	Sec. 179 Deduction	Credit	Special Allowance	Salvage Value	Recovery Basis	Recovery Period	Method	Convention Code	Prior Accum. Deprec., 179, Bonus	2015 Deprec.	2015 Accum. Deprec.
5-yr High technology medical equipment																
1421	RADIOS	6/30/2000	F-7	100.00%	9,106	0	0	0	0	9,106	5.0	200DB	HY	9,106	0	9,106
Total: 5-yr High tech medical equipment					9,106	0	0	0	0	9,106				9,106	0	9,106
5-yr Other (listed property)																
1401	OFFICE EQUIPMENT	6/30/2000	F-15	100.00%	98,236	0	0	0	0	98,236	7.0	200DB	HY	98,236	0	98,236
1402	OFFICE EQUIPMENT	6/30/2003	F-15	100.00%	21,522	0	0	0	0	21,522	5.0	200DB	HY	21,522	0	21,522
1403	OFFICE EQUIPMENT	6/30/2004	F-15	100.00%	11,873	0	0	0	0	11,873	5.0	200DB	HY	11,873	0	11,873
1404	COPIER	12/15/2004	F-15	100.00%	4,250	0	0	0	0	4,250	5.0	200DB	HY	4,165	0	4,165
1405	OFFICE EQUIPMENT	6/30/2006	F-15	100.00%	419	0	0	0	0	419	5.0	200DB	HY	419	0	419
1406	OFFICE EQUIPMENT	10/23/2008	F-15	100.00%	1,105	0	0	0	0	1,105	5.0	200DB	HY	744	0	744
	OFFICE EQUIPMENT	6/30/2009	F-15	100.00%	19,201	0	0	0	0	19,201	5.0	200DB	HY	14,901	0	14,901
	OFFICE EQUIPMENT	6/30/2010	F-15	100.00%	13,143	0	0	0	0	13,143	5.0	200DB	HY	9,494	757	10,251
	OFFICE EQUIPMENT	4/5/2012	F-15	100.00%	6,561	0	0	0	0	6,561	5.0	SL/ADS	HY	3,280	1,312	4,592
	COMPUTER	5/22/2014	F-15	100.00%	2,758	0	0	0	0	2,758	5.0	SL/ADS	HY	276	552	828
	OFFICE EQUIPMENT	5/22/2014	F-15	100.00%	8,006	0	0	0	0	8,006	5.0	SL/ADS	HY	801	1,601	2,402
	SECURITY SYSTEM	5/22/2014	F-15	100.00%	2,683	0	0	0	0	2,683	5.0	SL/ADS	HY	268	537	805
	OFFICE EQUIPMENT	6/30/2015	F-15	100.00%	10,360	0	0	0	0	0	5.0	SL/ADS	HY	0	1,036	1,036
Total: 5-yr Other (listed)					200,117	0	0	0	0	189,757				165,979	5,795	171,774
7-yr General purpose tools, machinery, and equipment																
	EQUIPMENT & TCOLS	6/30/2011	F-10	100.00%	52,049	0	0	0	0	52,049	7.0	200DB	HY	30,953	4,648	35,601
	FENCE	6/30/2011	F-10	100.00%	5,493	0	0	0	0	5,493	7.0	200DB	HY	3,267	491	3,758
Total: 7-yr Genl purp tools, mch, equip					57,542	0	0	0	0	57,542				34,220	5,139	39,359
Land																
1031	LAND + LAND RIGHTS	6/30/2000	N-1	100.00%	82,445	0	0	0	0	82,445	0			0	0	0
1032	LAND & LAND RIGHTS	6/30/2006	N-1	100.00%	840	0	0	0	0	840	0			0	0	0
1033	LAND & LAND RIGHTS	6/30/2009	N-1	100.00%	69,700	0	0	0	0	69,700	0			0	0	0
	LAND & LAND RIGHTS	12/31/2010	N-1	100.00%	30,000	0	0	0	0	30,000	0			0	0	0
	LAND & LAND RIGHTS	12/31/2011	N-1	100.00%	38,050	0	0	0	0	38,050	0			0	0	0
	LAND & LAND RIGHTS	7/31/2012	N-1	100.00%	130,553	0	0	0	0	130,553	0			0	0	0
	LAND	12/31/2013	N-1	100.00%	70,000	0	0	0	0	70,000	0			0	0	0
Total: Land					481,988	0	0	0	0	481,988				0	0	0
5-yr NY Liberty Zone leasehold improvement property																
	NEW OFFICE BUILDING	6/30/2008	R-1	100.00%	249,588	0	0	0	0	249,588	39.0	SL/GDS	MM	2,412	6,399	8,811
	BUILDING PERMIT	10/2/2013	R-1	100.00%	550	0	0	0	0	550	9.0	SL/ADS	HY	92	61	153
	STEEL BUILDING	6/30/2015	R-1	100.00%	26,080	0	0	0	0	26,080	39.0	SL/GDS	MM	0	363	363
	CONCRETE - GARAGE BLDG	6/30/2015	R-1	100.00%	38,000	0	0	0	0	38,000	39.0	SL/GDS	MM	0	529	529
	BUILDING # 3	12/15/2015	R-1	100.00%	48,000	0	0	0	0	48,000	40.0	SL/ADS	MM	0	50	50
Total: 5-yr NY Liberty Zone LH improv					362,218	0	0	0	0	362,218				2,504	7,402	9,906
15-yr Land Improvements																
1051	DISTRIBUTION RESERVOIRE	6/30/2000	R-2	100.00%	46,477	0	0	0	0	46,477	40.0	150DB	HY	43,277	1,047	44,324
Total: 15-yr Land Improvements					46,477	0	0	0	0	46,477				43,277	1,047	44,324

02/23/2016 10:39 6066797673 JACK B PIGMAN PAGE 02/06

Assets by Classification - 1120

WESTERN PULASKI COUNTY WATER DIST 61-1367132

12/31/2015

Item No.	Description of Property **** indicates DISPOSED	Date Placed In Service	Asset Code	Business Use %	Cost or Other Basis	Sec. 179 Deduction	Credit	Special Allowance	Salvage Value	Recovery Basis	Recovery Period	Method	Con-vention Code	Prior Accum. Deprac., 179. Bonus	2015 Deprec.	2015 Accum. Deprac.
1208	LINE EXTENSION - 2008	9/25/2008	R-6	100.00%	264,995	0	0	0	0	264,995	40.0	SLADS	MM	38,425	6,625	45,050
1209	LINE EXTENSION-2009	12/15/2009	R-6	100.00%	138,567	0	0	0	0	138,567	40.0	SLADS	MM	17,320	3,464	20,784
	LINE EXTENSION - 2010	6/30/2010	R-6	100.00%	2,098,723	0	0	0	0	2,098,723	40.0	SLADS	MM	222,246	52,468	274,714
10125	LINE EXTENSION - 2010	1/15/2011	R-6	100.00%	5,068	0	0	0	0	5,068	40.0	SLADS	MM	444	127	571
10126	LINE EXTENSION - 2011	6/30/2011	R-6	100.00%	325,680	0	0	0	0	325,680	40.0	SLADS	MM	28,497	8,142	36,639
	LINE EXTENSION - 2012	4/15/2012	R-6	100.00%	43,567	0	0	0	0	43,567	40.0	SLADS	MM	2,950	1,089	4,039
	LINE EXTENSION - 2013	6/30/2013	R-6	100.00%	367,465	0	0	0	0	338,169	40.0	SLADS	HY	12,681	9,187	21,868
	LINE EXTENSION - 2014	12/31/2014	R-6	100.00%	961,040	0	0	0	0	961,040	40.0	SLADS	MM	573	24,026	24,599
	LINE EXTENSION - 2015	6/30/2015	R-6	100.00%	1,881,930	0	0	0	0	1,881,930	40.0	SLADS	HY	0	23,524	23,524
Total: 40-yr Foreign real estate					11,103,116	0	0	0	0	11,073,820				1,862,276	254,121	2,116,397

5-yr SUV and certain trucks and vans > 6,000 pounds

1411	TRUCKS	6/30/2000	V-6	100.00%	85,977	0	0	0	0	85,977	5.0	SLADS	HY	85,977	0	85,977
1412	TRUCK	6/30/2004	V-6	100.00%	17,500	0	0	0	0	17,500	5.0	200DB	HY	17,500	0	17,500
1411	TRUCK	6/30/2005	V-6	100.00%	13,091	0	0	0	0	13,091	5.0	200DB	HY	13,091	0	13,091
1414	TRUCK	6/30/2006	V-6	100.00%	7,750	0	0	0	0	7,750	5.0	200DB	HY	5,778	0	5,778
1413	VAN	1/22/2007	V-6	100.00%	3,199	0	0	0	0	3,199	5.0	200DB	HY	3,199	0	3,199
1418	TRAILER FOR BACKHOE	2/14/2008	V-6	100.00%	6,000	0	0	0	0	6,000	5.0	200DB	HY	4,237	0	4,237
1415	TRUCK-DON JACKSON	2/19/2008	V-6	100.00%	10,500	0	0	0	0	10,500	5.0	200DB	HY	9,165	0	9,165
1416	95 CHEV TRUCK	8/28/2008	V-6	100.00%	3,975	0	0	0	0	3,975	5.0	200DB	HY	3,470	0	3,470
1417	TRUCK-D. FRANKLIN MTRS	10/2/2008	V-6	100.00%	12,500	0	0	0	0	12,500	5.0	200DB	HY	9,910	0	9,910
	TRUCKS	6/30/2011	V-6	100.00%	64,525	0	0	0	0	64,525	5.0	200DB	HY	46,923	7,433	54,356
	TRAILER FOR BACKHOE	6/30/2011	V-6	100.00%	3,900	0	0	0	0	3,900	5.0	200DB	HY	3,226	449	3,675
	CHEV TRUCK	2/8/2012	V-6	100.00%	30,880	0	0	0	0	30,880	5.0	SLADS	HY	15,440	6,178	21,618
Total: 5-yr SUV/truck/van > 6,000 lbs					259,797	0	0	0	0	259,797				217,916	14,058	231,974

SubTotals

Less: Disposed Assets

Ending Totals

22,571,414	0	0	0	0	22,485,275
(0)	(0)	(0)	(0)	(0)	(0)
22,571,414	0	0	0	0	22,485,275

7,965,788	557,205	8,522,993
(0)	(0)	(0)
7,965,788	557,205	8,522,993

metus

73,810

254R SL 1/2 year

1476⁰⁰

Detail Report - 1120

WESTERN PULASKI COUNTY WATER DIST 61-1367132

12/31/2015

Item No.	Description of Property <small>*** indicates DISPOSED</small>	Date Placed in Service	Business Use %	Cost or Other Basis	Sec. 179 Deduction	Special Allowance	Recovery Basis	Rec Period	Method	Con-vention Code	Prior Accum. Deprec., 179, Bonus	2015 Current Deprec.	2015 Accum. Deprec.
1031	LAND + LAND RIGHTS	6/30/2000	100.00%	82,445	0	0	82,445	0			0	0	0
1032	LAND & LAND RIGHTS	6/30/2006	100.00%	840	0	0	840	0			0	0	0
1033	LAND & LAND RIGHTS	6/30/2009	100.00%	69,700	0	0	69,700	0			0	0	0
1051	DISTRIBUTION RESERVOIR	6/30/2000	100.00%	46,477	0	0	46,477	40.0	150DB	HY	43,277	1,047	44,324
1052	NANCY WATER TANK	12/31/2009	100.00%	240,603	0	0	240,603	25.0	SL/GDS	HY	52,712	9,624	62,336
1111	ELECTRIC PUMPING PLANT	6/30/2000	100.00%	30,802	0	0	30,802	25.0	SL/GDS	HY	23,307	1,232	24,539
1112	CLIFTY ROAD PUMP STATION	6/30/2000	100.00%	90,625	0	0	90,625	25.0	SL/GDS	HY	40,137	3,625	43,762
1113	NELSON KNOB PUMP STATION	5/3/2007	100.00%	13,000	0	0	13,000	15.0	SL/GDS	HY	6,501	867	7,368
1115	WEST 80 PUMP STATION	12/31/2009	100.00%	132,852	0	0	132,852	15.0	SL/GDS	HY	34,104	8,861	42,965
1116	HWY 80 PUMP STATION	12/31/2009	100.00%	20,250	0	0	20,250	15.0	SL/GDS	HY	5,268	1,351	6,619
1202	2002 LINE EXTENSION	6/30/2002	100.00%	1,710,018	0	0	1,710,018	40.0	SL/ADS	MM	550,966	42,750	593,716
1203	2003 LINE EXTENSION	6/30/2003	100.00%	2,107,512	0	0	2,107,512	40.0	SL/ADS	MM	684,495	52,688	737,183
1203	2004 LINE EXTENSION	6/30/2004	100.00%	584,406	0	0	584,406	40.0	SL/ADS	MM	153,405	14,610	168,015
1205	LINE EXTENSION - 2005	6/30/2005	100.00%	105,306	0	0	105,306	39.0	SL/ADS	MM	25,740	2,700	28,440
1206	LINE EXTENSION-2006	6/30/2006	100.00%	123,289	0	0	123,289	40.0	SL/ADS	MM	26,197	3,082	29,279
1207	2007 LINE EXTENSION	6/30/2007	100.00%	385,550	0	0	385,550	40.0	SL/ADS	MM	98,337	9,639	107,976
1208	LINE EXTENSION - 2008	9/25/2008	100.00%	264,995	0	0	264,995	40.0	SL/ADS	MM	38,425	6,625	45,050
1209	LINE EXTENSION-2009	12/15/2009	100.00%	138,567	0	0	138,567	40.0	SL/ADS	MM	17,320	3,464	20,784
1311	TRANSMISSION + DISTRIBUTION	6/30/2000	100.00%	5,412,862	0	0	5,412,862	50.0	SL/GDS	HY	2,805,966	108,257	2,914,213
1312	TRANSMISSION + DISTRIBUTION	6/30/2000	100.00%	1,368,593	0	0	1,368,593	40.0	SL/GDS	HY	932,514	34,215	966,729
1313	TRANSMISSION + DISTRIBUTION	6/30/2003	100.00%	14,163	0	0	14,163	40.0	SL/GDS	HY	4,071	354	4,425
1314	TRANS & DIST MAINS	12/31/2009	100.00%	4,150	0	0	4,150	15.0	SL/GDS	HY	1,039	277	1,316
1331	SERVICES	6/30/2000	100.00%	568,482	0	0	568,482	25.0	SL/GDS	MM	431,318	22,739	454,057
1341	METERS + INSTALLATION	6/30/2000	100.00%	1,469,156	0	0	1,469,156	25.0	150DB	HY	1,144,290	52,655	1,196,945
1342	METERS + INSTALLATION	6/30/2004	100.00%	113,805	0	0	113,805	25.0	150DB	HY	46,592	4,079	50,671
1343	METERS + INSTALLATION	6/30/2005	100.00%	118,230	0	0	118,230	25.0	SL/ADS	HY	45,123	4,729	49,852
1343	METERS + INSTALLATION	6/30/2005	100.00%	107,590	0	0	107,590	25.0	150DB	HY	36,647	3,856	40,503
1344	METERS & INSTALLATION	6/30/2007	100.00%	86,360	0	0	86,360	25.0	150DB	HY	27,540	3,529	31,069
1345	METERS & INSTALL-2008	6/30/2008	100.00%	23,891	0	0	23,891	25.0	150DB	HY	6,607	959	7,566
1346	METERS & INSTALL	12/31/2009	100.00%	12,384	0	0	12,384	20.0	150DB	HY	3,447	605	4,052
1351	HYDRANTS	6/30/2000	100.00%	20,147	0	0	20,147	15.0	SL/GDS	HY	20,147	0	20,147
1401	OFFICE EQUIPMENT	6/30/2000	100.00%	98,236	0	0	98,236	7.0	200DB	HY	98,236	0	98,236
1402	OFFICE EQUIPMENT	6/30/2003	100.00%	21,522	0	0	21,522	5.0	200DB	HY	21,522	0	21,522
1403	OFFICE EQUIPMENT	6/30/2004	100.00%	11,873	0	0	11,873	5.0	200DB	HY	11,873	0	11,873
1404	COPIER	12/15/2004	100.00%	4,250	0	0	4,250	5.0	200DB	HY	4,165	0	4,165
1405	OFFICE EQUIPMENT	6/30/2006	100.00%	419	0	0	419	5.0	200DB	HY	419	0	419
1406	OFFICE EQUIPMENT	10/23/2008	100.00%	1,105	0	0	1,105	5.0	200DB	HY	744	0	744
1411	TRUCK	6/30/2005	100.00%	13,091	0	0	13,091	5.0	200DB	HY	13,091	0	13,091
1411	TRUCKS	6/30/2000	100.00%	85,977	0	0	85,977	5.0	SL/ADS	HY	85,977	0	85,977
1412	TRUCK	6/30/2004	100.00%	17,500	0	0	17,500	5.0	200DB	HY	17,500	0	17,500
1413	VAN	1/22/2007	100.00%	3,199	0	0	3,199	5.0	200DB	HY	3,199	0	3,199
1414	TRUCK	6/30/2006	100.00%	7,750	0	0	7,750	5.0	200DB	HY	5,778	0	5,778
1415	TRUCK-DON JACKSON	2/19/2008	100.00%	10,500	0	0	10,500	5.0	200DB	HY	9,804	0	9,804
1416	95 CHEV TRUCK	8/28/2008	100.00%	3,975	0	0	3,975	5.0	200DB	HY	3,470	0	3,470
1417	TRUCK-D. FRANKLIN MTRS	10/2/2008	100.00%	12,500	0	0	12,500	5.0	200DB	HY	9,910	0	9,910
1418	TRAILER FOR BACKHOE	2/14/2008	100.00%	6,000	0	0	6,000	5.0	200DB	HY	4,237	0	4,237
1421	RADIOS	6/30/2000	100.00%	9,106	0	0	9,106	5.0	200DB	HY	9,106	0	9,106
10125	LINE EXTENSION - 2010	1/15/2011	100.00%	5,068	0	0	5,068	40.0	SL/ADS	MM	444	127	571
10126	LINE EXTENSION - 2011	6/30/2011	100.00%	325,680	0	0	325,680	40.0	SL/ADS	MM	28,497	8,142	36,639
	LINE EXTENSION -2010	6/30/2010	100.00%	2,098,723	0	0	2,098,723	40.0	SL/ADS	MM	222,246	52,468	274,714

Detail Report - 1120

WESTERN PULASKI COUNTY WATER DIST 61-1367132

12/31/2015

Item No.	Description of Property **** indicates DISPOSED	Date Placed in Service	Business Use %	Cost or Other Basis	Sec. 179 Deduction	Special Allowance	Recovery Basis	Rec Period	Method	Con-vention Code	Prior Accum. Deprac., 179, Bonus	2015 Current Deprec.	2015 Accum. Deprec.
	METERS & INSTALLATION	6/30/2010	100.00%	26,982	0	0	26,982	20.0	150DB	HY	6,172	1,426	7,598
	OFFICE EQUIPMENT	6/30/2010	100.00%	13,143	0	0	13,143	5.0	200DB	HY	9,494	757	10,251
	LAND & LAND RIGHTS	12/31/2011	100.00%	38,050	0	0	38,050	0			0	0	0
	TRUCKS	6/30/2011	100.00%	64,525	0	0	64,525	5.0	200DB	HY	46,923	7,433	54,356
	EQUIPMENT & TOOLS	6/30/2011	100.00%	52,049	0	0	52,049	7.0	200DB	HY	30,953	4,648	35,601
	FENCE	6/30/2011	100.00%	5,493	0	0	5,493	7.0	200DB	HY	3,267	491	3,758
	LAND & LAND RIGHTS	12/31/2010	100.00%	30,000	0	0	30,000	0			0	0	0
	METERS & INSTALLATION	12/31/2010	100.00%	28,132	0	0	28,132	25.0	150DB	HY	5,753	1,278	7,031
	TRAILER FOR BACKHOE	6/30/2011	100.00%	3,900	0	0	3,900	5.0	200DB	HY	3,226	449	3,675
	NEW OFFICE BUILDING	6/30/2008	100.00%	249,588	0	0	249,588	39.0	SL/GDS	MM	2,412	6,399	8,811
	OFFICE EQUIPMENT	6/30/2009	100.00%	19,201	0	0	19,201	5.0	200DB	HY	14,901	0	14,901
	LINE EXTENSION - 2012	4/15/2012	100.00%	43,567	0	0	43,567	40.0	SL/ADS	MM	2,950	1,089	4,039
	METERS	4/5/2012	100.00%	4,575	0	0	4,575	25.0	SL/ADS	HY	458	183	641
	OFFICE EQUIPMENT	4/5/2012	100.00%	6,561	0	0	6,561	5.0	SL/ADS	HY	3,280	1,312	4,592
	CHEV TRUCK	2/8/2012	100.00%	30,880	0	0	30,880	5.0	SL/ADS	HY	15,440	6,176	21,616
	LAND & LAND RIGHTS	7/9/2012	100.00%	190,953	0	0	190,953	0			0	0	0
	LAND	12/31/2013	100.00%	70,000	0	0	70,000	0			0	0	0
	WEST 80 PUMP STATION	6/30/2013	100.00%	5,000	0	0	5,000	15.0	SL/ADS	HY	501	334	835
	BUILDING PERMIT	10/2/2013	100.00%	550	0	0	550	9.0	SL/ADS	HY	92	61	153
	LINE EXTENSION - 2013	6/30/2013	100.00%	367,465	0	0	338,169	40.0	SL/ADS	HY	12,681	9,187	21,868
	METERS & INSTALL - 2013	6/30/2013	100.00%	21,767	0	0	21,767	25.0	SL/ADS	HY	1,306	871	2,177
	LINE EXTENSION - 2014	12/31/2014	100.00%	961,040	0	0	961,040	40.0	SL/ADS	MM	573	24,026	24,599
	COMPUTER	5/22/2014	100.00%	2,758	0	0	2,758	5.0	SL/ADS	HY	276	552	828
	OFFICE EQUIPMENT	5/22/2014	100.00%	8,006	0	0	8,006	5.0	SL/ADS	HY	801	1,601	2,402
	SECURITY SYSTEM	5/22/2014	100.00%	2,683	0	0	2,683	5.0	SL/ADS	HY	268	537	805
	LINE EXTENSION - 2015	6/30/2015	100.00%	1,881,930	0	0	1,881,930	40.0	SL/ADS	HY	0	23,524	23,524
	BUILDING # 3	12/15/2015	100.00%	48,000	0	0	48,000	40.0	SL/ADS	MM	0	50	50
	METERS & INSTALLATION	6/30/2015	100.00%	46,483	0	0	0	25.0	SL/ADS	HY	0	930	930
	OFFICE EQUIPMENT	6/30/2015	100.00%	10,360	0	0	0	5.0	SL/ADS	HY	0	1,036	1,036
	STEEL BUILDING	6/30/2015	100.00%	26,080	0	0	26,080	39.0	SL/GDS	MM	0	363	363
	CONCRETE - GARAGE BLDG	6/30/2015	100.00%	38,000	0	0	38,000	39.0	SL/GDS	MM	0	529	529
	METERS & INSTALLATION	6/30/2014	100.00%	70,169	0	0	70,169	25	SL/ADS	HY	0	2,807	2,807
	SubTotals			22,571,414	0	0	22,485,275				8,017,427	557,205	8,574,632
	Less: Disposed Assets			(0)	(0)	(0)	(0)				(0)	(0)	(0)
	Ending Totals			<u>22,571,414</u>	<u>0</u>	<u>0</u>	<u>22,485,275</u>				<u>8,017,427</u>	<u>557,205</u>	<u>8,574,632</u>

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JACK B PIGMAN

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Excerpts from Audit

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2015 and 2014

Note 2 – Capital Assets

Capitalization of Interest:

Interest costs incurred during construction are capitalized. Interest capitalized for the year ended December 31, 2015 and 2014 was \$30,871 and \$47,678, respectively.

Note 3 – Long-Term Debt

Long-term debt consists of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Series 2002A Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$900,000; due in annual installments on January 1, through 2042; interest rate of 4.5% due semi-annually on January 1 and July 1.	\$ 771,000	\$ 785,000
Series 2002B Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$550,000; due in annual installments on January 1, through 2042; interest rate of 4.5% due semi-annually on January 1 and July 1.	469,000	478,000
Series 2010 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$911,000; due in annual installments on January 1, through 2049; interest rate of 2.25% due semi-annually on January 1 and July 1.	853,000	868,000
Series 2012E Water Revenue Bonds issued through Kentucky Rural Water Finance Corporation in the amount of \$2,080,000; (to refund Series 2001A and 2001B revenue bonds) due in annual installments on July 1, through 2035; interest rate of 2.2 - 3.7% due semi-annually on January 1 and July 1.	1,795,000	1,910,000
Series 2013 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$1,400,000; due in annual installments on January 1, through 2053; interest rate of 2.25% due semi-annually on January 1 and July 1.	<u>1,400,000</u>	<u>-</u>
Total Debt	<u>\$ 5,288,000</u>	<u>\$ 4,041,000</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2015 and 2014

Note 3 – Long-Term Debt, Continued

Principal and interest maturities of long-term debt are as follows:

	Principal	Interest	Total
2016	\$ 183,000	\$ 160,689	\$ 343,689
2017	186,000	156,035	342,035
2018	192,500	151,308	343,808
2019	196,500	146,063	342,563
2020	202,500	139,791	342,291
2021-2025	1,116,500	596,980	1,713,480
2026-2030	680,500	443,998	1,124,498
2031-2035	806,500	322,007	1,128,507
2036-2040	655,500	193,494	848,994
2041-2045	526,500	89,364	615,864
2046-2050	383,500	38,042	421,542
Thereafter	158,500	5,406	163,906
	<u>\$ 5,288,000</u>	<u>\$ 2,443,177</u>	<u>\$ 7,731,177</u>

Long-term debt activities for the year ended December 31, 2015 and 2014 are as follows:

Debt	Balance January 1, 2015	Additions	Debt Payments and Reductions	Balance December 31, 2015	Amount Due within One Year
RD 2002A	\$ 785,000	\$ -	\$ (14,000)	\$ 771,000	\$ (15,000)
RD 2002B	478,000	-	(9,000)	469,000	(9,000)
RD 2010	868,000	-	(15,000)	853,000	(15,500)
KRWFC 2012E	1,910,000	-	(115,000)	1,795,000	(120,000)
RD 2013	-	1,400,000	-	1,400,000	(23,500)
	<u>\$ 4,041,000</u>	<u>\$ 1,400,000</u>	<u>\$ (153,000)</u>	<u>\$ 5,288,000</u>	<u>\$ (183,000)</u>

Debt	Balance January 1, 2014	Additions	Debt Payments and Reductions	Balance December 31, 2014	Amount Due within One Year
RD 2002A	\$ 799,000	\$ -	\$ (14,000)	\$ 785,000	\$ (14,000)
RD 2002B	487,000	-	(9,000)	478,000	(9,000)
RD 2010	882,500	-	(14,500)	868,000	(15,000)
KRWFC 2012E	2,025,000	-	(115,000)	1,910,000	(115,000)
	<u>\$ 4,193,500</u>	<u>\$ -</u>	<u>\$ (152,500)</u>	<u>\$ 4,041,000</u>	<u>\$ (153,000)</u>

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. The District performed calculations of excess investment earnings on various bonds and at December 31, 2015 and 2014 does not expect to incur a liability.

Bond Resolutions

SUPPLEMENTAL BOND RESOLUTION

RESOLUTION OF THE WESTERN PULASKI COUNTY WATER DISTRICT SUPPLEMENTING A RESOLUTION PREVIOUSLY ADOPTED BY SAID DISTRICT ON JANUARY 19, 2010 RELATING TO THE AUTHORIZATION, ISSUANCE AND SALE OF \$911,000 PRINCIPAL AMOUNT OF WESTERN PULASKI COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2010; SETTING FORTH ADDITIONAL TERMS, CONDITIONS AND ELECTIONS IN CONNECTION WITH THE ISSUANCE OF SAID BONDS PURSUANT TO THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009.

WHEREAS, the Western Pulaski County Water District (the "District") is in the process of constructing certain extensions, additions and improvements (the "Project") to the water system of the District, said Project being financed, in part, through the issuance of \$911,000 of Western Pulaski County Water District Waterworks Revenue Bonds, Series 2010 (the "2010 Bonds"), authorized pursuant to a Resolution adopted by the Board of Commissioners of the District on January 19, 2010 (the "2010 Bond Resolution"), and

WHEREAS, the 2010 Bonds were sold by competitive sale on March 2, 2010 on a tax-exempt basis to the U.S. Department of Agriculture, acting through Rural Development ("RD"), and

WHEREAS, the American Recovery and Reinvestment Act of 2009 ("ARRA") provides for the issuance of "Build American Bonds - Direct Payment" ("BABs") to finance projects commenced on and after February 17, 2009, provided such BABs meet the requirements of ARRA and are issued on or prior to December 31, 2010, and

WHEREAS, in order to have the 2010 Bonds issued as BABs, it is necessary for the District to irrevocably elect to have the provisions of Section 54AA and subsection 54AA(g) of the Internal Revenue Code of 1986, as amended (the "Code") apply to said 2010 Bonds, and

WHEREAS, as a result of the designation of the 2010 Bonds as BABs, the District will receive payments from the U.S. Treasury Department equal to 35% of the interest payments on the 2010 Bonds, and

WHEREAS, it is necessary for the District to supplement the 2010 Bond Resolution in order to evidence the District's irrevocable election to have the 2010 Bonds issued as BABs and further to provide that the District will comply with the ARRA restrictions regarding BABs.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE WESTERN PULASKI COUNTY WATER DISTRICT AS FOLLOWS:

1. Tax Covenants Relating to 2010 Bonds. The District hereby makes an irrevocable election to designate the 2010 Bonds as "Build America Bonds" under Section 54AA of the Code

and also irrevocably elects to have the provisions of Section 54AA(g) of the Code apply to the 2010 Bonds so that said 2010 Bonds will be deemed "qualified bonds" and the District will receive a refundable credit under Section 6431 of the Code equal to 35% of the stated interest paid on the 2010 Bonds.

Pursuant to the provisions of ARRA, the District covenants and agrees that:

(i) All of the excess of (a) the available project proceeds (as defined in Section 54A of the Code to mean sale proceeds of the 2010 Bonds less not more than 2% of such proceeds used to pay costs of issuance plus investment proceeds thereon), over (b) any amounts in a reasonably required reserve fund (within the meaning of Section 150(a)(3) of the Code) with respect to such issue, shall be used for capital expenditures;

(ii) It shall comply with the requirements of Section 54AA(g) of the Code to assure eligibility of the District for receipt of the direct pay interest credit;

(iii) The issue price (reoffering price) of the 2010 Bonds of the same maturity does not exceed the par amount by more than .25% multiplied by the number of complete years to the earlier of the maturity date or the first optional redemption date for such 2010 Bonds; and

(iv) It shall not use or permit the use of any of the funds provided by the 2010 Bonds in such a manner as to, or take or omit to take any action which would, impair the status of the 2010 Bonds as "qualified bonds" under Section 54AA of the Code.

2. 2010 Bonds to be issued as taxable bonds. The 2010 Bonds shall be issued as taxable bonds and accordingly, the interest on the 2010 Bonds shall be includable in gross income for Federal income tax purposes. The District understands that pursuant to Section 54AA of the Code, the 2010 Bonds must meet all of the provisions of the Code relating to tax-exempt bonds and the District covenants and agrees to abide by all of such provisions.

3. District agrees to file necessary forms. The District hereby agrees to file or cause to be filed, in a timely manner, any and all necessary forms required by the Code, including, but not limited to IRS Form 8038-B, Information Return for Build America Bonds and Recovery Zone Economic Development Bonds and IRS Form 8038-CP, Return for Credit Payments for Issuers of Qualified Bonds. The District also agrees to complete and file or cause to be filed, in a timely manner, any and all other form and questionnaires received by the District, including, but not limited to IRS Form 14127, Direct Pay Bonds Compliance Questionnaire.


4. Post compliance agreement. The District hereby agrees to enter into a post compliance agreement, if necessary in the opinion of Rubin & Hays, Bond Counsel, in order to assure the continued compliance with all present and future requirements of the Code relating to BABs.

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

6. Effective Date of Resolution. This Resolution shall take effect from and after its adoption and approval.

Introduced, read and adopted by the Board of Commissioners of the District on October 7, 2010.

Western Pulaski County Water District

By 
Chairman

(Seal of District)

Attest:

Secretary

CERTIFICATE OF SECRETARY

I, the undersigned, the duly qualified and acting Secretary of the Western Pulaski County Water District, do hereby certify that the foregoing is a true and correct copy of a Resolution which was read and adopted by the Board of Commissioners of said District on October 7, 2010, that said Resolution was then placed on file in my office for public inspection in its completed form, was executed by the Chairman and attested by the Secretary, and that said Resolution has been duly recorded in the official records of the District, as shown by the official records of said District in my custody and under my control. I further certify that said meeting was either a regular or special meeting, duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.823, that a quorum was present at such meeting, that said Resolution has not been modified, amended, revoked or repealed, and that the same is now in full force and effect.

IN WITNESS WHEREOF, I have hereto set my hand as Secretary and the official seal of the District this October 7, 2010.


Secretary

(Seal of District)

BOND RESOLUTION

WESTERN PULASKI COUNTY WATER DISTRICT

AUTHORIZING

WESTERN PULASKI COUNTY WATER DISTRICT

WATERWORKS REVENUE BONDS, SERIES 2010

IN THE PRINCIPAL AMOUNT OF

\$911,000

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BOND RESOLUTION

RESOLUTION OF THE WESTERN PULASKI COUNTY WATER DISTRICT AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$911,000 PRINCIPAL AMOUNT OF WESTERN PULASKI COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2010 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the waterworks system (the "System") of the Western Pulaski County Water District (the "District") is owned and operated by said District pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes (the "Act"), and

WHEREAS, the District presently has outstanding certain Prior Bonds (as hereinafter defined), which Prior Bonds are payable from and secured by a pledge of the revenues derived from the operation of the System, and

WHEREAS, all of the Prior Bonds presently outstanding are current as to payment of both principal and interest, and for the security of which a certain Sinking Fund and certain reserves are being maintained in the manner and by the means prescribed in the Prior Bond Resolution (as hereinafter defined) of the District, authorizing the Prior Bonds, and

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of \$911,000 (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by Bell Engineering, Inc. and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued so as to rank on a parity basis with the Prior Bonds, and

WHEREAS, the Prior Bonds were issued to and are now held by the Rural Development of the Department of Agriculture of the United States of America (the "RD"), and

WHEREAS, the RD, as the Owner of the Prior Bonds, has consented to the issuance by the District of the Current Bonds, and

WHEREAS, the Public Service Commission of Kentucky will grant to the District a Certificate of Public Convenience and Necessity, authorizing the construction of said extensions, additions and improvements, and

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately \$391,000, to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE WESTERN PULASKI COUNTY WATER DISTRICT, AS FOLLOWS:

**ARTICLE 1. DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS;
SECURITY.**

Section 101. Definitions. As used in this Resolution, unless the context requires otherwise:

"Act" refers to Chapters 58 and 74 of the Kentucky Revised Statutes.

"Beginning Month" refers to the month following the month in which the Current Bonds authorized herein are issued, sold and delivered to the Purchaser thereof.

"Bond Counsel" refers to an attorney or firm of attorneys recognized nationally as experts in the field of municipal bond law and shall be deemed to refer to Rubin & Hays, Louisville, Kentucky, or their successors.

"Bondowner" or "Owner" refer to registered Owners of the Current Bonds at the time issued and outstanding hereunder.

"Bonds" collectively refers to the outstanding Current Bonds, Prior Bonds and the Parity Bonds.

"Bonds of 2001" or "Series 2001 Bonds" refer to the outstanding Western Pulaski County Water District Waterworks Revenue Bonds, Series 2001A and B, dated January 17, 2002, in the original authorized principal amount of \$2,844,000.

"Bonds of 2002" or "Series 2002 Bonds" refer to the outstanding Western Pulaski County Water District Waterworks Revenue Bonds, Series 2002A and B, dated February 7, 2003, in the original authorized principal amount of \$1,450,000.

"Bond Resolution of 2001" or "2001 Bond Resolution" refer to the Resolution authorizing the Bonds of 2001, duly adopted by the Board of Commissioners of the District on January 10, 2002.

"Bond Resolution of 2002" or "2002 Bond Resolution" refer to the Resolution authorizing the Bonds of 2002, duly adopted by the Board of Commissioners of the District on January 10, 2002.

"Chairman" refers to the elected or appointed Chairman or Chairperson of the Commission.

"Code" refers to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations relating thereto.

"Commission" refers to the Board of Commissioners of the District, or such other body as shall be the governing body of said District under the laws of Kentucky at any given time.

"Construction Account" refers to the Western Pulaski County Water District Waterworks Construction Account, created in Section 301(B) of this Current Bond Resolution.

"Contractors" refers to the general contractors who have been employed by the District to construct the Project.

"Current Bond Resolution" or *"Resolution"* refer to this Resolution authorizing the Current Bonds.

"Current Bonds" refers to the \$911,000 of Western Pulaski County Water District Waterworks Revenue Bonds, Series 2010 authorized by this Resolution, to be dated as of the date of issuance thereof.

"Depository Bank" refers to the bank, which shall be a member of the FDIC, which bank shall be named by the District, or its successor.

"Depreciation Fund" refers to the Western Pulaski County Water District Waterworks Depreciation Reserve Fund, described in Section 402 of this Resolution.

"District" refers to the Western Pulaski County Water District of Pulaski County, Kentucky.

"Engineers" refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of the Project and who will supervise the construction thereof and/or will furnish full time resident inspection of the construction of the Project, and shall be deemed to refer to Bell Engineering, Inc., or a member of said firm, or their successors.

"Event of Default" refers to one or more of the Events of Default set forth in Section 701 of this Resolution.

"FDIC" refers to the Federal Deposit Insurance Corporation, or its successors.

"Fiscal Year" refers to the annual accounting period of the District, beginning on January 1, and ending on December 31, of each year.

"Funds" refers to the Construction Account, the Revenue Fund, the Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

"Government" refers to the United States of America, or any agency thereof, including RD.

"Grant Proceeds" refers to the proceeds of the RD Grant.

"Independent Consulting Engineer" refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of waterworks system engineering, and such definition includes the Engineers named above.

"Interim Lender" refers to Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the District.

"Local Counsel" refers to Ryan Morrow, Esq., Somerset, Kentucky, or any other attorney or firm of attorneys designated by the District.

"Multiple Advances" refers to the advance of loan funds from the RD as described in Section 302 of this Resolution.

"Note" refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Chapter 58 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the District evidencing the interim financing for the Project as prescribed in Section 302 of this Resolution.

"Operation and Maintenance Fund" refers to the Western Pulaski County Water District Waterworks Operation and Maintenance Fund described in Section 401 of this Resolution.

"Outstanding Bonds" refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the RD shall be deemed to constitute Outstanding Bonds until paid regardless of the deposit of funds to pay for same.

"Parity Bonds" refers to bonds which may be issued in the future which, pursuant to this Resolution, rank on a basis of parity with the outstanding Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Bonds.

"Prior Bonds" refers collectively to the Series 2001 Bonds and the Series 2002 Bonds .

"Prior Bond Resolution" refers collectively to the 2001 Bond Resolution and the 2002 Bond Resolution.

"Project" refers specifically to the construction of the currently proposed extensions, additions and improvements to the System of the District, which Project is being financed by the Current Bonds and by other funds.

"Purchaser" refers to the agency, person, firm or firms, or their successors, to whom the Current Bonds herein authorized are awarded at the public sale of the Current Bonds.

"RD" refers to the Rural Development of the Department of Agriculture of the United States of America.

"RD Grant" refers to the RD grant described in Section 804 of this Resolution.

"Required Signatures" refers to the signatures necessary to be obtained with reference to the approval of the expenditures to be made from the Construction Account, which required signatures shall consist of the signatures of (1) the Chairman; (2) the Engineers; and (3) the Purchaser; provided, however, any expenditures for issuance and administrative costs and the costs of any equipment which is not permanently affixed to the real estate shall not require the signature or the approval of the Engineers.

"Revenue Fund" refers to the Western Pulaski County Water District Waterworks Revenue Fund, described in Section 401 of this Resolution.

"Secretary" refers to the elected or appointed Secretary of the Commission.

"Sinking Fund" refers to the Western Pulaski County Water District Waterworks Sinking Fund of 2002, described in Section 401 of this Resolution.

"System" refers to the existing waterworks system of the District, together with all extensions, additions and improvements to said System.

"Treasurer" refers to the elected or appointed Treasurer of the Commission.

"U.S. Obligations" refers to bonds or notes which are the direct obligations of the United States of America, or obligations the principal of and interest on which are guaranteed by the United States of America.

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa. Unless otherwise indicated, references to Articles or Sections refers to those in this Resolution.

Section 102. Purpose. The Current Bonds shall be issued for the purpose of financing the cost (not otherwise provided) of the Project, as set out in the plans and specifications prepared by the Engineers. The Commission hereby declares the System of the District, including the extensions, additions and improvements to be constructed, to constitute a revenue producing public project, and said System shall continue to be owned, controlled, operated and maintained by the District as a revenue producing public project pursuant to the Act, so long as any Bonds remain outstanding.

Section 103. Construction Award Approved; Work Authorized. The Commission hereby authorizes, approves, ratifies and confirms its previous action in advertising for and taking steps toward awarding the contracts for the construction of the Project to the lowest and best bidders, and further approves the action of the District officials in entering into formal contracts with said bidders, subject to the necessary approvals being obtained. Authority is hereby given for under-

taking the construction of the Project according to the plans and specifications heretofore prepared by the Engineers for the District, after all necessary approvals have been obtained.

Section 104. Declaration of Period of Usefulness. The Commission hereby declares that the period of usefulness of the System is more than forty (40) years from the date of completion of the Project.

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$1,302,000. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of \$911,000 of Current Bonds, based on the following calculation:

Total cost of Project	\$1,302,000
Less:	
RD Grant	<u>\$391,000</u>
Total Non-Bond Funds:	<u>(391,000)</u>
Balance to be financed by Current Bonds	\$911,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$911,000 principal amount of Western Pulaski County Water District Waterworks Revenue Bonds, Series 2010.

The Current Bonds shall be dated as of the date of delivery to the Purchaser thereof; shall bear interest from such date at such interest rate as may be fixed by supplemental resolution as a result of the advertised sale and competitive bidding for such Current Bonds, as hereinafter provided; and shall be issued and delivered as prescribed in Section 202 hereof.

Interest on the Current Bonds shall be payable semiannually on January 1 and July 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Current Bonds to the ensuing January 1 or July 1, as the case may be. Principal of the Current Bonds shall be payable on January 1 of each of the respective years until maturity, as set out in Section 201 hereof.

Section 106. Recognition of Prior Bonds. The District hereby expressly recognizes and acknowledges that the District has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds and in the Prior Bond Resolution.

Section 107. Current Bonds Shall be Payable on Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable out of the gross revenues of the System, on a parity with the Prior Bonds.

Section 108. Lien on Contracts. In addition to the revenue pledge securing the Bonds, a lien is hereby created and granted in favor of the Bondowners on all contracts, and on all other rights of the District pertaining to the System, enforceable by assignment to any receiver or other operator proceeding by authority of any court.

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

Section 201. Principal Payments. Principal payments due on the Current Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A** attached to this Resolution and incorporated herein.

Section 202. Issuance of Current Bonds; Bond Form. The Purchaser of the Current Bonds at the public sale shall take delivery of the Current Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B** attached hereto and incorporated herein, amounting in the aggregate to the principal amount of the Current Bonds authorized herein, maturing as to principal as set out in Section 201. The Current Bonds shall be numbered R-1 and consecutively upward thereafter. Such Current Bonds shall, upon appropriate execution on behalf of the District as prescribed, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), registered as to principal and interest and payable as directed by the registered Owner.

Section 203. Place of Payment and Manner of Execution. Both principal of and interest on the Current Bonds shall be payable at the place and in the manner set out in the form of such Current Bond. The Current Bonds shall be executed on behalf of the District by the manual or facsimile signature of the Chairman of the District, with the Corporate Seal of the District affixed thereto and attested by the manual or facsimile signature of the Secretary of said District.

If either of the officers whose signatures appear on the Current Bonds ceases to be such officer before delivery of said Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery.

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2019, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2019, shall be subject to prepayment by the District on any date falling on and after January 1, 2018, at par plus accrued interest, without any prepayment penalty.

So long as all of the Current Bonds are owned by the Government, all or any of the Current Bonds, or in a multiple of \$100, may be prepaid at any time in inverse chronological order of the principal maturities due, at par plus accrued interest without any prepayment penalty.

Notice of such prepayment shall be given by certified mail to the Bondowner or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the Bondowner.

**ARTICLE 3. CONSTRUCTION ACCOUNT; INTERIM FINANCING;
APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.**

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$308,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed \$308,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

A. Covenants Applicable if RD Purchases Current Bonds. It is acknowledged that all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures and the necessity of using RD forms (the "RD Forms"), shall apply only if the RD is the Purchaser of the Current Bonds and only so long as the RD holds the Current Bonds thereafter. In the event that the RD shall not be the Purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to an Owner who shall not be the Government, all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures, and the necessity of using RD Forms, shall not be applicable.

B. Application of Proceeds of Current Bonds. The proceeds of the Current Bonds shall be applied as follows:

(1) Payment of Interim Financing, Costs of Project and Costs of Issuance. Simultaneously with the delivery of the Current Bonds, there shall immediately be paid to the Interim Lender (or the RD if Multiple Advances are made) an amount sufficient to pay principal of and interest on any temporary loans borrowed by the District in anticipation of the sale and delivery of the Current Bonds and/or of the receipt of Grant Proceeds. Also, at the time of delivery of the Current Bonds, there shall be paid all amounts then due and payable in connection with the costs of the Project and in connection with the issuance of the Current Bonds.

(2) Construction Account. If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "Western Pulaski County Water District Waterworks Construction Account" hereby created, which shall be established at the Depository Bank. There shall

also be deposited in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of Grant Proceeds.

(3) Withdrawal of Funds From Construction Account. Prior to the expenditure by the District of any moneys from the Construction Account, the District must obtain written approval from the RD as to such expenditures, if the RD is the Owner of any Outstanding Bonds. The proceeds of said Construction Account shall be withdrawn only on checks signed by the Chairman, the Treasurer (or by such other official of the District as may be authorized by the Commission), provided such official shall be covered by the Fidelity Bond required by Section 301 of this Resolution, in payment for services and/or materials supplied in connection with the Project, as evidenced by (1) a Requisition Certificate; and (2) invoices and/or partial payment estimates bearing the written approval of the Engineers and the Chairman (or by such other official of the District as may be authorized by the Commission), and which invoices and/or partial payment estimates must have been reviewed and approved for payment by the designated RD official.

Written approval or certification of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition and related items.

During construction, the District shall disburse Construction Account funds in a manner consistent with RD Instruction 1780.

The District shall prepare and submit any and all RD Forms required by the RD. Periodic audits of the District's Construction Account records shall be made by RD as determined by it to be necessary.

(4) Transfer of Capitalized Interest to Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$22,000) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Sinking Fund.

(5) Investment of Funds in Construction Account. Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of the Project (as determined by the Engineers, the Chairman and the RD), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits of

the District in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed, if the RD has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

(6) Statements of Contractors, Engineers and Attorneys as to Payment. Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under RD Instruction 1780.

(7) Disposition of Balance in Construction Account After Completion of Project. When the Project has been completed and all construction costs have been paid in full, as certified by the Engineers for the District and/or by the RD, any balance then remaining in the Construction Account may, with the consent of the RD, be applied to the cost of constructing additional extensions, additions and improvements to the System (the "Additional Construction"). If such Additional Construction is to be undertaken by the Contractors previously engaged in the Project, such Additional Construction may be authorized by a change order.

If there is a balance remaining in the Construction Account after such Additional Construction, such balance (subject to legal requirements as to possible refund of any allocated portion of the balance derived from Grant Proceeds) shall be transferred to the Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least \$100 of the principal payment falling due in any year on the Bonds will be transferred to the Depreciation Fund.

Section 302. Interim Financing Authorization.

A. Interim Financing. The District shall use interim financing for the Project during construction of that portion of the cost of the Project financed by the Current Bonds, if available at reasonable rates and terms.

The borrowing of up to the aggregate sum of \$911,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

(1) At the direction of the District, the Interim Lender shall disburse the proceeds of the Note by cashier's checks directly to the parties entitled thereto as set forth in the Requisition Certificate; or

(2) At the direction of the District, the Interim Lender shall deposit the proceeds of the Note in the Construction Account, in which event amounts of the District on deposit therein shall, until expended to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The aggregate of the principal amount of all Notes shall not exceed \$911,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of \$911,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds and/or Grant Proceeds.

The District hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds and/or the receipt of said Grant Proceeds, the District will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of the Note, together with accrued interest thereon to the date of such payment; and the proceeds of the Current Bonds and Grant Proceeds are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

Although the proceeds of the Current Bonds and Grant Proceeds are pledged to the repayment of said interim financing, it is recognized that the Grant Proceeds may be applied to the extent required at the time of receipt of the Grant Proceeds, to the payment of costs of the Project due and owing by the District at the time of receipt of such Grant Proceeds, rather than to the repayment of portions of the interim financing at that time. If and to the extent that the Grant Proceeds are in excess of any costs of the Project due and owing at the time of receipt thereof, such Grant Proceeds may be applied, in the same manner as set out hereinabove, to the reduction of the amount of the interim financing, after which, such interim financing may again be increased as theretofore. The District further pledges the revenues of the System to the repayment of said interim financing, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

It is understood that the foregoing constitutes an alternative method of obtaining interim financing, and does not preclude the authorization and sale, by public advertisement or otherwise, of bond anticipation notes and/or grant anticipation notes to the most favorable bidder on the open market, by concurrent or subsequent proceedings of the District.

B. Multiple Advances by RD. In the event the Current Bonds are purchased by the RD, and in the event the District is unable to obtain a commitment for interim financing for the Project from any Interim Lender at reasonable rates and terms, the Chairman is authorized to request Multiple Advances of loan funds from the RD.

If the RD agrees to make Multiple Advances to the District pending the delivery of the Current Bonds, the Chairman is hereby authorized to execute in the name and on behalf of the District any number of Notes. Each such Note, evidencing an advance of funds by the RD to the District, shall be in the form prescribed by the RD.

Each request for an advance from the RD shall be accompanied by a Requisition Certificate. The District will also furnish to the RD, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the RD, including an updated supplemental title opinion of Local Counsel and an updated supplemental preliminary legal opinion of Bond Counsel.

The proceeds of any Multiple Advances shall be either (i) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project; or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301 hereof, in which event amounts on deposit in such Construction Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds. The District further pledges the revenues of the System to the repayment of said Multiple Advances, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

Section 303. Arbitrage Limitations on Investment of Proceeds. The District covenants and certifies, in compliance with the Code, on the basis of known facts and reasonable expectations on the date of adoption of this Resolution, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The District covenants to the Owners of the Current Bonds that (1) the District will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds"; and (2) the District will comply with all of the requirements of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute "arbitrage bonds" and that the interest on the Bonds shall be excludable from gross income for federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Chairman and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) are authorized to execute such certifications as shall be required by Bond Counsel, setting out all known and contemplated facts concerning the anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".

ARTICLE 4. FLOW OF FUNDS.

Section 401. Funds. There was heretofore created in the Prior Bond Resolution the following funds and accounts:

- (a) Western Pulaski County Water District Waterworks Revenue Fund
- (b) Western Pulaski County Water District Waterworks Sinking Fund of 2002
- (c) Western Pulaski County Water District Waterworks Depreciation Fund
- (d) Western Pulaski County Water District Waterworks Operation and Maintenance Fund

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding, subject to the right of the District to change depository banks.

Section 402. Flow of Funds. All proceedings preliminary to and in connection with the issuance of the Outstanding Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Outstanding Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Outstanding Bonds and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners set out in the Prior Bond Resolution, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Outstanding Bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the Current Bonds, the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

A. Revenue Fund. The District covenants and agrees that it will continue to deposit in the Revenue Fund, promptly as received from time to time, all revenues of the System, as same may be extended and improved from time to time. The moneys in the Revenue Fund shall continue to be used, disbursed and applied by the District only for the purpose and in the manner and order of priorities specified in the Prior Bond Resolution, as hereinafter modified by this Resolution, all as permitted by the Act, and in accordance with previous contractual commitments.

B. Sinking Fund. It is hereby recognized that the District is obligated upon the issuance of the Current Bonds to provide for additional debt service requirements of the Current Bonds.

At or after the delivery of the Current Bonds, there shall be transferred from the Construction Account to the Sinking Fund an amount sufficient to provide for capitalized interest (initially estimated at \$22,000) on the Current Bonds during the construction of the Project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

There shall be transferred from the Revenue Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Outstanding Bonds, a sum equal to the total of the following:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Bonds, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Bonds maturing on the next succeeding January 1.

If the District for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Outstanding Bonds, as same fall due, such excess may be used for redemption or prepayment of any Outstanding Bonds, subject to the terms and conditions set forth therein, prior to maturity.

C. Depreciation Fund. Pursuant to the provisions of the Prior Bond Resolution which requires that an adjustment be made in the Depreciation Fund upon the issuance of bonds ranking on a parity with the Prior Bonds, it is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least \$325 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least \$39,000, which amount shall be maintained, and when necessary, restored to said sum of \$39,000, so long as any of the Bonds are outstanding and unpaid. These deposits are in addition to the deposits required by the Prior Bond Resolution.

As further security for the Bondowners and for the benefit of the District, it has been and is hereby provided that in addition to the monthly transfers required to be made from the Revenue Fund into the Depreciation Fund, there shall be deposited into said Depreciation Fund all proceeds of connection fees collected from potential customers (except the amounts necessary to pay the actual costs and service connections applicable to said potential customers) to aid in the financing of the cost of future extensions, additions and improvements to the System, plus the proceeds of any property damage insurance (not otherwise used to replace damaged or destroyed property); and any such amounts or proceeds so deposited shall be used solely and only for the purposes intended.

Moneys in the Depreciation Fund may be withdrawn and used by the District, upon appropriate certification of the Commission, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will

provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the Sinking Fund is not sufficient to make such payments.

D. Operation and Maintenance Fund. There shall next be transferred monthly from the Revenue Fund and deposited into said Operation and Maintenance Fund, sums sufficient to meet the current expenses of operating and maintaining the System. The balance maintained in said Operation and Maintenance Fund shall not be in excess of the amount required to cover anticipated System expenditures for a two-month period pursuant to the District's annual budget.

E. Monthly Principal and Interest Payments if Requested by the RD. So long as any of the Bonds are held or insured by the RD, the District shall, if requested by the RD, make the payments required by this Section 402, in monthly installments to the RD or to the insured Owners of the Bonds.

F. Surplus Funds. Subject to the provisions for the disposition of the income and revenues of the System as set forth hereinabove, which provisions are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the Revenue Fund on such date, to the Depreciation Fund for application in accordance with the terms of this Resolution or to the Sinking Fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of Outstanding Bonds.

G. Investment and Miscellaneous Provisions. All monies in the Sinking Fund and the Depreciation Fund shall be deposited in the Depository Bank, or such portion thereof as is designated by the Commission. All monies in the Sinking Fund and the Depreciation Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

If the RD has purchased any of the Outstanding Bonds, investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed. Any such investments will be a part of the respective Funds from which the proceeds invested are derived, and income from such investments will be credited to such respective Funds. All investments of funds derived from proceeds of the Outstanding Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

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

All monies held in any of the Funds shall be kept apart from all other District funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the District therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U.S. Obligations, having a market value equivalent to such deposit.

The Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any Bonds.

Section 403. Current Bonds on a Parity with Prior Bonds. It is hereby certified and declared that prior to the issuance of any of the Current Bonds, there will have been procured and filed with the District (i) a letter from the RD to the effect that the RD agrees to the issuance of the Current Bonds ranking on a parity as to security and source of payment with the Prior Bonds, all of which are owned by the RD, together with (ii) a certification signed by the RD to the effect that a legend has been typed, stamped or otherwise affixed on each of the Prior Bonds held by the RD, evidencing the agreement of the RD as the then Owner of the Prior Bonds, to the issuance of the Current Bonds so as to rank on a parity with the Prior Bonds, such legend to be in substantially the following form:

The holder of this Bond has consented to the issuance of \$911,000 of Western Pulaski County Water District Waterworks Revenue Bonds, Series 2010 ranking on a parity as to security and source of payment with this Bond.

Accordingly, it is hereby found and declared that the Current Bonds shall rank and be payable on a parity with said outstanding Prior Bonds from the gross income and revenues of the System.

ARTICLE 5. COVENANTS OF DISTRICT

Section 501. Rates and Charges. The District shall charge such rates and charges for all services and facilities rendered by the System, which rates and charges shall be reasonable, taking into account and consideration the cost and value of the System, the cost of maintaining, repairing and operating same and the amounts necessary for the payment of principal of and interest on Outstanding Bonds against the System. The District shall charge such rates and charges as shall be adequate to meet the requirements of Articles 4 and 5 hereof.

The District covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Secretary a certification of an Independent Consulting Engineer that the annual net revenues (defined as gross revenues less operating expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then Outstanding Bonds payable from the revenues of the System, calculated in the manner specified in Section 603 hereof.

Section 502. Books and Accounts; Audit. The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than ninety (90) days after the close of each Fiscal Year, copies of such audit reports certified by such Certified Public Accountant shall be promptly mailed to the RD without request, so long as the Government is the Owner of any of the Bonds, and to any Bondowner that may have made a written request for same.

Monthly operating reports shall be furnished to the RD and to any Bondowner requesting same, during the first two (2) years of operation after completion of the Project, and whenever and so long as the District is delinquent in any of the covenants set out in the Prior Bond Resolution or this Current Bond Resolution. Thereafter, quarterly operating reports shall be furnished at all other times to the RD and to any Bondowner requesting the same.

Section 503. System to Continue to be Operated on Fiscal Year Basis; Annual Budget. While any of the Bonds are outstanding and unpaid, and to the extent permitted by law, the System shall continue to be operated and maintained on a Fiscal Year basis.

Not later than sixty (60) days before the end of each Fiscal Year, the District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such

Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

For the purpose of the Proposed Budget, operating expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining and insuring the System, but shall exclude depreciation and debt service payments. The District covenants that the operating expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that the District will not expend any amount or incur any obligation for operation or maintenance and repair in excess of the amounts provided for operating expenses in the annual budget, except upon resolution by the District that such expenses are necessary to operate and maintain the System.

Not later than sixty (60) days before the end of each Fiscal Year, the District shall prepare an estimate of gross revenues to be derived from the operation of the System for said Fiscal Year, and, to the extent that said gross revenues are insufficient (a) to pay debt service requirements on all Outstanding Bonds during the ensuing Fiscal Year, (b) to accumulate and maintain all required reserves enumerated herein and (c) to pay operating expenses, the District shall revise the rates and charges sufficiently to provide the funds so required.

If the Owners of at least 50% of the principal amount of the Outstanding Bonds, or the Government so long as it is the Owner of any of said Outstanding Bonds, so request, the Commission shall hold an open hearing not later than thirty (30) days before the beginning of the ensuing Fiscal Year, at which time any Bondowner may appear by agent or attorney and may file written objections to such proposed budget. Notice of the time and place of such hearing shall be mailed at least fifteen (15) days prior to the hearing to each registered Bondowner and to the Government.

The District covenants that annually before the first day of the Fiscal Year, the annual budget for the upcoming Fiscal Year will be adopted substantially in accordance with the Proposed Budget, and that no expenditures for operation and maintenance expenses of the System in excess of the budgeted amount shall be made during such Fiscal Year unless directed by said District by a specific resolution duly adopted.

Section 504. General Covenants. The District, through its Commission, hereby covenants and agrees with the Owners of the Bonds that:

- (1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;
- (2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;
- (3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

Section 601. Inferior Bonds. Except as hereinafter provided below in this Article, the District shall not, so long as any Bonds are outstanding, issue any additional bonds payable from the revenues of the System unless the security and/or pledge of the revenues to secure such additional bonds are made inferior and subordinate in all respects to the security of the Bonds.

The District expressly reserves the right at any time to issue its bonds or other obligations payable from the revenues of the System and not ranking on a parity basis with the Current Bonds, without any proof of previous earnings or net revenues, provided that the consent of the RD must be obtained prior to the issuance of any inferior bonds so long as the RD owns any of the Bonds, and provided further that, after the initial completion of the Project, such inferior bonds may be issued only for the purpose of providing for future extensions, additions and improvements to the System, and only in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the Outstanding Bonds; provided further, that nothing in this Section is intended to restrict or shall be construed as a restriction upon, the ordinary refunding all or a portion of the Outstanding Bonds.

Section 602. Parity Bonds to Complete the Project. The District hereby certifies, covenants and agrees that in the event that the cost of completion of the construction of the Project shall exceed the moneys available to the District from any and all sources, the District shall have the right, if necessary, to provide for such excess, and only such excess, through the issuance of Parity Bonds, provided the District has obtained a certification from the Engineers to the effect that it is necessary to issue the desired amount of Parity Bonds in order to enable the District to pay the cost (not otherwise provided) of the completion of the Project, and provided the District has complied with the provisions of Section 603 below or has obtained:

- (a) the consent of the RD if the Government is as the Owner of the Prior Bonds at that time or the consent of any other Owners of the Prior Bonds, and
- (b) the consent of (1) the RD if the Government is the purchaser of the Current Bonds; or (2) the Owners of at least 75% of the principal amount of the Current Bonds outstanding, if the Current Bonds have been issued, sold and delivered and are held by Owners other than the Government.

Section 603. Parity Bonds to Finance Future Improvements. The District reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional Parity Bonds, but only under the conditions specified in the Current Bond Resolution, which conditions are as follows:

The District further reserves the right to add new waterworks facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more additional series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

- (4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the District agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions and improvements that may be made thereto, until all of the Outstanding Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 hereof;
- (5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and
- (6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

Section 505. Other Covenants Applicable So Long as RD Owns Any Bonds. So long as the RD shall own any of the Bonds, the District shall comply with such RD regulations, requirements and requests as shall be made by the RD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RD, the carrying of insurance of such types and in such amounts as the RD may specify, with insurance carriers acceptable to the RD and compliance with all of the terms and conditions of the Loan Resolution (RD Form 1780-27) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

Section 506. Insurance on Motors, Tanks and Structures. The District shall (a) immediately after the adoption of this Resolution and (b) at the time of final acceptance of the Project, insure all electric motors, elevated water storage tanks, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the RD, so long as the RD is the Owner of any of the Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the RD if and whenever the District has Outstanding Bonds against the System and none of such Outstanding Bonds are owned by the RD.

(a) The facilities to be constructed from the proceeds of the additional Parity Bonds are made a part of the System and their revenues are pledged as additional security for the additional Parity Bonds and for the Outstanding Bonds.

(b) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds.

(c) The annual net revenues (defined as gross revenues less operating expenses), of the then existing System for the Fiscal Year preceding the year in which such Parity Bonds are to be issued, adjusted as hereinafter provided, shall be certified by an independent Certified Public Accountant to be equal at least one hundred twenty percent (120%) of the average annual debt service requirements for principal and interest on all Outstanding Bonds payable from the revenues of the System, plus the anticipated debt service requirements of any Parity Bonds then proposed to be issued. The calculation of average annual debt service requirements of principal and interest on the additional Parity Bonds to be issued shall, regardless of whether such additional Parity Bonds are to be serial or term bonds, be determined on the basis of the principal of and interest on such Parity Bonds being payable in approximately equal annual installments.

(d) The annual net revenues referred to above may be adjusted for the purpose of the foregoing computations to reflect:

(1) any revisions in the System's schedule of rates or charges being imposed on or before the time of the issuance of any such additional Parity Bonds, and

(2) any increase in the annual net revenues to be realized from the proposed extensions, additions and improvements being financed (in whole or in part) by such additional Parity Bonds;

provided all such adjustments shall be based upon and included in a certification of an Independent Consulting Engineer.

(e) Compliance with Section 603(a) through (d) shall not be necessary for the issuance of Parity Bonds if the District has obtained (1) the written consent of the RD for the issuance of such Parity Bonds, if the Government is the Owner of any Bonds at the time of issuance of such Parity Bonds; and (2) the written consent of the Owners of all of the then outstanding Prior Bonds, and no other prerequisite need be complied with by the District in order to issue Parity Bonds.

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds. The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

(a) Adjust the monthly amount to be deposited into the Sinking Fund on the same basis as that prescribed in the provisions establishing such Sinking Fund, to reflect the average annual debt service requirements of the Parity Bonds;

(b) Adjust the minimum annual amount to be deposited monthly into the Depreciation Fund on the same basis as that prescribed in the provisions establishing such Depreciation Fund, taking into account the future debt service requirements of all Bonds which will then be outstanding against the System; and

(c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

Section 605. Prepayment Provisions Applicable to Parity Bonds. If, in connection with any subsequently issued series of Parity Bonds, it is provided that excess revenues in the Revenue Fund shall be used to prepay Outstanding Bonds in advance of scheduled maturity, or if the District at its option undertakes to prepay Outstanding Bonds in advance of scheduled maturity, it is agreed and understood, for so long as the Government owns any of the Outstanding Bonds, that no such prepayment will be effected without the approval of the RD.

Section 606. Consent of the RD Regarding Future Bonds. Notwithstanding any other provisions of this Resolution, the District agrees that so long as the Government owns any Outstanding Bonds against and/or payable from the revenues of the System, the District will not issue any future bonds, notes or other obligations against, secured by or payable from the revenues of the System without the written consent of the RD.

Section 607. Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities. The District covenants and agrees that so long as any of the Prior Bonds and/or Bonds are outstanding, the District will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided above, the District will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Outstanding Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any part of the facilities of the System, provided that:

- (a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;
- (b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

- (c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and
- (d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

Notwithstanding any other provisions hereof, so long as any Bonds are held by the Government, the District shall not dispose of its title to the System or to any part thereof, without first obtaining the written consent of the RD.

ARTICLE 7. DEFAULT AND CONSEQUENCES

Section 701. Events of Default. The following items shall constitute an Event of Default on the part of the District:

- (a) The failure to pay principal of the Bonds as and when same shall become due and payable, either at maturity or by proceedings for redemption.
- (b) The failure to pay any installment of interest on the Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the RD, within thirty (30) days thereafter.
- (c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds, the Prior Bond Resolution or in this Resolution.
- (d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.
- (e) The entering of any order or decree with the consent or the acquiescence of the District, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the District, its failure to have the order vacated, discharged or stayed on appeal within sixth (60) days after entry.

Section 702. Consequences of Event of Default. Any Owner of the Current Bonds may enforce and compel the performance of all duties and obligations of the District set forth herein. Upon the occurrence of an Event of Default, then upon the filing of a suit by any Owner of said the Current Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the District with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal of and interest on the Outstanding Bonds and to provide and apply the income and revenues in conformity with this Resolution and with the laws of the Commonwealth of Kentucky.

The District hereby agrees to transfer to any bona fide receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce collection or payment of the District's obligations, all contracts and other rights of the District pertaining to the System, conditionally, for such time only as such receiver or operator shall operate by authority of the court. Upon the occurrence of an Event of Default, the Owner of any of the Outstanding Bonds may require the governing body of the District by appropriate order to raise the rates a reasonable amount consistent with the requirements of this Resolution.

**ARTICLE 8. CONTRACTUAL PROVISIONS; GRANT APPROVAL;
MISCELLANEOUS PROVISIONS.**

Section 801. Resolution Contractual with Bondowners. The provisions of this Resolution constitute a contract between the District and its Commission and the Owners of the Current Bonds as may be outstanding from time to time; and after the issuance of any of said Current Bonds, no change, alteration or variation of any kind of the provisions of this Resolution shall be made in any manner which will affect an Owner's rights except as herein provided or except with the written consent of all Bondowners until such time as all of the Current Bonds and the interest thereon have been paid in full or fully provided for; provided that the Commission may adopt any resolution for any purpose not inconsistent with the terms of this Resolution and which shall not impair the security of the Owners of the Current Bonds and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any resolution or other proceedings pertaining hereto.

It is further agreed that the Owners of 75% in principal amount of the Current Bonds at any time outstanding shall have the right to consent to and approve the adoption of resolutions or other proceedings, modifying or amending any of the terms or provisions contained in this Resolution, subject to the conditions that (a) this Resolution shall not be so modified in any manner that may adversely affect the rights of the Owners of any of the Prior Bonds, nor in any manner that may adversely affect the rights of any certain Owners of the Outstanding Bonds without similarly affecting the rights of all Owners of such Outstanding Bonds, or to reduce the percentage of the number of Owners whose consent is required to effect a further modification and (b) no such change may be effected without the consent of the RD so long as the RD owns any of the Outstanding Bonds.

Section 802. All Current Bonds are Equal. The Current Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among any of the Current Bonds regardless of the fact that they may be actually issued and delivered at different times.

Section 803. District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited. So long as the Government is the Owner of any of the Current Bonds, if it appears to the Government that the District is able to refund such Current Bonds in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, or to sell bonds of the District in the open market, at reasonable rates and terms, for loans or bond issues for similar purposes and periods of time, the District will, upon request of the Government, obtain such loan and/or issue such bonds in sufficient amount to repay the Government and will take all such action as may be required in connection therewith.

In addition, so long as the Government is the Owner of any of the Current Bonds, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating

the lien of the Current Bonds without immediately prepaying all of the then outstanding Current Bonds.

Section 804. Approval and Acceptance of RD Grant Agreement. The RD has agreed to make a grant to the District in the amount of \$391,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

Section 805. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents. The Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the District in approving and executing various documents related to the financing of the Project, including the following:

- (a) Legal Services Agreement with Bond Counsel.
- (b) Legal Services Agreement with Local Counsel.
- (c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).
- (d) Loan Resolution (RD Form 1780-27).
- (e) Agreement for Engineering Services with the Engineers.

Section 806. Authorization of Condemnation to Acquire Easements and/or Sites. In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least

ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The District further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with the acquiescence of the Commission, toward the costs of such easements, rights-of-way and/or sites; provided, in each instance, that the payment of such funds to satisfy any judgment, award or compromise must first be approved by the RD; and the Commission further determines that if and to whatever extent the funds available from the proceeds of the financing contemplated by this Resolution shall be inadequate to pay any judgment, award or compromise amount for such easements, rights-of-way and/or sites, or if the District is unable to obtain the approval of the RD for any such payment, the Commission shall take all reasonably necessary actions, within the powers and authority of the Commission, to make such additional amount available from all other available District resources.

Section 807. Authorization to File Required Financing Statements. In the event that it is determined by Bond Counsel or Local Counsel that the District is required to file any financing statements under the Kentucky Uniform Commercial Code in order to perfect the pledge of the gross revenues of the District's System as security for the Current Bonds, Bond Counsel and/or Local Counsel are hereby authorized to prepare and file with the appropriate officials such financing statements as they deem necessary.

ARTICLE 9. SALE OF CURRENT BONDS

Section 901. Sale of Current Bonds. The Current Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as the Commission shall designate.

A suggested form of "Notice of Bond Sale", a suggested form of "Official Notice of Sale of Bonds" and a suggested form of "Bid Form", having been prepared in advance by Bond Counsel, and all of such documents having been found to be in satisfactory form, a copy of each is hereby ordered to be filed in the records of the Secretary with the Minutes of the meeting at which this Resolution is adopted. The Notice of Bond Sale shall be signed by the Secretary and may be used for the purpose of publishing notice of the sale of the Current Bonds. Copies of such documents shall be furnished to any interested parties who may request same.

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

Section 902. Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed. In the event that delivery of the Current Bonds authorized herein is delayed for any reason and the District, with the consent of the Purchaser of the Current Bonds, determines it is in the District's best interest to change the maturities, the applicable prepayment date or any other dates, the District may adjust the same by a Resolution of the Commission approving the adjustments.

ARTICLE 10. CONCLUDING PROVISIONS

Section 1001. Covenant of District to Take All Necessary Action To Assure Compliance with the Code. In order to assure the Owners of the Current Bonds that such Current Bonds shall continue to be legal and that interest thereon will continue to be excludable from gross income for federal income tax purposes and exempt from all Kentucky income taxation, the District covenants to and with the Owners of the Current Bonds to take the following action:

(a) The District will (1) take all actions necessary to comply with the provisions of the Code necessary to assure that interest on the Current Bonds will be excludable from gross income for federal income tax purposes; (2) will take no actions which will violate any of the provisions of the Code; and (3) not use the proceeds of the Current Bonds for any purpose which will cause interest on the Current Bonds or on interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof to become includable in gross income for federal income tax purposes.

(b) The District hereby certifies that it does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the District, or any subordinate entity of the District, will issue during the calendar year during which the Current Bonds are issued, will exceed \$10,000,000; and therefore the District hereby designates the Current Bonds and all interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof as "qualified tax-exempt obligations".

(c) The District further certifies that the Current Bonds and any and all interim financing obligations of the District are not "private activity bonds" within the meaning of the Code.

(d) The District covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the District, upon the advice of Bond Counsel, that the Construction Account, or any other Fund established hereunder, is subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Current Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Depository Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the anniversary of the fifth (5th) year from the date of the Current Bonds, and once every five (5) years thereafter until the final retirement of the Current Bonds; the last installment, to the extent required, to be made no later than sixty (60) days following the date on which funds sufficient for the complete retirement of the Current Bonds are deposited with any escrow agent. The District further covenants to file any and all reports, if any, as may be required to be filed with the Government with regard to the liability or non-liability of the

District as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

Section 1002. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

Section 1003. All Provisions in Conflict Repealed. All motions, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are to the extent of such conflict hereby repealed. It is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds of the District payable or secured in any manner by all or any part of the income and revenues of said System or any part thereof, and which have not been heretofore issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered. The District covenants to correct by appropriate proceedings any required procedure previously taken invalidly.

Section 1004. Effective Immediately Upon Adoption. This Resolution shall take effect and be effective immediately upon its adoption.


Adopted this January 19, 2010.

Western Pulaski County Water District


Chairman

(Seal of District)

Attest:



Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Western Pulaski County Water District, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on January 19, 2010, as shown by the official records of said District in my custody and under my control.

I further certify that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825, that a quorum was present at said meeting, that said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this January 19, 2010.


Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments

Payment Due <u>January 1</u>	Principal <u>Payment</u>	Payment Due <u>January 1</u>	Principal <u>Payment</u>
2012	\$14,000	2031	\$23,500
2013	14,500	2032	24,000
2014	14,500	2033	24,500
2015	15,000	2034	25,500
2016	15,500	2035	26,000
2017	16,000	2036	26,500
2018	16,500	2037	27,500
2019	17,000	2038	28,000
2020	17,500	2039	29,000
2021	18,000	2040	30,000
2022	18,500	2041	30,500
2023	19,000	2042	31,500
2024	19,500	2043	32,500
2025	20,000	2044	33,000
2026	20,500	2045	34,000
2027	21,000	2046	35,000
2028	21,500	2047	36,000
2029	22,000	2048	37,000
2030	22,500	2049	34,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
WESTERN PULASKI COUNTY WATER DISTRICT
WATERWORKS REVENUE BONDS, SERIES 2009

No. R-1

Interest Rate: _____ %

\$ _____

KNOW ALL PERSONS BY THESE PRESENTS:

That the Western Pulaski County Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Pulaski County, Kentucky, for value received, hereby promises to pay to

the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

_____ DOLLARS (\$ _____),

on the first day of January, in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
-------------	------------------	-------------	------------------	-------------	------------------

[Here the printer of the Current Bond will print the maturities of the Current Bonds purchased by the registered Owner]

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is issued on a parity as to security and source of payment with the outstanding (i) Western Pulaski County Water District Waterworks Revenue Bonds, Series 2001A and B, dated January 17, 2002 (the "2001 Bonds"), authorized by a Resolution adopted by the Commission of the District on January 10, 2002 (the "2001 Bond Resolution"); and (ii) Western Pulaski County Water District Waterworks Revenue Bonds, Series 2002A and B, dated February 7, 2003 (the "2002 Bonds"), authorized by a Resolution adopted by the Commission of the District on January 10, 2002 (the "2002 Bond Resolution") [hereinafter the 2001 Bonds and the 2002 Bonds shall be collectively referred to as the "Prior Bonds", and the 2001 Bond Resolution and the 2002 Bond Resolution shall be collectively referred to as the "Prior Bond Resolution"]. Accordingly, this Bond, the Prior Bonds and any bonds ranking on a parity therewith, are payable from and secured by a pledge of the gross revenues to be derived from the operation of the System.

This Bond has been issued in full compliance with the Current Bond Resolution and the Prior Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the Prior Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Western Pulaski County Water District Waterworks Sinking Fund of 2002", created in the 2002 Bond Resolution.

This Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Prior Bonds and/or this Bond, are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Prior Bonds and of this Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Prior Bonds, this Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond in order to complete the Project, and to finance future

extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2018, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the District to comply with any other provision of this Bond or with any provision of the Current Bond Resolution, the registered owner may, at its option, institute all rights and remedies provided by law or by said Current Bond Resolution.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Western Pulaski County Water District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

Western Pulaski County Water District

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

ASSIGNMENT

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto _____, this ____ day of _____, _____.

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: Western Pulaski County Water District Waterworks Revenue Bonds, Series 2009,
in the principal amount of \$911,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction draws pursuant to the Bond Resolution adopted by the Western Pulaski County Water District (the "District").

2. That the named firms and/or persons set forth on Exhibit A attached hereto are now entitled to the aggregate sum of \$ _____, itemized as set forth in said Exhibit A and as per approved invoices attached hereto:

3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "Western Pulaski County Water District Waterworks Construction Account".

4. That we hereby certify that we have carefully inspected the work and, as a result of our inspection and to the best of our knowledge and belief, the amounts shown in this Requisition Certificate are correct and the work has been performed in accordance with the agreements between the District and the parties requesting payment.

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20 ____.

Western Pulaski County Water District

Bell Engineering, Inc.

By _____
Chairman

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Approved on _____

Total _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

BOND RESOLUTION

WESTERN PULASKI COUNTY WATER DISTRICT

AUTHORIZING

WESTERN PULASKI COUNTY WATER DISTRICT
WATERWORKS REVENUE BONDS, SERIES 2002

IN THE AMOUNT OF

\$1,450,000

CONSISTING OF

\$900,000 OF SERIES A BONDS

AND

\$550,000 OF SERIES B BONDS

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BOND RESOLUTION

RESOLUTION OF THE WESTERN PULASKI COUNTY WATER DISTRICT OF PULASKI COUNTY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$1,450,000 PRINCIPAL AMOUNT OF WESTERN PULASKI COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2002, CONSISTING OF \$900,000 OF SERIES A BONDS AND \$550,000 OF SERIES B BONDS, FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the waterworks system (the "System") of the Western Pulaski County Water District (the "District") is owned and operated by said District pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes (the "Act"), and

WHEREAS, the District presently has outstanding certain Prior Bonds (as hereinafter defined), which Prior Bonds are payable from and secured by a pledge of the revenues derived from the operation of the System, and

WHEREAS, all of the Prior Bonds presently outstanding are current as to payment of both principal and interest, and for the security of which a certain Sinking Fund and certain reserves are being maintained in the manner and by the means prescribed in the Prior Bond Resolution (as hereinafter defined) of the District, authorizing the Prior Bonds, and

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of \$1,450,000, consisting of \$900,000 of Series A Bonds and \$550,000 of Series B Bonds (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by Crawford & Crawford & Stewart Engineers, Inc. and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued so as to rank on a parity basis with the Prior Bonds, and

WHEREAS, the Prior Bonds were issued to and are now held by the Rural Development of the Department of Agriculture of the United States of America (the "RD"), and

WHEREAS, the RD, as the Owner of the Prior Bonds, has consented to the issuance by the District of the Current Bonds, and

WHEREAS, the Public Service Commission of Kentucky has granted to the District a Certificate of Public Convenience and Necessity, authorizing the construction of said extensions, additions and improvements, and

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately \$400,000, and by connection charges in the amount of at least \$420,000, to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE WESTERN PULASKI COUNTY WATER DISTRICT OF PULASKI COUNTY, KENTUCKY, AS FOLLOWS:

**ARTICLE 1. DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS;
SECURITY.**

Section 101. Definitions. As used in this Resolution, unless the context requires otherwise:

"Act" refers to Chapters 58 and 74 of the Kentucky Revised Statutes.

"Beginning Month" refers to the month following the month in which the Current Bonds authorized herein are issued, sold and delivered to the Purchaser thereof.

"Bond Counsel" refers to an attorney or firm of attorneys recognized nationally as experts in the field of municipal bond law and shall be deemed to refer to Rubin & Hays, Louisville, Kentucky, or their successors.

"Bondowner" or "Owner" refer to registered Owners of the Current Bonds at the time issued and outstanding hereunder.

"Bonds" collectively refers to the outstanding Current Bonds, Prior Bonds and the Parity Bonds.

"Chairman" refers to the elected or appointed Chairman or Chairperson of the Commission.

"Code" refers to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations relating thereto.

"Commission" refers to the Board of Commissioners of the District, or such other body as shall be the governing body of said District under the laws of Kentucky at any given time.

"Construction Account" refers to the Western Pulaski County Water District Waterworks Construction Account, created in Section 301(B) of this Current Bond Resolution.

"Contractors" refers to the general contractors who have been employed by the District to construct the Project.

"Current Bond Resolution" or "Resolution" refer to this Resolution authorizing the Current Bonds.

"Current Bonds" refers to the \$1,450,000 of Western Pulaski County Water District Waterworks Revenue Bonds, Series 2002, consisting of \$900,000 of Series A Bonds and \$550,000 of Series B Bonds, authorized by this Resolution, to be dated as of the date of issuance thereof.

"Depreciation Fund" refers to the Western Pulaski County Water District Waterworks Depreciation Reserve Fund, described in Section 402 of this Resolution.

"District" refers to the Western Pulaski County Water District of Pulaski County, Kentucky.

"Engineers" refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of the Project and who will supervise the construction thereof and/or will furnish full time resident inspection of the construction of the Project, and shall be deemed to refer to Crawford & Crawford & Stewart Engineers, Inc., or a member of said firm, or their successors.

"Event of Default" refers to one or more of the Events of Default set forth in Section 701 of this Resolution.

"FDIC" refers to the Federal Deposit Insurance Corporation, or its successors.

"Fiscal Year" refers to the annual accounting period of the District, beginning on January 1 and ending on December 31 of each year.

"Funds" refers to the Construction Account, the Revenue Fund, the Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

"Government" refers to the United States of America, or any agency thereof, including the RD.

"Grant Proceeds" refers to the proceeds of the RD Grant.

"Independent Consulting Engineer" refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of waterworks system engineering, and such definition includes the Engineers named above.

"Interim Lender" refers to Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the District.

"Local Counsel" refers to D. Bruce Orwin, Esq., Somerset, Kentucky, or any other attorney or firm of attorneys designated by the District.

"Multiple Advances" refers to the advance of loan funds from the RD as described in Section 302 of this Resolution.

"Note" refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Chapter 58 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the District evidencing the interim financing for the Project as prescribed in Section 302 of this Resolution.

"Operation and Maintenance Fund" refers to the Western Pulaski County Water District Waterworks Operation and Maintenance Fund described in Section 401 of this Resolution.

"Outstanding Bonds" refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the RD shall be deemed to constitute Outstanding Bonds until paid regardless of the deposit of funds to pay for same.

"Parity Bonds" refers to bonds which may be issued in the future which, pursuant to this Resolution, rank on a basis of parity with the outstanding Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Bonds.

"Prior Bonds" refers to the outstanding Western Pulaski County Water District Waterworks Revenue Bonds, Series 2001A and B, dated January 17, 2002, in the original authorized principal amount of \$2,780,000.

"Prior Bond Resolution" refers to the Resolution authorizing the Prior Bonds, duly adopted by the Commission on January 10, 2002.

"Project" refers specifically to the construction of the currently proposed extensions, additions and improvements to the System of the District, which Project is being financed by the Current Bonds and by other funds.

"Purchaser" refers to the agency, person, firm or firms, or their successors, to whom the Current Bonds herein authorized are awarded at the public sale of the Current Bonds.

"RD" refers to the Rural Development of the Department of Agriculture of the United States of America.

"RD Grant" refers to the RD grant described in Section 804 of this Resolution.

"Required Signatures" refers to the signatures necessary to be obtained with reference to the approval of the expenditures to be made from the Construction Account, which required signatures shall consist of the signatures of (1) the Chairman; (2) the Engineers; and (3) the Purchaser; provided, however, any expenditures for issuance and administrative costs and the costs of any equipment which is not permanently affixed to the real estate shall not require the signature or the approval of the Engineers.

"Revenue Fund" refers to the Western Pulaski County Water District Waterworks Revenue Fund, described in Section 401 of this Resolution.

"Secretary" refers to the elected or appointed Secretary of the Commission.

"Sinking Fund" refers to the Western Pulaski County Water District Waterworks Sinking Fund of 2001, described in Section 401 of this Resolution.

"System" refers to the existing waterworks system of the District, together with all extensions, additions and improvements to said System.

"Treasurer" refers to the elected or appointed Treasurer of the Commission.

"U.S. Obligations" refers to bonds or notes which are the direct obligations of the United States of America, or obligations the principal of and interest on which are guaranteed by the United States of America.

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa. Unless otherwise indicated, references to Articles or Sections refers to those in this Resolution.

Section 102. Purpose. The Current Bonds shall be issued for the purpose of financing the cost (not otherwise provided) of the Project, as set out in the plans and specifications prepared by the Engineers. The Commission hereby declares the System of the District, including the extensions, additions and improvements to be constructed, to constitute a revenue producing public project, and said System shall continue to be owned, controlled, operated and maintained by the District as a revenue producing public project pursuant to the Act, so long as any Bonds remain outstanding.

Section 103. Construction Award Approved; Work Authorized. The Commission hereby authorizes, approves, ratifies and confirms its previous action in advertising for and taking steps toward awarding the contracts for the construction of the Project to the lowest and best bidders, and further approves the action of the District officials in entering into formal contracts with said bidders, subject to the necessary approvals being obtained. Authority is hereby given for undertaking the construction of the Project according to the plans and specifications heretofore prepared by the Engineers for the District, after all necessary approvals have been obtained.

Section 104. Declaration of Period of Usefulness. The Commission hereby declares that the period of usefulness of the System is more than forty (40) years from the date of completion of the Project.

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$2,270,000. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of \$1,450,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$2,270,000
Less:		
RD Grant	\$400,000	
District Contribution	<u>420,000</u>	
Total Non-Bond Funds:		<u>(820,000)</u>
Balance to be financed by Current Bonds		\$1,450,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$1,450,000 principal amount of Western Pulaski County Water District Waterworks Revenue Bonds, Series 2002, consisting of \$900,000 of Series A Bonds and \$550,000 of Series B Bonds.

The Current Bonds shall be dated as of the date of delivery to the Purchaser thereof; shall bear interest from such date at such interest rate as may be fixed by supplemental resolution as a result of the advertised sale and competitive bidding for such Current Bonds, as hereinafter provided; and shall be issued and delivered as prescribed in Section 202 hereof.

Interest on the Current Bonds shall be payable semiannually on January 1 and July 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Current Bonds to the ensuing January 1 or July 1, as the case may be. Principal of the Current Bonds shall be payable on January 1 of each of the respective years until maturity, as set out in Section 201 hereof.

Section 106. Recognition of Prior Bonds. The District hereby expressly recognizes and acknowledges that the District has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds and in the Prior Bond Resolution.

Section 107. Current Bonds Shall be Payable on Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely on a first lien basis out of the gross revenues of the System, on a parity with the Prior Bonds.

Section 108. Lien on Contracts. In addition to the revenue pledge securing the Bonds, a lien is hereby created and granted in favor of the Bondowners on all contracts, and on all other rights of the District pertaining to the System, enforceable by assignment to any receiver or other operator proceeding by authority of any court.

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

Section 201. Principal Payments. Principal payments due on the Current Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A** attached to this Resolution and incorporated herein.

Section 202. Issuance of Current Bonds; Bond Form. The Purchaser of the Current Bonds at the public sale shall take delivery of the Current Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B** attached hereto and incorporated herein, amounting in the aggregate to the principal amount of the Current Bonds authorized herein, maturing as to principal as set out in Section 201. The Current Bonds shall be numbered R-1 and consecutively upward thereafter. Such Current Bonds shall, upon appropriate execution on behalf of the District as prescribed, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), registered as to principal and interest and payable as directed by the registered Owner.

Section 203. Place of Payment and Manner of Execution. Both principal of and interest on the Current Bonds shall be payable at the place and in the manner set out in the form of such Current Bond. The Current Bonds shall be executed on behalf of the District by the manual or facsimile signature of the Chairman of the District, with the Corporate Seal of the District affixed thereto and attested by the manual or facsimile signature of the Secretary of said District.

If either of the officers whose signatures appear on the Current Bonds ceases to be such officer before delivery of said Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery.

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2011, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2011, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2010, at par plus accrued interest, without any prepayment penalty.

So long as all of the Current Bonds are owned by the Government, all or any of the Current Bonds, or in a multiple of \$100, may be prepaid at any time in inverse chronological order of the principal maturities due, at par plus accrued interest without any prepayment penalty.

Notice of such prepayment shall be given by certified mail to the Bondowner or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the Bondowner.

**ARTICLE 3. CONSTRUCTION ACCOUNT; INTERIM FINANCING;
APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.**

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$266,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed \$266,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

A. Covenants Applicable if RD Purchases Current Bonds. It is acknowledged that all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures and the necessity of using RD forms (the "RD Forms"), shall apply only if the RD is the Purchaser of the Current Bonds and only so long as the RD holds the Current Bonds thereafter. In the event that the RD shall not be the Purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to an Owner who shall not be the Government, all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures, and the necessity of using RD Forms, shall not be applicable.

B. Application of Proceeds of Current Bonds. The proceeds of the Current Bonds shall be applied as follows:

(1) Payment of Interim Financing, Costs of Project and Costs of Issuance. Simultaneously with the delivery of the Current Bonds, there shall immediately be paid to the Interim Lender (or the RD if Multiple Advances are made) an amount sufficient to pay principal of and interest on any temporary loans borrowed by the District in anticipation of the sale and delivery of the Current Bonds and/or of the receipt of Grant Proceeds. Also, at the time of delivery of the Current Bonds, there shall be paid all amounts then due and payable in connection with the costs of the Project and in connection with the issuance of the Current Bonds.

(2) Construction Account. If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "Western Pulaski County Water District Waterworks Construction Account" hereby created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the Grant Proceeds, as and when received, or said

Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of Grant Proceeds. Simultaneously with or prior to the delivery of the Current Bonds, there shall also be deposited in the Construction Account the proceeds of the District contribution in the minimum amount of \$420,000 (less any amounts theretofore used for authorized purposes), to supplement the proceeds of the Current Bonds and Grant Proceeds in order to assure completion of the Project.

(3) Withdrawal of Funds From Construction Account. Prior to the expenditure by the District of any moneys from the Construction Account, the District must obtain written approval from the RD as to such expenditures, if the RD is the Owner of any Outstanding Bonds. The proceeds of said Construction Account shall be withdrawn only on checks signed by the Chairman, the Treasurer (or by such other official of the District as may be authorized by the Commission), provided such official shall be covered by the Fidelity Bond required by Section 301 of this Resolution, in payment for services and/or materials supplied in connection with the Project, as evidenced by (1) a Requisition Certificate; and (2) invoices and/or partial payment estimates bearing the written approval of the Engineers and the Chairman (or by such other official of the District as may be authorized by the Commission), and which invoices and/or partial payment estimates must have been reviewed and approved for payment by the designated RD official.

Written approval or certification of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition and related items.

During construction, the District shall disburse Construction Account funds in a manner consistent with RD Instruction 1780.

The District shall prepare and submit any and all RD Forms required by the RD. Periodic audits of the District's Construction Account records shall be made by RD as determined by it to be necessary.

(4) Transfer of Capitalized Interest to Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$25,000) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Sinking Fund.

(5) Investment of Funds in Construction Account. Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of

the Project (as determined by the Engineers, the Chairman and the RD), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed, if the RD has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

(6) Statements of Contractors, Engineers and Attorneys as to Payment. Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under RD Instruction 1780.

(7) Disposition of Balance in Construction Account After Completion of Project. When the Project has been completed and all construction costs have been paid in full, as certified by the Engineers for the District and/or by the RD, any balance then remaining in the Construction Account may, with the consent of the RD, be applied to the cost of constructing additional extensions, additions and improvements to the System (the "Additional Construction"). If such Additional Construction is to be undertaken by the Contractors previously engaged in the Project, such Additional Construction may be authorized by a change order.

If there is a balance remaining in the Construction Account after such Additional Construction, such balance (subject to legal requirements as to possible refund of any allocated portion of the balance derived from Grant Proceeds) shall be transferred to the Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least \$100 of the principal payment falling due in any year on the Bonds will be transferred to the Depreciation Fund.

Section 302. Interim Financing Authorization.

A. Interim Financing. The District shall use interim financing for the Project during construction of that portion of the cost of the Project financed by the Current Bonds, if available at reasonable rates and terms.

The borrowing of up to the aggregate sum of \$1,450,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

(1) At the direction of the District, the Interim Lender shall disburse the proceeds of the Note by cashier's checks directly to the parties entitled thereto as set forth in the Requisition Certificate; or

(2) At the direction of the District, the Interim Lender shall deposit the proceeds of the Note in the Construction Account, in which event amounts of the District on deposit therein shall, until expended to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The aggregate of the principal amount of all Notes shall not exceed \$1,450,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of \$1,450,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds and/or Grant Proceeds.

The District hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds and/or the receipt of said Grant Proceeds, the District will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of the Note, together with accrued interest thereon to the date of such payment; and the proceeds of the Current Bonds and Grant Proceeds are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

Although the proceeds of the Current Bonds and Grant Proceeds are pledged to the repayment of said interim financing, it is recognized that the Grant Proceeds may be applied to the extent required at the time of receipt of the Grant Proceeds, to the payment of costs of the Project due and owing by the District at the time of receipt of such Grant Proceeds, rather than to the repayment of portions of the interim financing at that time. If and to the extent that the Grant Proceeds are in excess of any costs of the Project due and owing at the time of receipt thereof, such Grant Proceeds may be applied, in the same manner as set out hereinabove, to the reduction of the

amount of the interim financing, after which, such interim financing may again be increased as theretofore. The District further pledges the revenues of the System to the repayment of said interim financing, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

It is understood that the foregoing constitutes an alternative method of obtaining interim financing, and does not preclude the authorization and sale, by public advertisement or otherwise, of bond anticipation notes and/or grant anticipation notes to the most favorable bidder on the open market, by concurrent or subsequent proceedings of the District.

B. Multiple Advances by RD. In the event the Current Bonds are purchased by the RD, and in the event the District is unable to obtain a commitment for interim financing for the Project from any Interim Lender at reasonable rates and terms, the Chairman is authorized to request Multiple Advances of loan funds from the RD.

If the RD agrees to make Multiple Advances to the District pending the delivery of the Current Bonds, the Chairman is hereby authorized to execute in the name and on behalf of the District any number of Notes. Each such Note, evidencing an advance of funds by the RD to the District, shall be in the form prescribed by the RD.

Each request for an advance from the RD shall be accompanied by a Requisition Certificate. The District will also furnish to the RD, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the RD, including an updated supplemental title opinion of Local Counsel and an updated supplemental preliminary legal opinion of Bond Counsel.

The proceeds of any Multiple Advances shall be either (i) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project; or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301 hereof, in which event amounts on deposit in such Construction Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds. The District further pledges the revenues of the System to the repayment of said Multiple Advances, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

Section 303. Arbitrage Limitations on Investment of Proceeds. The District covenants and certifies, in compliance with the Code, on the basis of known facts and reasonable expectations on the date of adoption of this Resolution, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The District covenants to the Owners of the Current Bonds that (1) the District will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds"; and (2) the District will comply with all of the requirements

of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute "arbitrage bonds" and that the interest on the Bonds shall be excludable from gross income for federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Chairman and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) are authorized to execute such certifications as shall be required by Bond Counsel, setting out all known and contemplated facts concerning the anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".

ARTICLE 4. FLOW OF FUNDS.

Section 401. Funds. There was heretofore created in the Prior Bond Resolution the following funds and accounts:

- (a) Western Pulaski County Water District Waterworks Revenue Fund
- (b) Western Pulaski County Water District Waterworks Sinking Fund of 2001
- (c) Western Pulaski County Water District Waterworks Depreciation Reserve Fund
- (d) Western Pulaski County Water District Waterworks Operation and Maintenance Fund

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding.

Section 402. Flow of Funds. All proceedings preliminary to and in connection with the issuance of the Outstanding Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Outstanding Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Outstanding Bonds and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners set out in the Prior Bond Resolution, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Outstanding Bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the Current Bonds, the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

A. Revenue Fund. The District covenants and agrees that it will continue to deposit in the Revenue Fund, promptly as received from time to time, all revenues of the System, as same may be extended and improved from time to time. The moneys in the Revenue Fund shall continue to be used, disbursed and applied by the District only for the purpose and in the manner and order of priorities specified in the Prior Bond Resolution, as hereinafter modified by this Resolution, all as permitted by the Act, and in accordance with previous contractual commitments.

B. Sinking Fund. It is hereby recognized that the District is obligated upon the issuance of the Current Bonds to provide for additional debt service requirements of the Current Bonds.

At or after the delivery of the Current Bonds, there shall be transferred from the Construction Account to the Sinking Fund an amount sufficient to provide for capitalized interest (initially estimated at \$25,000) on the Current Bonds during the construction of the Project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

There shall be transferred from the Revenue Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Outstanding Bonds, a sum equal to the total of the following:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Bonds, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Bonds maturing on the next succeeding January 1.

If the District for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Outstanding Bonds, as same fall due, such excess may be used for redemption or prepayment of any Outstanding Bonds, subject to the terms and conditions set forth therein, prior to maturity.

C. Depreciation Fund. Pursuant to the provisions of the Prior Bond Resolution which requires that an adjustment be made in the Depreciation Fund upon the issuance of bonds ranking on a parity with the Prior Bonds, it is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least \$670 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least \$80,400, which amount shall be maintained, and when necessary, restored to said sum of \$80,400, so long as any of the Current Bonds are outstanding and unpaid.

D. Operation and Maintenance Fund. There shall next be transferred monthly from the Revenue Fund and deposited into said Operation and Maintenance Fund, sums sufficient to meet the current expenses of operating and maintaining the System. The balance maintained in said Operation and Maintenance Fund shall not be in excess of the amount required to cover anticipated System expenditures for a two-month period pursuant to the District's annual budget.

E. Monthly Principal and Interest Payments if Requested by the RD. So long as any of the Bonds are held or insured by the RD, the District shall, if requested by the RD, make the payments required by this Section 402, in monthly installments to the RD or to the insured Owners of the Bonds.

F. Surplus Funds. Subject to the provisions for the disposition of the income and revenues of the System as set forth hereinabove, which provisions are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the Revenue Fund on such date, to the Depreciation Fund for application in accordance with the terms

of this Resolution or to the Sinking Fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of Outstanding Bonds.

G. Investment and Miscellaneous Provisions. All monies in the Sinking Fund and the Depreciation Fund shall be deposited in the Depository Bank, or such portion thereof as is designated by the Commission. All monies in the Sinking Fund and the Depreciation Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

If the RD has purchased any of the Outstanding Bonds, investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed. Any such investments will be a part of the respective Funds from which the proceeds invested are derived, and income from such investments will be credited to such respective Funds. All investments of funds derived from proceeds of the Outstanding Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

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

All monies held in any of the Funds shall be kept apart from all other District funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the District therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U.S. Obligations, having a market value equivalent to such deposit.

The Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any Bonds.

Section 403. Current Bonds on a Parity with Prior Bonds. It is hereby certified and declared that prior to the issuance of any of the Current Bonds, there will have been procured and filed with the District (i) a letter from the RD to the effect that the RD agrees to the issuance of the Current Bonds ranking on a parity as to security and source of payment with the Prior Bonds, all of which are owned by the RD, together with (ii) a certification signed by the RD to the effect that a legend has been typed, stamped or otherwise affixed on each of the Prior Bonds held by the RD, evidencing the agreement of the RD as the then Owner of the Prior Bonds, to the issuance of the Current Bonds so as to rank on a parity with the Prior Bonds, such legend to be in substantially the following form:

The holder of this Bond has consented to the issuance of \$1,450,000 of Western Pulaski County Water District Waterworks Revenue Bonds, Series 2002 ranking on a parity as to security and source of payment with this Bond.

Accordingly, it is hereby found and declared that the Current Bonds shall rank and be payable on a parity with said outstanding Prior Bonds from the gross income and revenues of the System.

ARTICLE 5. COVENANTS OF DISTRICT

Section 501. Rates and Charges. The District shall charge such rates and charges for all services and facilities rendered by the System, which rates and charges shall be reasonable, taking into account and consideration the cost and value of the System, the cost of maintaining, repairing and operating same and the amounts necessary for the payment of principal of and interest on Outstanding Bonds against the System. The District shall charge such rates and charges as shall be adequate to meet the requirements of Articles 4 and 5 hereof.

The District covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Secretary a certification of an Independent Consulting Engineer that the annual net revenues (defined as gross revenues less operating expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then Outstanding Bonds payable from the revenues of the System, calculated in the manner specified in Section 603 hereof.

Section 502. Books and Accounts; Audit. The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than ninety (90) days after the close of each Fiscal Year, copies of such audit reports certified by such Certified Public Accountant shall be promptly mailed to the RD without request, so long as the Government is the Owner of any of the Bonds, and to any Bondowner that may have made a written request for same.

Monthly operating reports shall be furnished to the RD and to any Bondowner requesting same, during the first two (2) years of operation after completion of the Project, and whenever and so long as the District is delinquent in any of the covenants set out in the Prior Bond Resolution or this Current Bond Resolution. Thereafter, quarterly operating reports shall be furnished at all other times to the RD and to any Bondowner requesting the same.

Section 503. System to Continue to be Operated on Fiscal Year Basis; Annual Budget. While any of the Bonds are outstanding and unpaid, and to the extent permitted by law, the System shall continue to be operated and maintained on a Fiscal Year basis.

Not later than sixty (60) days before the end of each Fiscal Year, the District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

For the purpose of the Proposed Budget, operating expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining and insuring the System, but shall exclude depreciation and debt service payments. The District covenants that the operating expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that the District will not expend any amount or incur any obligation for operation or maintenance and repair in excess of the amounts provided for operating expenses in the annual budget, except upon resolution by the District that such expenses are necessary to operate and maintain the System.

Not later than sixty (60) days before the end of each Fiscal Year, the District shall prepare an estimate of gross revenues to be derived from the operation of the System for said Fiscal Year, and, to the extent that said gross revenues are insufficient (a) to pay debt service requirements on all Outstanding Bonds during the ensuing Fiscal Year, (b) to accumulate and maintain all required reserves enumerated herein and (c) to pay operating expenses, the District shall revise the rates and charges sufficiently to provide the funds so required.

If the Owners of at least 50% of the principal amount of the Outstanding Bonds, or the Government so long as it is the Owner of any of said Outstanding Bonds, so request, the Commission shall hold an open hearing not later than thirty (30) days before the beginning of the ensuing Fiscal Year, at which time any Bondowner may appear by agent or attorney and may file written objections to such proposed budget. Notice of the time and place of such hearing shall be mailed at least fifteen (15) days prior to the hearing to each registered Bondowner and to the Government.

The District covenants that annually before the first day of the Fiscal Year, the annual budget for the upcoming Fiscal Year will be adopted substantially in accordance with the Proposed Budget, and that no expenditures for operation and maintenance expenses of the System in excess of the budgeted amount shall be made during such Fiscal Year unless directed by said District by a specific resolution duly adopted.

Section 504. General Covenants. The District, through its Commission, hereby covenants and agrees with the Owners of the Bonds that:

- (1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;
- (2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;
- (3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;
- (4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the District agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions

and improvements that may be made thereto, until all of the Outstanding Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 hereof;

- (5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and
- (6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

Section 505. Other Covenants Applicable So Long as RD Owns Any Bonds. So long as the RD shall own any of the Bonds, the District shall comply with such RD regulations, requirements and requests as shall be made by the RD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RD, the carrying of insurance of such types and in such amounts as the RD may specify, with insurance carriers acceptable to the RD and compliance with all of the terms and conditions of the Loan Resolution (RD Form 1942-47) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

Section 506. Insurance on Motors, Tanks and Structures. The District shall (a) immediately after the adoption of this Resolution and (b) at the time of final acceptance of the Project, insure all electric motors, elevated water storage tanks, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the RD, so long as the RD is the Owner of any of the Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the RD if and whenever the District has Outstanding Bonds against the System and none of such Outstanding Bonds are owned by the RD.

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

Section 601. Inferior Bonds. Except as hereinafter provided below in this Article, the District shall not, so long as any Bonds are outstanding, issue any additional bonds payable from the revenues of the System unless the security and/or pledge of the revenues to secure such additional bonds are made inferior and subordinate in all respects to the security of the Bonds.

The District expressly reserves the right at any time to issue its bonds or other obligations payable from the revenues of the System and not ranking on a parity basis with the Current Bonds, without any proof of previous earnings or net revenues, provided that the consent of the RD must be obtained prior to the issuance of any inferior bonds so long as the RD owns any of the Bonds, and provided further that, after the initial completion of the Project, such inferior bonds may be issued only for the purpose of providing for future extensions, additions and improvements to the System, and only in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the Outstanding Bonds; provided further, that nothing in this Section is intended to restrict or shall be construed as a restriction upon, the ordinary refunding all or a portion of the Outstanding Bonds.

Section 602. Parity Bonds to Complete the Project. The District hereby certifies, covenants and agrees that in the event that the cost of completion of the construction of the Project shall exceed the moneys available to the District from any and all sources, the District shall have the right, if necessary, to provide for such excess, and only such excess, through the issuance of Parity Bonds, provided the District has obtained a certification from the Engineers to the effect that it is necessary to issue the desired amount of Parity Bonds in order to enable the District to pay the cost (not otherwise provided) of the completion of the Project, and provided the District has complied with the provisions of Section 603 below or has obtained:

- (a) the consent of the RD if the Government is as the Owner of the Prior Bonds at that time or the consent of any other Owners of the Prior Bonds, and
- (b) the consent of (1) the RD if the Government is the purchaser of the Current Bonds; or (2) the Owners of at least 75% of the principal amount of the Current Bonds outstanding, if the Current Bonds have been issued, sold and delivered and are held by Owners other than the Government.

Section 603. Parity Bonds to Finance Future Improvements. The District reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional Parity Bonds, but only under the conditions specified in the Current Bond Resolution, which conditions are as follows:

The District further reserves the right to add new waterworks facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more additional series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

(a) The facilities to be constructed from the proceeds of the additional Parity Bonds are made a part of the System and their revenues are pledged as additional security for the additional Parity Bonds and for the Outstanding Bonds.

(b) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds.

(c) The annual net revenues (defined as gross revenues less operating expenses), of the then existing System for the Fiscal Year preceding the year in which such Parity Bonds are to be issued, adjusted as hereinafter provided, shall be certified by an independent Certified Public Accountant to be equal at least one hundred twenty percent (120%) of the average annual debt service requirements for principal and interest on all Outstanding Bonds payable from the revenues of the System, plus the anticipated debt service requirements of any Parity Bonds then proposed to be issued. The calculation of average annual debt service requirements of principal and interest on the additional Parity Bonds to be issued shall, regardless of whether such additional Parity Bonds are to be serial or term bonds, be determined on the basis of the principal of and interest on such Parity Bonds being payable in approximately equal annual installments.

(d) The annual net revenues referred to above may be adjusted for the purpose of the foregoing computations to reflect:

(1) any revisions in the System's schedule of rates or charges being imposed on or before the time of the issuance of any such additional Parity Bonds, and

(2) any increase in the annual net revenues to be realized from the proposed extensions, additions and improvements being financed (in whole or in part) by such additional Parity Bonds;

provided all such adjustments shall be based upon and included in a certification of an Independent Consulting Engineer.

(e) Compliance with Section 603(a) through (d) shall not be necessary for the issuance of Parity Bonds if the District has obtained (1) the written consent of the RD for the issuance of such Parity Bonds, if the Government is the Owner of any Bonds at the time of issuance of such Parity Bonds; and (2) the written consent of the Owners of all of the then outstanding Prior Bonds, and no other prerequisite need be complied with by the District in order to issue Parity Bonds.

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds. The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

(a) Adjust the monthly amount to be deposited into the Sinking Fund on the same basis as that prescribed in the provisions establishing such Sinking Fund, to reflect the average annual debt service requirements of the Parity Bonds;

(b) Adjust the minimum annual amount to be deposited monthly into the Depreciation Fund on the same basis as that prescribed in the provisions establishing such Depreciation Fund, taking into account the future debt service requirements of all Bonds which will then be outstanding against the System; and

(c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

Section 605. Prepayment Provisions Applicable to Parity Bonds. If, in connection with any subsequently issued series of Parity Bonds, it is provided that excess revenues in the Revenue Fund shall be used to prepay Outstanding Bonds in advance of scheduled maturity, or if the District at its option undertakes to prepay Outstanding Bonds in advance of scheduled maturity, it is agreed and understood, for so long as the Government owns any of the Outstanding Bonds, that no such prepayment will be effected without the approval of the RD.

Section 606. Consent of the RD Regarding Future Bonds. Notwithstanding any other provisions of this Resolution, the District agrees that so long as the Government owns any Outstanding Bonds against and/or payable from the revenues of the System, the District will not issue any future bonds, notes or other obligations against, secured by or payable from the revenues of the System without the written consent of the RD.

Section 607. Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities. The District covenants and agrees that so long as any of the Prior Bonds and/or Bonds are outstanding, the District will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided above, the District will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Outstanding Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any part of the facilities of the System, provided that:

- (a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;
- (b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

- (c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and
- (d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

Notwithstanding any other provisions hereof, so long as any Bonds are held by the Government, the District shall not dispose of its title to the System or to any part thereof, without first obtaining the written consent of the RD.

ARTICLE 7. DEFAULT AND CONSEQUENCES

Section 701. Events of Default. The following items shall constitute an Event of Default on the part of the District:

- (a) The failure to pay principal of the Bonds as and when same shall become due and payable, either at maturity or by proceedings for redemption.
- (b) The failure to pay any installment of interest on the Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the RD, within thirty (30) days thereafter.
- (c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds, the Prior Bond Resolution or in this Resolution.
- (d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.
- (e) The entering of any order or decree with the consent or the acquiescence of the District, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the District, its failure to have the order vacated, discharged or stayed on appeal within sixth (60) days after entry.

Section 702. Consequences of Event of Default. Any Owner of the Current Bonds may enforce and compel the performance of all duties and obligations of the District set forth herein. Upon the occurrence of an Event of Default, then upon the filing of a suit by any Owner of said the Current Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the District with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal of and interest on the Outstanding Bonds and to provide and apply the income and revenues in conformity with this Resolution and with the laws of the Commonwealth of Kentucky.

The District hereby agrees to transfer to any bona fide receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce collection or payment of the District's obligations, all contracts and other rights of the District pertaining to the System, conditionally, for such time only as such receiver or operator shall operate by authority of the court. Upon the occurrence of an Event of Default, the Owner of any of the Outstanding Bonds may require the governing body of the District by appropriate order to raise the rates a reasonable amount consistent with the requirements of this Resolution.

**ARTICLE 8. CONTRACTUAL PROVISIONS; GRANT APPROVAL;
MISCELLANEOUS PROVISIONS.**

Section 801. Resolution Contractual with Bondowners. The provisions of this Resolution constitute a contract between the District and its Commission and the Owners of the Current Bonds as may be outstanding from time to time; and after the issuance of any of said Current Bonds, no change, alteration or variation of any kind of the provisions of this Resolution shall be made in any manner which will affect an Owner's rights except as herein provided or except with the written consent of all Bondowners until such time as all of the Current Bonds and the interest thereon have been paid in full or fully provided for; provided that the Commission may adopt any resolution for any purpose not inconsistent with the terms of this Resolution and which shall not impair the security of the Owners of the Current Bonds and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any resolution or other proceedings pertaining hereto.

It is further agreed that the Owners of 75% in principal amount of the Current Bonds at any time outstanding shall have the right to consent to and approve the adoption of resolutions or other proceedings, modifying or amending any of the terms or provisions contained in this Resolution, subject to the conditions that (a) this Resolution shall not be so modified in any manner that may adversely affect the rights of the Owners of any of the Prior Bonds, nor in any manner that may adversely affect the rights of any certain Owners of the Outstanding Bonds without similarly affecting the rights of all Owners of such Outstanding Bonds, or to reduce the percentage of the number of Owners whose consent is required to effect a further modification and (b) no such change may be effected without the consent of the RD so long as the RD owns any of the Outstanding Bonds.

Section 802. All Current Bonds are Equal. The Current Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among any of the Current Bonds regardless of the fact that they may be actually issued and delivered at different times.

Section 803. District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited. So long as the Government is the Owner of any of the Current Bonds, if it appears to the Government that the District is able to refund such Current Bonds in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, or to sell bonds of the District in the open market, at reasonable rates and terms, for loans or bond issues for similar purposes and periods of time, the District will, upon request of the Government, obtain such loan and/or issue such bonds in sufficient amount to repay the Government and will take all such action as may be required in connection therewith.

In addition, so long as the Government is the Owner of any of the Current Bonds, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of the Current Bonds without immediately prepaying all of the then outstanding Current Bonds.

Section 804. Approval and Acceptance of RD Grant Agreement. The RD has agreed to make a grant to the District in the amount of \$400,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

Section 805. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents. The Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the District in approving and executing various documents related to the financing of the Project, including the following:

- (a) Legal Services Agreement with Bond Counsel.
- (b) Legal Services Agreement with Local Counsel.
- (c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).
- (d) Loan Resolution (RD Form 1942-47).
- (e) Agreement for Engineering Services with the Engineers.

Section 806. Authorization of Condemnation to Acquire Easements and/or Sites. In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The District further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with the acquiescence of the Commission, toward the costs of such easements, rights-of-way and/or sites; provided, in each instance, that the payment of such funds to satisfy any judgment, award or compromise must first be approved by the RD; and the Commission further determines that if and to whatever extent the funds available from the proceeds of the financing contemplated by this Resolution shall be inadequate to pay any judgment, award or compromise amount for such easements, rights-of-way and/or sites, or if the District is unable to obtain the approval of the RD for any such payment, the Commission shall take all reasonably necessary actions, within the powers and authority of the Commission, to make such additional amount available from all other available District resources.

ARTICLE 9. SALE OF CURRENT BONDS

Section 901. Sale of Current Bonds. The Current Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as the Commission shall designate.

A suggested form of "Notice of Bond Sale", a suggested form of "Official Notice of Sale of Bonds" and a suggested form of "Bid Form", having been prepared in advance by Bond Counsel, and all of such documents having been found to be in satisfactory form, a copy of each is hereby ordered to be filed in the records of the Secretary with the Minutes of the meeting at which this Resolution is adopted. The Notice of Bond Sale shall be signed by the Secretary and may be used for the purpose of publishing notice of the sale of the Current Bonds. Copies of such documents shall be furnished to any interested parties who may request same.

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

Section 902. Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed. In the event that delivery of the Current Bonds authorized herein is delayed for any reason and the District, with the consent of the Purchaser of the Current Bonds, determines it is in the District's best interest to change the maturities, the applicable prepayment date or any other dates, the District may adjust the same by a Resolution of the Commission approving the adjustments.

ARTICLE 10. CONCLUDING PROVISIONS

Section 1001. Covenant of District to Take All Necessary Action To Assure Compliance with the Code. In order to assure the Owners of the Current Bonds that such Current Bonds shall continue to be legal and that interest thereon will continue to be excludable from gross income for federal income tax purposes and exempt from all Kentucky income taxation, the District covenants to and with the Owners of the Current Bonds to take the following action:

(a) The District will (1) take all actions necessary to comply with the provisions of the Code necessary to assure that interest on the Current Bonds will be excludable from gross income for federal income tax purposes; (2) will take no actions which will violate any of the provisions of the Code; and (3) not use the proceeds of the Current Bonds for any purpose which will cause interest on the Current Bonds or on interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof to become includable in gross income for federal income tax purposes.

(b) The District hereby certifies that it does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the District, or any subordinate entity of the District, will issue during the calendar year during which the Current Bonds are issued, will exceed \$10,000,000; and therefore the District hereby designates the Current Bonds and all interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof as "qualified tax-exempt obligations".

(c) The District further certifies that the Current Bonds and any and all interim financing obligations of the District are not "private activity bonds" within the meaning of the Code.

(d) The District covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the District, upon the advice of Bond Counsel, that the Construction Account, or any other Fund established hereunder, is subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Current Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Depository Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the anniversary of the fifth (5th) year from the date of the Current Bonds, and once every five (5) years thereafter until the final retirement of the Current Bonds; the last installment, to the extent required, to be made no later than sixty (60) days following the date on which funds sufficient for the complete retirement of the Current Bonds are deposited with any escrow agent. The District further covenants to file any and all reports, if any, as may be required to be filed with the Government with regard to the liability or non-liability of the District as

to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.


Section 1002. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

Section 1003. All Provisions in Conflict Repealed. All motions, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are to the extent of such conflict hereby repealed. It is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds of the District payable or secured in any manner by all or any part of the income and revenues of said System or any part thereof, and which have not been heretofore issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered. The District covenants to correct by appropriate proceedings any required procedure previously taken invalidly.

Section 1004. Effective Immediately Upon Adoption. This Resolution shall take effect and be effective immediately upon its adoption.

Adopted this January 10, 2002.

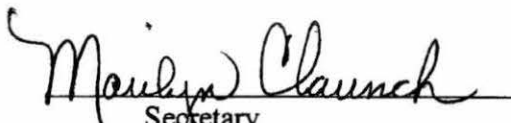
WESTERN PULASKI COUNTY WATER
DISTRICT



Chairman

(Seal of District)

Attest:



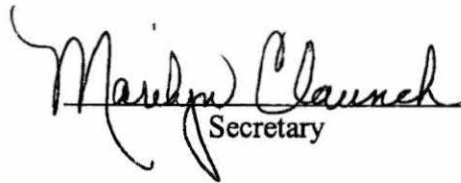
Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Western Pulaski County Water District of Pulaski County, Kentucky, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on January 10, 2002, as shown by the official records of said District in my custody and under my control.

I further certify that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825, that a quorum was present at said meeting, that said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this January 10, 2002.


Secretary

(Seal of District)

EXHIBIT A-1

Schedule of Principal Payments on Series A Bonds

<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>	<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>
2005	\$9,000	2024	\$21,000
2006	10,000	2025	23,000
2007	10,000	2026	23,000
2008	11,000	2027	25,000
2009	11,000	2028	26,000
2010	12,000	2029	27,000
2011	12,000	2030	28,000
2012	13,000	2031	29,000
2013	13,000	2032	31,000
2014	14,000	2033	32,000
2015	14,000	2034	34,000
2016	15,000	2035	35,000
2017	16,000	2036	37,000
2018	16,000	2037	38,000
2019	18,000	2038	40,000
2020	18,000	2039	42,000
2021	19,000	2040	44,000
2022	20,000	2041	46,000
2023	21,000	2042	47,000

EXHIBIT A-2

Schedule of Principal Payments on Series B Bonds

<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>	<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>
2005	\$6,000	2024	\$13,000
2006	6,000	2025	14,000
2007	6,000	2026	14,000
2008	7,000	2027	15,000
2009	7,000	2028	16,000
2010	7,000	2029	16,000
2011	8,000	2030	18,000
2012	8,000	2031	18,000
2013	8,000	2032	19,000
2014	9,000	2033	20,000
2015	9,000	2034	21,000
2016	9,000	2035	21,000
2017	10,000	2036	23,000
2018	10,000	2037	22,000
2019	11,000	2038	24,000
2020	11,000	2039	25,000
2021	12,000	2040	26,000
2022	12,000	2041	27,000
2023	13,000	2042	29,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF PULASKI
WESTERN PULASKI COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS,
SERIES 2002

No. R- _____ Interest Rate: _____ % \$ _____

KNOW ALL PERSONS BY THESE PRESENTS:

That the Western Pulaski County Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Pulaski County, Kentucky, for value received, hereby promises to pay to

the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

_____ DOLLARS (\$ _____),

on the first day of January, in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
-------------	------------------	-------------	------------------	-------------	------------------

[Here the printer of the Current Bond will print the maturities of the Current Bonds purchased by the registered Owner]

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Series ____ Bond is issued by the District as part of an issue in the aggregate principal amount of \$1,450,000, consisting of \$900,000 of Series A Bonds and \$550,000 of Series B Bonds, under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is issued on a parity as to security and source of payment with the outstanding Western Pulaski County Water District Waterworks Revenue Bonds, Series 2001A and B, dated January 17, 2002 (the "Prior Bonds"), authorized by a Resolution adopted by the Commission of the District on January 10, 2002 (the "Prior Bond Resolution"). Accordingly, this Bond and the Prior Bonds are payable from and secured on a first lien basis by a pledge of the gross revenues to be derived from the operation of the System.

This Bond has been issued in full compliance with the Current Bond Resolution and the Prior Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the Prior Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Western Pulaski County Water District Waterworks Sinking Fund of 2001", created in the Prior Bond Resolution.

This Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Prior Bonds and/or this Bond, are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Prior Bonds and of this Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Prior Bonds, this Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond in order to complete the Project, and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2011, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the District to comply with any other provision of this Bond or with any provision of the Current Bond Resolution, the registered owner may, at its option, institute all rights and remedies provided by law or by said Current Bond Resolution.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Western Pulaski County Water District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

WESTERN PULASKI COUNTY WATER
DISTRICT

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

ASSIGNMENT

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto _____, this ____ day of _____, _____.

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: Western Pulaski County Water District Waterworks Revenue Bonds, Series 2002, in the principal amount of \$1,450,000, consisting of \$900,000 of Series A Bonds and \$550,000 of Series B Bonds

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the Western Pulaski County Water District (the "District") of Pulaski County, Kentucky.

2. That the named firms and/or persons set forth on Exhibit A attached hereto are now entitled to the aggregate sum of \$ _____, itemized as set forth in said Exhibit A and as per approved invoices attached hereto:

3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "Western Pulaski County Water District Waterworks Construction Account".

4. That we hereby certify that we have carefully inspected the work and, as a result of our inspection and to the best of our knowledge and belief, the amounts shown in this Requisition Certificate are correct and the work has been performed in accordance with the agreements between the District and the parties requesting payment.

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 2002.

WESTERN PULASKI COUNTY WATER DISTRICT

CRAWFORD & CRAWFORD & STEWART ENGINEERS, INC.

By _____ Chairman

By _____ Registered Professional Engineer State of Kentucky No. _____

Approved on _____

Approved on _____

Rural Development

Amount expended heretofore \$ _____

By _____ Authorized RD Official

Amount approved herein _____

Approved on _____

Total _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

RESOLUTION

RESOLUTION OF THE WESTERN PULASKI COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT WITH THE KENTUCKY RURAL WATER FINANCE CORPORATION FOR THE PURPOSE OF REFINANCING AND CURRENTLY REFUNDING CERTAIN OBLIGATIONS OF THE DISTRICT.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Western Pulaski County Water District (the "District") has previously determined that, in order for the District to obtain substantial interest cost savings, it is in the public interest to refinance and currently refund its outstanding: Western Pulaski County Water District Waterworks Revenue Bonds, Series 2001A and B, dated January 17, 2002, in the original authorized principal amount of \$2,844,000 (the "Prior Bonds"), which Prior Bonds were issued by the District to make improvements and extensions to the District's waterworks system (the "System"); and

WHEREAS, the District desires the Kentucky Rural Water Finance Corporation (the "Corporation") to act as its agency and instrumentality for the purpose of providing monies to refinance and currently refund the outstanding Prior Bonds and has made an application to the Corporation therefore; and

WHEREAS, in order to obtain such monies, the District is required to enter into an Assistance Agreement with the Corporation;

NOW, THEREFORE, BE IT RESOLVED by the Governing Authority of the Western Pulaski County Water District as follows:

1. Authorization of Assistance Agreement and the Obligations Thereunder. For the purpose of paying the costs, not otherwise provided, of the refinancing and current refunding of the Prior Bonds, the District hereby authorizes and approves the issuance of its obligations pursuant to the Assistance Agreement in the aggregate principal amount of \$2,125,000 (subject to adjustment plus or minus ten percent (10%)) (which aggregate principal amount may be adjusted downward in the event that the Chairman determines it is in the District's best interest to not refund some of the Prior Bonds) [the "Obligations"], which amount as adjusted shall be the maximum amount of such Obligations to be outstanding at any one time under the Assistance Agreement, issued as fully registered Obligations, in said maturities and terms as more fully provided for in the Assistance Agreement. The Obligations shall bear interest at such rates and shall be payable in such amounts and at such times as specified in the Assistance Agreement, all as agreed upon by the District and the Corporation.

2. Approval and Authorization of Execution of Assistance Agreement. The Assistance Agreement by and between the District and the Corporation in such form as may be approved by the Chairman, is hereby approved, subject to such minor changes, changes of dates, insertions or omissions as may be approved by the Chairman, such approval to be conclusively evidenced by the execution of said Assistance Agreement, in order to effectuate the purposes of this Resolution; and the Chairman, or any other officer of the District, is hereby authorized to execute and acknowledge same for and on behalf of the District; and the Secretary is authorized to attest same and to affix thereto the corporate seal of the District. The Assistance Agreement is

hereby ordered to be filed in the office of the Secretary with this Resolution in the official records of the District.

3. Disbursement of Proceeds of Obligations. The District's officers, employees and agents are authorized to carry out the procedures specified in the Assistance Agreement for the refinancing and current refunding of the Prior Bonds and for the payment from time to time of the costs and related expenses associated therewith.

4. Revenues of the System. The revenues of the System are determined to be sufficient to pay the principal of and interest on the Obligations, as the same become due and payable; and said revenues, pursuant to the terms of the Assistance Agreement, are hereby pledged to secure all such payments, and in addition, for such other purposes as are more fully specified in the Assistance Agreement.

5. Chairman and Other District Officials to Take Any Other Necessary Action. Pursuant to the Constitution and Laws of the Commonwealth of Kentucky, the Chairman, Treasurer, Secretary and all other appropriate officials of the District are hereby authorized and directed to file any and all applications necessary to obtain approval of the issuance of the Obligations from the Kentucky Public Service Commission and to take any and all further action and to execute and deliver all other documents as may be reasonably necessary to effect the issuance and delivery of the Obligations and the Assistance Agreement.

6. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be ruled by any court of competent jurisdiction to be invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions hereof.

7. Captions of Clauses. The captions of this Resolution are for convenience only and are not to be construed as part of this Resolution nor as defining or limiting in any way the scope or intent of the provisions hereof.

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

9. Effective Date of Resolution. This Resolution shall take effect from and after its adoption and approval.

Adopted on April 17, 2012.

WESTERN PULASKI COUNTY WATER
DISTRICT

By 
Chairman

Attest:

By 
Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Governing Authority of the District at a meeting duly held on April 17, 2012; that said official action appears as a matter of public record in the official records or Journal of the Governing Authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.823; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this April 17, 2012.


Secretary

ASSISTANCE AGREEMENT

BETWEEN

KENTUCKY RURAL WATER FINANCE CORPORATION

AND

WESTERN PULASKI COUNTY WATER DISTRICT

DATED

AUGUST 29, 2012

IN THE AMOUNT OF \$2,080,000

This document was prepared by:

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

By

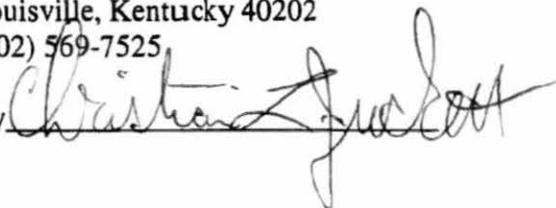


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ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of August 29, 2012 (the "Assistance Agreement") by and between the Kentucky Rural Water Finance Corporation, a non-profit agency and instrumentality of various political subdivisions of the Commonwealth of Kentucky duly organized and existing under the laws of the Commonwealth of Kentucky (the "Issuer") and the Western Pulaski County Water District, 1059 West Hwy 80, Somerset, Kentucky 42503 (the "Governmental Agency"):

WITNESSETH

WHEREAS, the Issuer has established its Public Projects Flexible Term Program (the "Program") designed to provide financing for the expansion, addition and improvements of public projects for governmental entities under which the Issuer issued its Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program), Series 2001, dated April 4, 2001, in the aggregate principal amount of \$46,000,000 (the "Series 2001 Bonds") pursuant to a Trust Indenture dated as of April 4, 2001 (the "Indenture") between the Issuer and Regions Bank, Nashville, Tennessee (as successor in interest to Fifth Third Bank and The Bank of New York Trust Company, N.A.), as trustee (the "Trustee"), the net proceeds of which will be applied for the benefit of such governmental entities by making loans, pursuant to Assistance Agreements; and

WHEREAS, pursuant to the Indenture, the Issuer has authorized the issuance of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012E (the "Series 2012E Bonds") in the aggregate principal amount of \$14,550,000, pursuant to a Supplemental Trust Indenture No. 47, dated as of August 29, 2012 by and between the Issuer and the Trustee, which Series 2012E Bonds will rank on a parity with the Series 2001 Bonds and the proceeds of which will be used by certain Governmental Agencies to acquire, construct and equip public projects described in various Assistance Agreements by and between the Governmental Agencies and the Issuer; and

WHEREAS, the Governmental Agency has outstanding its Western Pulaski County Water District Waterworks Revenue Bonds, Series 2001A and B, dated January 17, 2002, in the original authorized principal amount of \$2,780,000 (the "Refunded Bonds"), which bonds were issued by the Governmental Agency to make improvements and extensions to the Governmental Agency's waterworks system (the "System"); and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable and in the public interest to currently refund the Refunded Bonds, in order to effect substantial debt service savings (the "Project"), and the Issuer has determined that the Project is a project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Issuer; and

WHEREAS, the Governmental Agency has designated the Issuer as its instrumentality and agency; and

WHEREAS, pursuant to this Assistance Agreement the Governmental Agency will proceed with the Project; and

WHEREAS, in and by the Prior Bond Legislation (as hereinafter defined), the right and privilege was reserved by the Governmental Agency under conditions and restrictions set out in said Prior Bond Legislation, of issuing additional bonds from time to time, payable from the income and revenues of the System and ranking on a parity with the Governmental Agency's outstanding Prior Bonds (as hereinafter defined), for the purpose, among other things, of financing the costs of extensions, additions and improvements to the System and refinancing certain outstanding indebtedness, which conditions and restrictions are found to currently exist and prevail so as to permit the issuance of certain proposed additional bonds so as to rank, when issued, on a parity with the outstanding Prior Bonds; and

WHEREAS, it is deemed necessary and advisable for the best interests of the Governmental Agency that it enter into this Assistance Agreement with the Issuer in order to borrow funds (the "Loan") in the amount of \$2,080,000 [the "Obligations"], for the purpose of providing funds for the Project, and to reaffirm the conditions and restrictions under which similar bonds or obligations may be subsequently issued ranking on a parity therewith; and

WHEREAS, under the provisions of Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, and under the provisions of the Prior Bond Legislation, the Governmental Agency is authorized to enter into this Assistance Agreement and to borrow the Obligations to provide such funds for the purpose aforesaid; and

WHEREAS, the Issuer is willing to cooperate with the Governmental Agency in making available the Loan pursuant to the Act and the Indenture to be applied to the Project upon the conditions hereinafter enumerated and the covenants by the Governmental Agency herein contained; and

WHEREAS, the Issuer and the Governmental Agency have determined to enter into this Assistance Agreement pursuant to the terms of the Act and the Indenture and to set forth their respective duties, rights, covenants, and obligations with respect to the financing of the Project subject to the repayment of the Loan and the Obligations and the interest thereon;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN SET FORTH, THE LOAN HEREBY EFFECTED AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED BY EACH PARTY, THE PARTIES HERETO MUTUALLY COVENANT AND AGREE, EACH WITH THE OTHER AS FOLLOWS:

Section 1. Definitions. As used in this Assistance Agreement, unless the context requires otherwise:

"*Act*" refers to Chapters 58 and 74 of the Kentucky Revised Statutes.

"*Assistance Agreement*" refers to this Assistance Agreement authorizing the Loan and the Obligations.

"*Bond Counsel*" refers to Rubin & Hays, Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202, or any other nationally recognized individual or firm in the field of municipal bond law.

"*Bond Legislation of 2001*" or "*2001 Bond Legislation*" refer to the Resolution authorizing the Series 2001 Bonds, duly adopted by the Governing Body of the Governmental Agency on January 10, 2002.

"*Bond Legislation of 2002*" or "*2002 Bond Legislation*" refer to the Resolution authorizing the Series 2002 Bonds, duly adopted by the Governing Body of the Governmental Agency on January 10, 2002.

"*Bond Legislation of 2010*" or "*2010 Bond Legislation*" refer to the Resolution authorizing the Series 2010 Bonds, duly adopted by the Governing Body of the Governmental Agency on January 19, 2010.

"*Bondowner*", "*Owner*", "*Bondholder*" means and contemplates, unless the context otherwise indicates, the registered owner of one or more of the Bonds at the time issued and outstanding hereunder.

"*Bonds*" refers to the Obligations, the Prior Bonds and any additional Parity Bonds.

"*Certified Public Accountants*" refers to an independent Certified Public Accountant or firm of Certified Public Accountants, duly licensed in Kentucky and knowledgeable about the affairs of the System and/or of other Governmental Agency financial matters.

"*Code*" refers to the United States Internal Revenue Code of 1986, as amended, and any regulations issued thereunder.

"*Compliance Group*" refers to the Compliance Group identified and defined in the Indenture.

"*Depreciation Fund*" refers to the Western Pulaski County Water District Waterworks Depreciation Reserve Fund, described in Section 402 of the 2010 Bond Legislation.

"*Engineer*" or "*Independent Consulting Engineer*" refers to an Independent Consulting Engineer or firm of Engineers of excellent national reputation or of recognized excellent reputation in Kentucky in the fields of waterworks and sewer engineering.

"*Fiscal Year*" refers to the annual accounting period of the Governmental Agency, beginning on January 1, and ending on December 31, of each year.

"*Funds*" refers to the Revenue Fund, the Sinking Fund, the Operation and Maintenance Fund, the Depreciation Fund and the Governmental Agency Account.

"*Governing Body*" means the Board of Commissioners of the Governmental Agency or such other body as shall be the governing body of said Governmental Agency under the laws of Kentucky at any given time.

"*Governmental Agency*" refers to the Western Pulaski County Water District, 1059 West Hwy 80, Somerset, Kentucky 42503.

"*Governmental Agency Chief Executive*" refers to the Chairman of the Governing Body of the Governmental Agency.

"*Governmental Agency Clerk*" refers to the Secretary of the Governing Body.

"*Indenture*" means the Trust Indenture, dated as of April 4, 2001, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture, including the Supplemental Trust Indenture No. 47, dated August 29, 2012, by and between the Issuer and the Trustee.

"*Interest Payment Date*" shall mean the 1st day of each month, commencing October 1, 2012 and continuing through and including July 1, 2035 or until the Loan has been paid in full.

"*Issuer*" refers to the Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky.

"*Obligations*" refers to the Loan authorized by this Assistance Agreement in the principal amount of \$2,080,000, maturing July 1, 2035.

"*Operation and Maintenance Fund*" refers to the Western Pulaski County Water District Waterworks Operation and Maintenance Fund created and confirmed in the Prior Bond Legislation, which Fund will continue to be maintained for the benefit of the System.

"*Outstanding Bonds*" refers collectively to all outstanding Prior Bonds, the outstanding Obligations and any outstanding Parity Bonds, and does not refer to any bonds that have been defeased.

"*Parity Bonds*" means bonds issued in the future, which will, pursuant to the provisions of this Assistance Agreement, rank on a basis of parity with the Obligations and shall not be deemed to include, nor to prohibit the issuance of, bonds ranking inferior in security to the Obligations.

"Permitted Investments" refers to the following:

(a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in the Commonwealth of Kentucky;

(b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:

- i. United States Treasury;
- ii. Export-Import Bank of the United States;
- iii. Farmers Home Administration;
- iv. Government National Mortgage Corporation; and
- v. Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including but not limited to:

- i. Federal Home Loan Mortgage Corporation;
- ii. Federal Farm Credit Banks;
- iii. Bank for Cooperatives;
- iv. Federal Intermediate Credit Banks;
- v. Federal Land Banks;
- vi. Federal Home Loan Banks;
- vii. Federal National Mortgage Association; and
- viii. Tennessee Valley Authority;

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institutions which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS Section 41.240(4);

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated on one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Banker's acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and

(j) Shares of mutual funds, each of which shall have the following characteristics:

- i. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
- ii. The management company of the investment company shall have been in operation for at least five (5) years; and
- iii. All of the securities in the mutual fund shall be eligible investments under this section.

Investments in the above instruments are subject to the following conditions and limitations:

(a) The amount of money invested at any time by a local government or political subdivision in one (1) or more of the categories of investments authorized by subsection (e), (f), (g), and (i) of this definition shall not exceed twenty percent (20%) of the total amount of money invested by the local government; and

(b) No local government or political subdivision shall purchase any investment authorized herein on a margin basis or through the use of any similar leveraging technique.

"*Prior Bond Legislation*" refers to the 2002 Bond Legislation and the 2010 Bond Legislation.

"*Prior Bonds*" refers collectively to the Series 2002 Bonds and Series 2010 Bonds.

"*Program*" refers to the Issuer's Public Projects Flexible Term Program designed to provide financing for the expansion, addition and improvement of public projects for governmental entities.

"*Program Administrator*" refers to the Kentucky Rural Water Association, Inc., Bowling Green, Kentucky.

"*Program Reserve Fund*" refers to the Program Reserve Fund created and established pursuant to Section 4.2 of the Indenture.

"*Project*" refers to financing the cost to currently refund the outstanding Refunded Bonds, with the proceeds of the Obligations.

"*Refunded Bonds*" refers to the outstanding Series 2001 Bonds.

"*Revenue Fund*" refers to the Western Pulaski County Water District Waterworks Revenue Fund created in the Prior Bond Legislation and which Revenue Fund will continue to be maintained for the benefit of all of the Bonds.

"*Series 2001 Bonds*" refers to the outstanding Western Pulaski County Water District Waterworks Revenue Bonds, Series 2001A and B, dated January 17, 2002, in the original authorized principal amount of \$2,844,000.

"*Series 2002 Bonds*" refers to the outstanding Western Pulaski County Water District Waterworks Revenue Bonds, Series 2002A and B, dated February 7, 2003, in the original authorized principal amount of \$1,450,000.

"*Series 2010 Bonds*" refers to the outstanding Western Pulaski County Water District Taxable Waterworks Revenue Bonds, Series 2010 (Build America Bonds - Direct Payment), dated December 3, 2010, in the original authorized principal amount of \$911,000.

"*Sinking Fund*" refers to the Western Pulaski County Water District Waterworks Sinking Fund of 2002, described in Section 401 of the 2010 Bond Legislation.

"*System*" refers to the Governmental Agency's waterworks system, together with all future extensions, additions and improvements to said System.

"*Treasurer*" refers to the Treasurer of the Governmental Agency.

"*Trustee*" refers to Regions Bank, Nashville, Tennessee.

"*U.S. Obligations*" refers to bonds, notes, or Treasury Bills, which are direct obligations of the United States of America or obligations fully guaranteed by the United States of America, including book-entry obligations of the United States Treasury-State and Local Government Series, and Trust Receipts representing an ownership interest in direct obligations of the United States.

Section 2. Reaffirmation of Declaration of Waterworks System. That all proceedings heretofore taken for the establishment of and the supplying of water service in and to said Governmental Agency as a waterworks system are hereby in all respects ratified and confirmed; and so long as any of the Obligations hereinafter authorized or permitted to be issued remain outstanding, said System shall be owned, controlled, operated and maintained for the security and source of payment of the Obligations. Said System is hereby declared to constitute a public project within the meaning and application of Sections 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes.

Section 3. Authorization of Obligations; Place of Payment; Manner of Execution. That pursuant to the Constitution and laws of Kentucky, and particularly said Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, the Governmental

Agency hereby authorizes the borrowing of \$2,080,000 from the Program, for the purpose of providing funds for the Project.

Said Obligations shall mature in such principal amounts, and shall bear interest as set forth in Exhibit A attached hereto.

The principal of, redemption price, if any, and interest on the Obligations shall be payable in lawful money of the United States of America on the Interest Payment Date to the Trustee for the Program. Such payment shall be made by the Governmental Agency from funds on deposit in the Sinking Fund pursuant to the ACH Debit Direct Payment Method (the "ACH Debit Direct Payment Method") as described and detailed in the ACH Debit Direct Payment Authorization Form (the "ACH Authorization Form") in a form as provided by the Trustee to the Governmental Agency. The ACH Authorization Form shall be completed, signed and forwarded to the Trustee prior to the Governmental Agency receiving any of the proceeds of the Loan.

Pursuant to the ACH Debit Direct Payment Method, there shall be transferred to the Trustee on or before each Interest Payment Date, from the Sinking Fund, the amounts set forth as sinking fund payments on Exhibit A attached hereto.

In addition, in the event the Issuer is required to withdraw moneys from the Program Reserve Fund established pursuant to the Indenture to pay the principal of and interest on the Obligations and any other payments due under this Assistance Agreement on behalf of the Governmental Agency (the "Reserve Withdrawal"), the Governmental Agency shall pay to the Trustee, each amount set forth as sinking fund payments on Exhibit A attached hereto, pursuant to the ACH Debit Direct Payment Method an amount equal to at least 1/12 of the Reserve Withdrawal, plus accrued interest thereon at the rate equal to the highest rate of interest paid by the investments making up the Program Reserve Fund until such Reserve Withdrawal has been replenished.

Section 4. Redemption.

(a) *Optional Redemption.* The Obligations maturing prior to July 1, 2022 shall not be subject to optional redemption prior to maturity. Subject to the prior written approval of the Compliance Group, the Obligations maturing on or after July 1, 2022 are subject to optional redemption, in whole or in part, by the Governmental Agency prior to their stated maturity, at any time falling on or after July 1, 2021 at a redemption price equal to 100% of the principal amount of the Obligations called for redemption, plus unpaid interest accrued to the date of redemption.

In the event that the Governmental Agency desires to optionally redeem a portion of its Obligations, such redemption shall be in a denomination equal to \$5,000 or any integral multiple thereof.

(b) *Notice of Redemption.* The Governmental Agency shall give the Issuer and the Trustee notice of any redemption by sending at least one such notice by first class United States mail not less than 45 and not more than 90 days prior to the date fixed for redemption.

All of said Obligations as to which the Governmental Agency reserves and exercises the right of redemption and as to which notice as aforesaid shall have been given, and for the retirement of which, upon the terms aforesaid, funds are duly provided, will cease to bear interest on the redemption date.

Section 5. Recognition of Prior Bonds. The Governmental Agency hereby expressly recognizes and acknowledges that the Governmental Agency has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds and in the Prior Bond Legislation.

Section 6. Obligations Payable Out of Revenues on a Parity with Prior Bonds. All of the Obligations and Prior Bonds, together with the interest thereon and such additional bonds ranking on a parity therewith heretofore issued and outstanding and that may be hereafter issued and outstanding from time to time under the conditions and restrictions hereinafter set forth, shall be payable out of the Sinking Fund, as heretofore created in the Prior Bond Legislation and as hereinafter more specifically provided and shall be a valid claim of the holder thereof only against said fund and the fixed portion or amount of the income and revenues of the System of said Governmental Agency pledged to said fund.

Section 7. Compliance with Parity Coverage Requirements of the Prior Bond Legislation. It is hereby declared that in accordance with the provisions of the Prior Bond Legislation, and prior to the issuance of any of the Obligations hereby authorized, there will be procured and filed with the Governmental Agency Clerk of said Governmental Agency any and all statements or certifications for the purpose of having both principal and interest on the Prior Bonds and the Obligations hereby authorized payable on a parity from the income and revenues of said System with said outstanding Prior Bonds.

Section 8. Flow of Funds. All proceedings preliminary to and in connection with the issuance of the Outstanding Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Outstanding Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Outstanding Bonds and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners set out in the Prior Bond Legislation, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Outstanding Bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the Obligations, the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

A. Revenue Fund. The Governmental Agency covenants and agrees that it will continue to deposit in the Revenue Fund, promptly as received from time to time, all revenues of the System, as same may be extended and improved from time to time. The moneys in the Revenue Fund shall continue to be used, disbursed and applied by the Governmental Agency only for the purpose and in the manner and order of priorities specified in the Prior Bond

Legislation, as hereinafter modified by this Assistance Agreement, all as permitted by the Act, and in accordance with previous contractual commitments.

B. Sinking Fund. There shall be transferred from the Revenue Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Outstanding Bonds, a sum equal to the total of the following:

- (1) A sum equal to one-sixth (1/6) of the next succeeding interest payment to become due on the Outstanding Bonds, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of all of the Outstanding Bonds maturing on the next succeeding payment date.

Said Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the Obligations and Prior Bonds.

If the Governmental Agency for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Outstanding Bonds, as same fall due, such excess may be used for redemption or prepayment of any Outstanding Bonds, subject to the terms and conditions set forth therein, prior to maturity.

C. Depreciation Fund. Pursuant to the provisions of the Prior Bond Legislation, there shall next be transferred from the Revenue Fund a sum sufficient, each month, to maintain a balance in said Depreciation Fund of at least the sum required by the Prior Bond Legislation, which shall be deposited into the Depreciation Fund.

Moneys in the Depreciation Fund may be withdrawn and used by the Governmental Agency, upon appropriate certification of the Governing Body, in accordance with the provisions of the Prior Bond Legislation, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the Sinking Fund is not sufficient to make such payments.

D. Operation and Maintenance Fund. There shall next be transferred monthly from the Revenue Fund and deposited into said Operation and Maintenance Fund, sums sufficient to meet the current expenses of operating and maintaining the System. The balance maintained in said Operation and Maintenance Fund shall not be in excess of the amount required to cover anticipated System expenditures for a two-month period pursuant to the Governmental Agency's annual budget.

E. Surplus Funds. Subject to the provisions for the disposition of the income and revenues of the System as set forth hereinabove, which provisions are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the Revenue Fund on such date, to the Depreciation Fund for application in accordance with the terms of this Assistance Agreement or to the Sinking Fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of Outstanding Bonds.

Provided, however, notwithstanding anything to the contrary in any Prior Bond Legislation, the Governmental Agency shall be allowed a credit to the extent of moneys on deposit in the Program Reserve Fund for the purpose of meeting any parity requirements in any Prior Bond Legislation; subject however, to the limitation that moneys in the Program Reserve Fund may only be used to make payments of the Government Agency due under this Assistance Agreement, if necessary, and; provided further, that the Trustee may not seek payment for any reserve funds held by the Governmental Agency under any Prior Bond Legislation for payment of any amounts due from the Governmental Agency under this Assistance Agreement.

Section 9. Disposition of Proceeds of the Obligations; Governmental Agency Account. Upon (i) the execution of this Assistance Agreement, (ii) the delivery of this Assistance Agreement to the Trustee, (iii) certification of the Compliance Group that the Loan is to be accepted in the Program, and (iv) upon receipt by the Governmental Agency of the proceeds of the Obligations, the proceeds shall be applied as follows:

(a) *Disposition of the Proceeds.* There shall first be deducted and paid from the proceeds of the Obligations the fees and costs incurred by the Governmental Agency and any other pertinent expenses incident to the issuance, sale and delivery of the Obligations and such other appropriate expenses as may be approved by the Governmental Agency Chief Executive, including but not limited to the Governmental Agency's pro rata share of the Program's fees and expenses.

The balance shall be deposited to the Governmental Agency Account to be used for the Project.

(b) *Governmental Agency Account.* It is hereby acknowledged that a fund entitled "Western Pulaski County Water District Governmental Agency Account" (the "Governmental Agency Account") has been created and maintained by the Trustee pursuant to the Indenture; and such amount on deposit in said Governmental Agency Account shall be transferred to the Rural Development (the "RD") of the Department of Agriculture of the United States of America, the holder of the Refunded Bonds, as may be required:

- (1) To pay the interest on the Refunded Bonds to and including August 31, 2012; and
- (2) To redeem on August 31, 2012 at a price equal to 100% of principal amount the Refunded Bonds that as of that date have not been redeemed, retired or

otherwise paid, thereby defeasing the pledge of revenues and the property securing the Refunded Bonds.

Investment income derived from investment of the Governmental Agency Account, which shall be invested in Permitted Investments in accordance with this Assistance Agreement, shall, as received, be deposited in the Governmental Agency Account.

The Trustee shall be obligated to send written notice to the Governmental Agency of the need for investment directions if and whenever funds in excess of \$50,000 shall remain uninvested for a period of more than five days. In the absence of written direction from the Governmental Agency with respect to investment of moneys held in the Governmental Agency Account, the Trustee is hereby directed to invest funds in money market mutual funds of the Trustee or its affiliates that qualify as Permitted Investments under this Assistance Agreement.

No expenditure shall be made from the Governmental Agency Account except for proper and authorized expenses relating to the Project as approved by the Governmental Agency.

After completion of the Project, any balance then remaining on deposit in the Governmental Agency Account shall, subject to any and all applicable legal provisions and applicable arbitrage regulations necessary to assure the exemption of interest on the Obligations from Federal income taxation, upon orders of the Governing Body, be transferred to the Sinking Fund, to be used for the purposes thereof.

Section 10. Arbitrage Limitations.

(a) The Governmental Agency covenants that neither the proceeds of the Obligations, nor "Non-Exempt Revenues" of the System, as defined below, will be invested in investments which will produce a net adjusted yield in excess of the net interest cost (effective yield) of the Obligations, if such investment would cause such Obligations to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code, as amended, and the applicable regulations thereunder; provided, however, that such proceeds and/or revenues may be invested to whatever extent and whenever the Code and/or applicable regulations permit same to be invested without causing the Obligations to be treated as "arbitrage bonds."

(b) "Non-Exempt Revenues" within the meaning of the foregoing shall be deemed to refer to revenues of the System deposited in any of the funds earmarked for or reasonably expected to be used for the payment of debt service on the Obligations, in excess of "Exempt Revenues," which Exempt Revenues are:

(1) amounts deposited in the Sinking Fund for the purpose of paying debt service on any Obligations against the System within thirteen (13) months from the date of deposit; and

(2) amounts deposited in the Depreciation Fund or any similar reserve for replacements, reasonably expected to be used for extensions, additions, improvements or replacements to the System, and not reasonably expected to be used to pay debt service

(even if pledged to be used to pay debt service in the event of the unexpected inadequacy of other funds pledged for that purpose).

(c) If, and to the extent that any Non-Exempt Revenues are on deposit and are available for investment by reason of the foregoing, such funds shall be subject to the investment limitations set out in Subsection (a) above.

(d) On the basis of information furnished to the Governmental Agency, on known facts, circumstances and reasonable expectations on the date of enactment of this Assistance Agreement, the Governmental Agency certifies as follows:

(1) That it is not expected or contemplated that the proceeds of the Obligations will be used or invested in any manner which will cause any of the Obligations to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations thereunder.

(2) That it is not expected or contemplated that the Governmental Agency will make any use of the proceeds of the Obligations, which, if such use had been reasonably anticipated on the date of issuance of the Obligations, would have caused the Obligations to be arbitrage bonds.

(3) That it is expected and contemplated that the Governmental Agency will comply with (i) all of the requirements of Section 148 of the Code; and (ii) all of the requirements of the applicable regulations thereunder, to whatever extent is necessary to assure that the Obligations will not be treated as arbitrage bonds.

(4) That it is anticipated that amounts on deposit in the Sinking Fund will be used within 13 months from the date of deposit for the payment of debt service on the outstanding Obligations and all Prior Bonds payable from said Sinking Fund.

(5) That amounts accumulated in the Sinking Fund shall not exceed the limitations set forth in this Assistance Agreement.

(6) That it is not reasonably anticipated that amounts accumulated in the Depreciation Fund will be used for payment of debt service on any bonds payable from the revenues of the System, even though such Depreciation Fund will be so available if necessary to prevent a default in the payment of principal and interest on such bonds.

Prior to or at the time of delivery of the Obligations, the Governmental Agency Chief Executive and/or the Governmental Agency Treasurer are authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated investment of the proceeds of the Obligations, including the execution of necessary and/or desirable certifications of the type contemplated by the Code and applicable regulations, as amended, in order to assure that interest on the Obligations will be exempt from all federal income taxes and that the Obligations will not constitute or be treated as arbitrage bonds.

Section 11. Parity Bonds. The Obligations shall not be entitled to priority one over the other in the application of the income and revenues of the System, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Obligations, regardless of the fact they may be actually issued and delivered at different times, and provided further that the lien and security of and for any bonds or obligations hereafter issued that are payable from the income and revenues of the System, shall, except as set out herein, be subject to the priority of the Prior Bonds and the Obligations as may from time to time be outstanding; provided the Governmental Agency has in said Prior Bond Legislation reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional bonds from time to time payable from the income and revenues of the System ranking on a parity with the Prior Bonds and with the Obligations, but only under the conditions specified in the Prior Bond Legislation, which conditions are hereinafter repeated, taking into account the issuance of the Obligations.

The Governmental Agency reserves the right to finance future extensions, additions, and/or improvements to the System by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from, the revenues of the System pledged to the Prior Bonds and the Obligations, provided;

(a) The facilities to be constructed from the proceeds of the additional Parity Bonds are made a part of the System and their revenues are pledged as additional security for the additional Parity Bonds and for the Outstanding Bonds.

(b) The Governmental Agency is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds.

(c) The annual net revenues (defined as gross revenues less operating expenses), of the then existing System for the Fiscal Year preceding the year in which such Parity Bonds are to be issued, adjusted as hereinafter provided, shall be certified by an independent Certified Public Accountant to be equal at least one hundred twenty percent (120%) of the average annual debt service requirements for principal and interest on all Outstanding Bonds payable from the revenues of the System, plus the anticipated debt service requirements of any Parity Bonds then proposed to be issued. The calculation of average annual debt service requirements of principal and interest on the additional Parity Bonds to be issued shall, regardless of whether such additional Parity Bonds are to be serial or term bonds, be determined on the basis of the principal of and interest on such Parity Bonds being payable in approximately equal annual installments.

(d) The annual net revenues referred to above may be adjusted for the purpose of the foregoing computations to reflect:

(1) any revisions in the System's schedule of rates or charges being imposed on or before the issuance of any such additional Parity Bonds, and

(2) any increase in the annual net revenues to be realized from the proposed extensions, additions and improvements being financed (in whole or in part) by such additional Parity Bonds;

provided all such adjustments shall be based upon and included in a certification of an Independent Consulting Engineer.

(e) Reference is made to the necessity of obtaining the written consent of the United States Department of Agriculture Rural Development or its successor [the "RD"] for the issuance of future bonds encumbering the System while the RD holds any bonds payable from the revenues of the System.

(f) The Governmental Agency hereby covenants and agrees that in the event any additional Parity Bonds are issued, the Governmental Agency shall:

(1) Adjust the monthly amount to be deposited into the Sinking Fund on the same basis as that prescribed in the provisions establishing such Sinking Fund, to reflect the annual debt service requirements of the additional Parity Bonds; and

(2) Adjust the minimum annual amount to be deposited monthly into the Depreciation Fund on the same basis as that prescribed in the provisions establishing such Depreciation Fund, taking into account the future debt service requirements of all Bonds which will then be outstanding against the System.

(g) The Governmental Agency reserves the right to issue Parity Bonds to refund or refinance any part or all of the Prior Bonds and the Obligations, provided that prior to the issuance of such Parity Bonds for that purpose, there shall have been procured and filed with the Governmental Agency Clerk of the Governmental Agency a statement by a Certified Public Accountant, as defined herein, reciting the opinion based upon necessary investigation that:

(1) after the issuance of the Parity Bonds, the annual net revenues, as adjusted and defined above, of the then existing system for the fiscal year preceding the date of issuance of the Parity Bonds, after taking into account the revised debt service requirements resulting from the issuance of the Parity Bonds and from the elimination of the Outstanding Bonds being refunded or refinanced thereby, are equal to not less than 120% of the average annual debt service requirements then scheduled to fall due in any fiscal year thereafter for principal of and interest on all of the Outstanding Bonds payable from the revenues of the System, calculated in the manner specified above; or

(2) in the alternative, that the average annual debt service requirements for the Prior Bonds, the Obligations, any previously issued Parity Bonds and the proposed Parity Bonds, in any year of maturities thereof after the redemption of the Outstanding Bonds scheduled to be refunded through the issuance of the proposed Parity Bonds, shall not exceed the average annual debt service requirements applicable to the then outstanding Prior Bonds, the Obligations and any previously issued Parity Bonds for any year prior to

the issuance of the proposed Parity Bonds and the redemption of the Outstanding Bonds to be refunded.

Section 12. Rates and Charges for Services of the System. While the Obligations remain outstanding and unpaid, the rates for all services of the System rendered by the Governmental Agency to its citizens, corporations, or others requiring the same, shall be reasonable and just, taking into account and consideration the cost and value of said System, the cost of maintaining and operating the same, the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of the Outstanding Bonds and the accruing interest on all Outstanding Bonds as may be outstanding under the provisions of this Assistance Agreement and the Prior Bond Legislation, and there shall be charged such rates and amounts as shall be adequate to meet all requirements of the provisions of this Assistance Agreement. Prior to the issuance of the Obligations a schedule of rates and charges for the services rendered by the System to all users adequate to meet all requirements of this Assistance Agreement has been established and adopted.

The Governmental Agency covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Governmental Agency Clerk a certification of an Independent Consulting Engineer or a Certified Public Accountant that the annual net revenues (as defined in Section 11 hereof) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then outstanding bonds payable from the revenues of the System, calculated in the manner specified in Section 11 hereof.

The Governmental Agency also covenants to cause a report to be filed with the Governing Body within four months after the end of each fiscal year by a Certified Public Accountant, setting forth the precise debt service coverage percentage of the average annual debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then Outstanding Bonds payable from the revenues of the System, produced or provided by the net revenues of the System in that fiscal year, calculated in the manner specified in Section 11 hereof; and the Governmental Agency covenants that if and whenever such report so filed shall establish that such coverage of net revenues for such year was less than 120% of the average annual debt service requirements, the Governmental Agency shall increase the rates by an amount sufficient, in the opinion of such Certified Public Accountant, to establish the existence of or immediate projection of, such minimum 120% coverage.

Section 13. All Obligations of this Issue Are Equal. The Obligations authorized and permitted to be issued hereunder, and from time to time outstanding, shall not be entitled to priority one over the other in the application of the income and revenues of the System regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Obligations, the Prior Bonds and any Parity Bonds authorized or permitted to be issued under the provisions of this Assistance Agreement, regardless of the fact that they may be actually issued and delivered at different times.

Section 14. Defeasance and/or Refunding of Obligations. The Governmental Agency reserves the right, at any time, to cause the pledge of the revenues securing the outstanding Obligations to be defeased and released by paying an amount into an escrow fund sufficient, when invested (or sufficient without such investment, as the case may be) in cash and/or U.S. Obligations, to assure the availability in such escrow fund of an adequate amount (a) to call for redemption and to redeem and retire all of such outstanding Obligations, both as to principal and as to interest, on the next or any optional redemption date, including all costs and expenses in connection therewith, and to pay all principal and interest falling due on the outstanding Obligations to and on said date, or (b) to pay all principal and interest requirements on the outstanding Obligations as same mature, without redemption in advance of maturity, the determination of whether to defease under (a) or (b) or both to be made by the Governing Body. Such U.S. Obligations shall have such maturities as to assure that there will be sufficient funds for such purpose. If such defeasance is to be accomplished pursuant to (a), the Governmental Agency shall take all steps necessary to publish the required notice of the redemption of the outstanding Obligations and the applicable redemption date. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary.

Section 15. Contractual Nature of Assistance Agreement. The provisions of this Assistance Agreement shall constitute a contract between the Governmental Agency and the Issuer; and after the issuance of any of such Obligations, no change, variation or alteration of any kind in the provisions of this Assistance Agreement, nor of the Prior Bond Legislation, shall be made in any manner except as herein or therein provided until such time as all of the Bonds authorized thereby and the interest thereon have been paid or provided for in full, or as otherwise provided herein; provided that the Governing Body may enact legislation for any other purpose not inconsistent with the terms of this Assistance Agreement, and which shall not impair the security of the Issuer and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto.

Section 16. Appointment and Duties of Trustee. The Trustee is hereby designated as the bond registrar and paying agent with respect to the Obligations.

Its duties as Trustee shall be as follows:

- (a) To register all of the Obligations in the names of the Issuer;
- (b) To cancel and destroy (or remit to the Governmental Agency for destruction, if so requested by the Governmental Agency) all exchanged, matured, retired and redeemed Obligations, and to maintain adequate records relevant thereto;
- (c) To remit, but only to the extent that all required funds are made available to the Trustee by the Governmental Agency, semiannual interest payments directly to the Issuer's accounts for the Program;

(d) To notify the Issuer of any Obligations to be redeemed and to redeem Obligations prior to their stated maturity upon receiving sufficient funds; and

(e) To supply the Governmental Agency with a written accounting evidencing the payment of interest on and principal of the Obligations within thirty (30) days following each respective due date.

The Trustee shall be entitled to the advice of counsel and shall be protected for any acts taken by it in good faith in reliance upon such advice. The Trustee shall not be liable for any actions taken in good faith and believed by it to be within its discretion or the power conferred upon it by this Assistance Agreement, or the responsibility for the consequences of any oversight or error in judgment.

The Trustee may at any time resign from its duties set forth in this Assistance Agreement by filing its resignation with the Governmental Agency Clerk and notifying the Issuer. Thereupon, the Issuer shall notify the Governmental Agency of a successor Trustee which shall be an incorporated bank or trust company authorized to transact business in the United States of America. Notwithstanding the foregoing, in the event of the resignation of the Trustee, provision shall be made for the orderly transition of the books, records and accounts relating to the Obligations to the successor Trustee in order that there will be no delinquencies in the payment of interest or principal due on the Obligations.

Section 17. Provisions in Conflict Repealed. All ordinances, resolutions and orders, or parts thereof, in conflict herewith are, to the extent of such conflict, hereby repealed; and it is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds payable or secured in any manner by all or any part of the income and revenues of the System, or any part thereof, and which have not heretofore been issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered.

Section 18. Covenant of Governmental Agency to Take All Action Necessary to Assure Compliance with the Internal Revenue Code of 1986. In order to assure purchasers of the Obligations that interest thereon will continue to be exempt from federal and Kentucky income taxation (subject to certain exceptions set out below), the Governmental Agency covenants to and with the Issuer that (1) the Governmental Agency will take all actions necessary to comply with the provisions of the Code, (2) the Governmental Agency will take no actions which will violate any of the provisions of the Code, or would cause the Obligations to become "private activity bonds" within the meaning of the Code, (3) none of the proceeds of the Obligations will be used for any purpose which would cause the interest on the Obligations to become subject to federal income taxation, and the Governmental Agency will comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Obligations.

The Governmental Agency reserves the right to amend this Assistance Agreement but only with the consent of the Issuer (i) to whatever extent shall, in the opinion of Bond Counsel, be deemed necessary to assure that interest on the Obligations shall be exempt from federal income taxation, and (ii) to whatever extent shall be permissible (without jeopardizing such tax

exemption or the security of such owners) to eliminate or reduce any restrictions concerning the investment of the proceeds of these Obligations, or the application of such proceeds or of the revenues of the System. The purchasers of these Obligations are deemed to have relied fully upon these covenants and undertakings on the part of the Governmental Agency as part of the consideration for the purchase of the Obligations. To the extent that the Governmental Agency obtains an opinion of nationally recognized bond counsel to the effect that non-compliance with any of the covenants contained in this Assistance Agreement or referred to in this Assistance Agreement would not subject interest on the Obligations to federal income taxes or Kentucky income taxes, the Governmental Agency shall not be required to comply with such covenants or requirements.

This Assistance Agreement is executed in contemplation that Bond Counsel will render an opinion as to exemption of principal of the Obligations from Kentucky ad valorem taxation and as to exemption of interest on the Obligations from federal and Kentucky income taxation, based on the assumption by Bond Counsel that the Governmental Agency complies with covenants made by the Governmental Agency with respect to compliance with the provisions of the Code, and based on the assumption of compliance by the Governmental Agency with requirements as to any required rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Obligations. The Governmental Agency has been advised that based on the foregoing assumptions of compliance, Bond Counsel is of the opinion that the Obligations are not "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 19. Insurance.

(a) *Fire and Extended Coverage.* If and to the extent that the System includes structures above ground level, the Governmental Agency shall, upon receipt of the proceeds of the sale of the Obligations, if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System, of a kind and in such amounts as would ordinarily be carried by private companies or public bodies engaged in operating a similar utility.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Obligations are outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

In the event of any damage to or destruction of any part of the System the Governmental Agency shall promptly arrange for the application of the insurance proceeds for the repair or reconstruction of the damaged or destroyed portion thereof.

(b) *Liability Insurance on Facilities.* So long as any of the Obligations are outstanding, the Governmental Agency shall, procure and maintain, public liability insurance relating to the operation of the facilities of the System, with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death; and not less than \$200,000

from claims for damage to property of others which may arise from the Governmental Agency's operations of the System and any other facilities constituting a portion of the System.

(c) *Vehicle Liability Insurance.* If and to the extent that the Governmental Agency owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Obligations, the Governmental Agency shall, if such insurance is not already in force, procure and maintain, so long as any of the Obligations are outstanding, vehicular public liability insurance with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death, and not less than \$200,000 against claims for damage to property of others which may arise from the operation of such vehicles by the Governmental Agency.

Section 20. Event of Default; Remedies. The following items shall constitute an "Event of Default" on the part of the Governmental Agency:

(a) The failure to pay principal on the Obligations when due and payable, either at maturity or by proceedings for redemption;

(b) The failure to pay any installment of interest on the Obligations when the same shall become due and payable;

(c) The failure of the Governmental Agency to fulfill any of its obligations pursuant to this Assistance Agreement and to cure any such failure within 30 days after receipt of written notice of such failure; and/or

(d) The failure to promptly repair, replace or reconstruct essential facilities of the System after any major damage and/or destruction thereof.

Upon the occurrence of an Event of Default, the Issuer or the Trustee on its behalf, as owner of the Obligations, may enforce and compel the performance of all duties and obligations of the Governmental Agency as set forth herein. Upon the occurrence of an Event of Default, then, upon the filing of suit by the Trustee or the Issuer, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Governmental Agency, with power to charge and collect rates sufficient to provide for the payment of the principal of and interest on the Obligations, and for the payment of operation and maintenance expenses of the System, and to provide and apply the income and revenues in conformity with this Assistance Agreement and with the laws of the Commonwealth of Kentucky.

In addition to and apart from the foregoing, upon the occurrence of an Event of Default, the owner of any of the Obligations may require the Governmental Agency by demand, court order, injunction, or otherwise, to raise all applicable rates charged for services of the System a reasonable amount, consistent with the requirements of this Assistance Agreement.

Section 21. Annual Reports. The Governmental Agency hereby agrees to provide or cause to be provided to the Issuer and the Compliance Group audited financial statements prepared in accordance with generally accepted accounting principles (commencing with the

fiscal year ended December 31, 2011) and such other financial information and/or operating data as requested by the Issuer or the Compliance Group.

The annual financial information and operating data, including audited financial statements, will be made available on or before 120 days after the end of each fiscal year.

Section 22. Supplemental Assistance Agreement. The Governmental Agency may, but only with the consent of the Issuer, execute one or more supplemental Assistance Agreements as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Assistance Agreement;
- (b) to subject to the lien and pledge of this Assistance Agreement additional revenues, properties, or collateral which may legally be subjected;
- (c) to add to the conditions, limitations and restrictions on the issuance of bonds, other conditions, limitations and restrictions thereafter to be observed;
- (d) to add to the covenants and agreements of the Governmental Agency in this Assistance Agreement, other covenants and agreements thereafter to be incurred by the Governmental Agency or to surrender any right or power herein reserved to or conferred upon the Governmental Agency;
- (e) to effect the issuance of additional Parity Bonds; and/or
- (f) to modify the terms and conditions of this Assistance Agreement at the request of the Issuer in order to assist the Issuer in operating the Program or to maintain any rating the Issuer may have on its Program obligations.

Section 23. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 24. Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 25. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto shall become in default under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained,

the defaulting party agrees that it will pay on demand therefore to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

Section 26. Signatures of Officers. If any of the officers whose signatures or facsimile signatures appear on this Assistance Agreement or any other document evidencing the Obligations cease to be such officers before delivery of the Obligations, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery, as provided by KRS 58.040 and KRS 61.390.

Section 27. Severability Clause. If any section, paragraph, clause or provision of this Assistance Agreement shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Assistance Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the Kentucky Rural Water Finance Corporation has caused this Assistance Agreement to be signed in its name by its President and attested by its Secretary/Treasurer and the Western Pulaski County Water District has caused this Assistance Agreement to be signed in corporate name and by its officer thereunder duly authorized, all as of the day and year first above written.

KENTUCKY RURAL WATER FINANCE CORPORATION

By James L. Smith
President

Attest:

By [Signature]
Secretary/Treasurer

WESTERN PULASKI COUNTY WATER DISTRICT

By _____
Chairman

Attest:

By _____
Secretary

IN WITNESS WHEREOF, the Kentucky Rural Water Finance Corporation has caused this Assistance Agreement to be signed in its name by its President and attested by its Secretary/Treasurer and the Western Pulaski County Water District has caused this Assistance Agreement to be signed in corporate name and by its officer thereunder duly authorized, all as of the day and year first above written.

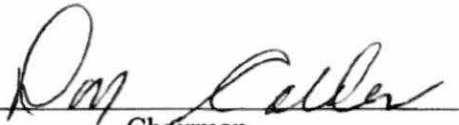
KENTUCKY RURAL WATER FINANCE CORPORATION

By _____
President

Attest:

By _____
Secretary/Treasurer

WESTERN PULASKI COUNTY WATER DISTRICT

By 
Chairman

Attest:

By 
Secretary

EXHIBIT A

Debt Service Schedule

KRWFC Flexible Term Program Series 2012 E
Sinking Fund Payment Schedule

Borrower: Western Pulaski County Waer District
Closing Date: 08/29/12

	Monthly Principal	Monthly Interest	Monthly Admin.Fees	Total Monthly Sinking Fund Payments
10/12-1/13	5,500.00	6,045.70	440.17	11,985.86
2/13-7/13	5,500.00	4,772.92	347.50	10,620.42
8/13-1/14	9,583.33	4,681.25	338.33	14,602.92
2/14-8/14	9,583.33	4,681.25	338.33	14,602.92
8/14-1/15	9,583.33	4,489.58	319.17	14,392.08
2/15-7/15	9,583.33	4,489.58	319.17	14,392.08
8/15-1/16	10,000.00	4,297.92	300.00	14,597.92
2/16-7/16	10,000.00	4,297.92	300.00	14,597.92
8/16-1/17	10,000.00	4,097.92	280.00	14,377.92
2/17-7/17	10,000.00	4,097.92	280.00	14,377.92
8/17-1/18	10,416.67	3,897.92	260.00	14,574.58
2/18-7/18	10,416.67	3,897.92	260.00	14,574.58
8/18-1/19	10,416.67	3,663.54	239.17	14,319.38
2/19-7/19	10,416.67	3,663.54	239.17	14,319.38
8/19-1/20	10,833.33	3,351.04	218.33	14,402.71
2/20-7/20	10,833.33	3,351.04	218.33	14,402.71
8/20-1/21	11,250.00	3,026.04	196.67	14,472.71
2/21-7/21	11,250.00	3,026.04	196.67	14,472.71
8/21-1/22	11,666.67	2,688.54	174.17	14,529.38
2/22-7/22	11,666.67	2,688.54	174.17	14,529.38
8/22-1/23	11,666.67	2,338.54	150.83	14,156.04
2/23-7/23	11,666.67	2,338.54	150.83	14,156.04
8/23-1/24	12,083.33	1,988.54	127.50	14,199.38
2/24-7/24	12,083.33	1,988.54	127.50	14,199.38
8/24-1/25	12,916.67	1,626.04	103.33	14,646.04
2/25-7/25	12,916.67	1,626.04	103.33	14,646.04
8/25-1/26	3,333.33	1,238.54	77.50	4,649.38
2/26-7/26	3,333.33	1,238.54	77.50	4,649.38
8/26-1/27	3,333.33	1,138.54	70.83	4,542.71
2/27-7/27	3,333.33	1,138.54	70.83	4,542.71
8/27-1/28	3,333.33	1,038.54	64.17	4,436.04
2/28-7/28	3,333.33	1,038.54	64.17	4,436.04
8/28-1/29	3,750.00	938.54	57.50	4,746.04
2/29-7/29	3,750.00	938.54	57.50	4,746.04
8/29-1/30	3,750.00	821.36	49.06	4,620.42
2/30-7/30	3,750.00	821.36	49.06	4,620.42
8/30-2/31	3,750.00	704.17	40.63	4,494.79
2/31-7/31	3,750.00	704.17	40.63	4,494.79
8/31-1/32	4,166.67	582.29	33.13	4,782.08
2/32-7/32	4,166.67	582.29	33.13	4,782.08
8/32-1/33	4,166.67	446.88	24.79	4,638.33
2/33-7/33	4,166.67	446.88	24.79	4,638.33
8/33-1/34	4,166.67	306.25	17.50	4,490.42
2/34-7/34	4,166.67	306.25	17.50	4,490.42
8/34-1/35	4,583.33	160.42	9.17	4,752.92
2/35-7/35	4,583.33	160.42	9.17	4,752.92
	<u>2,080,000.00</u>	<u>623,089.04</u>	<u>41,666.90</u>	<u>2,744,755.94</u>

ARTICLE 10. CONCLUDING PROVISIONS

Section 1001. Covenant of District to Take All Necessary Action To Assure Compliance with the Code. In order to assure the Owners of the Current Bonds that such Current Bonds shall continue to be legal and that interest thereon will continue to be excludable from gross income for federal income tax purposes and exempt from all Kentucky income taxation, the District covenants to and with the Owners of the Current Bonds to take the following action:

(a) The District will (1) take all actions necessary to comply with the provisions of the Code necessary to assure that interest on the Current Bonds will be excludable from gross income for federal income tax purposes; (2) will take no actions which will violate any of the provisions of the Code; and (3) not use the proceeds of the Current Bonds for any purpose which will cause interest on the Current Bonds or on interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof to become includable in gross income for federal income tax purposes.

(b) The District hereby certifies that it does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the District, or any subordinate entity of the District, will issue during the calendar year during which the Current Bonds are issued, will exceed \$10,000,000; and therefore the District hereby designates the Current Bonds and all interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof as "qualified tax-exempt obligations".

(c) The District further certifies that the Current Bonds and any and all interim financing obligations of the District are not "private activity bonds" within the meaning of the Code.

(d) The District covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the District, upon the advice of Bond Counsel, that the Construction Account, or any other Fund established hereunder, is subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Current Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Depository Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the anniversary of the fifth (5th) year from the date of the Current Bonds, and once every five (5) years thereafter until the final retirement of the Current Bonds; the last installment, to the extent required, to be made no later than sixty (60) days following the date on which funds sufficient for the complete retirement of the Current Bonds are deposited with any escrow agent. The District further covenants to file any and all reports, if any, as may be required to be filed with the Government with regard to the liability or non-liability of the

District as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.


Section 1002. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

Section 1003. All Provisions in Conflict Repealed. All motions, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are to the extent of such conflict hereby repealed. It is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds of the District payable or secured in any manner by all or any part of the income and revenues of said System or any part thereof, and which have not been heretofore issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered. The District covenants to correct by appropriate proceedings any required procedure previously taken invalidly.

Section 1004. Effective Immediately Upon Adoption. This Resolution shall take effect and be effective immediately upon its adoption.

Adopted this February 18, 2013.

Western Pulaski County Water District



Chairman

(Seal of District)

Attest:



Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Western Pulaski County Water District, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on February 18, 2013, as shown by the official records of said District in my custody and under my control.

I further certify that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825, that a quorum was present at said meeting, that said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this February 18, 2013.


Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments

Payment Due <u>January 1</u>	Principal <u>Payment</u>	Payment Due <u>January 1</u>	Principal <u>Payment</u>
2016	\$23,500	2035	\$36,000
2017	24,000	2036	37,000
2018	25,000	2037	38,000
2019	25,500	2038	38,500
2020	26,000	2039	39,500
2021	26,500	2040	40,500
2022	27,000	2041	41,500
2023	27,500	2042	42,500
2024	28,500	2043	43,000
2025	29,000	2044	44,000
2026	29,500	2045	45,000
2027	30,500	2046	46,000
2028	31,000	2047	47,000
2029	31,500	2048	48,500
2030	32,500	2049	49,500
2031	33,000	2050	50,500
2032	34,000	2051	51,500
2033	34,500	2052	53,000
2034	35,500	2053	54,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
WESTERN PULASKI COUNTY WATER DISTRICT
WATERWORKS REVENUE BONDS, SERIES 2013

No. R- _____ Interest Rate: _____ % \$ _____

KNOW ALL PERSONS BY THESE PRESENTS:

That the Western Pulaski County Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Pulaski County, Kentucky, for value received, hereby promises to pay to

_____ the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

_____ DOLLARS (\$ _____),

on the first day of January, in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
-------------	------------------	-------------	------------------	-------------	------------------

[Here the printer of the Current Bond will print the maturities of the Current Bonds purchased by the registered Owner]

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is subject to the rights and priorities of the outstanding (i) Western Pulaski County Water District Waterworks Revenue Bonds, Series 2002A and B, dated February 7, 2003 (the "2002 Bonds"), authorized by a Resolution adopted by the Commission of the District on January 10, 2002 (the "2002 Bond Resolution"); (ii) Western Pulaski County Water District Taxable Waterworks Revenue Bonds, Series 2010 (Build America Bonds - Direct Payment), dated December 3, 2010 (the "2010 Bonds"), authorized by a Resolution adopted by the Commission of the District on January 19, 2010 (the "2010 Bond Resolution"); and (iii) Kentucky Rural Water Finance Corporation loan to the District, dated August 29, 2012 (the "KRWFC Loan"), authorized by a Resolution adopted by the Commission of the District on April 17, 2012 (the "KRWFC Resolution") [hereinafter the 2002 Bonds, the 2010 Bonds and the KRWFC Loan shall be collectively referred to as the "Prior Bonds", and the 2002 Bond Resolution, the 2010 Bond Resolution and the KRWFC Resolution shall be collectively referred to as the "Prior Bond Resolution"]. Accordingly, this Bond and any bonds ranking on a parity therewith, are payable from and secured by a pledge of the gross revenues to be derived from the operation of the System after providing for the requirements of the Prior Bonds and the Prior Bond Resolution.

This Bond has been issued in full compliance with the Current Bond Resolution and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Western Pulaski County Water District Waterworks Sinking Fund of 2013", created in the Current Bond Resolution.

This Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Current Bonds are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Current Bonds and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Current Bonds and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond in order to complete the Project, and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2023, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the District to comply with any other provision of this Bond or with any provision of the Current Bond Resolution, the registered owner may, at its option, institute all rights and remedies provided by law or by said Current Bond Resolution.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Western Pulaski County Water District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

Western Pulaski County Water District

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

ASSIGNMENT

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto _____, this ____ day of _____, _____.

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: Western Pulaski County Water District Waterworks Revenue Bonds, Series 2013,
in the principal amount of \$1,400,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction draws pursuant to the Bond Resolution adopted by the Western Pulaski County Water District (the "District").

2. That the named firms and/or persons set forth on Exhibit A attached hereto are now entitled to the aggregate sum of \$_____, itemized as set forth in said Exhibit A and as per approved invoices attached hereto:

3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the Western Pulaski County Water District Waterworks Construction Account.

4. That we hereby certify that we have carefully inspected the work and, as a result of our inspection and to the best of our knowledge and belief, the amounts shown in this Requisition Certificate are correct and the work has been performed in accordance with the agreements between the District and the parties requesting payment.

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20____.

Western Pulaski County Water District

Monarch Engineering, Inc.

By _____
Chairman

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

USDA, Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Total _____

Approved on _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

ARTICLE 7. DEFAULT AND CONSEQUENCES

Section 701. Events of Default. The following items shall constitute an Event of Default on the part of the District:

- (a) The failure to pay principal of the Bonds as and when same shall become due and payable, either at maturity or by proceedings for redemption.
- (b) The failure to pay any installment of interest on the Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the RD, within thirty (30) days thereafter.
- (c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds, the Prior Bond Resolution or in this Resolution.
- (d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.
- (e) The entering of any order or decree with the consent or the acquiescence of the District, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the District, its failure to have the order vacated, discharged or stayed on appeal within sixth (60) days after entry.

Section 702. Consequences of Event of Default. Any Owner of the Current Bonds may enforce and compel the performance of all duties and obligations of the District set forth herein. Upon the occurrence of an Event of Default, then upon the filing of a suit by any Owner of said the Current Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the District with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal of and interest on the Outstanding Bonds and to provide and apply the income and revenues in conformity with this Resolution and with the laws of the Commonwealth of Kentucky.

The District hereby agrees to transfer to any bona fide receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce collection or payment of the District's obligations, all contracts and other rights of the District pertaining to the System, conditionally, for such time only as such receiver or operator shall operate by authority of the court. Upon the occurrence of an Event of Default, the Owner of any of the Outstanding Bonds may require the governing body of the District by appropriate order to raise the rates a reasonable amount consistent with the requirements of this Resolution.

**ARTICLE 8. CONTRACTUAL PROVISIONS; GRANT APPROVAL;
MISCELLANEOUS PROVISIONS.**

Section 801. Resolution Contractual with Bondowners. The provisions of this Resolution constitute a contract between the District and its Commission and the Owners of the Current Bonds as may be outstanding from time to time; and after the issuance of any of said Current Bonds, no change, alteration or variation of any kind of the provisions of this Resolution shall be made in any manner which will affect an Owner's rights except as herein provided or except with the written consent of all Bondowners until such time as all of the Current Bonds and the interest thereon have been paid in full or fully provided for; provided that the Commission may adopt any resolution for any purpose not inconsistent with the terms of this Resolution and which shall not impair the security of the Owners of the Current Bonds and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any resolution or other proceedings pertaining hereto.

It is further agreed that the Owners of 75% in principal amount of the Current Bonds at any time outstanding shall have the right to consent to and approve the adoption of resolutions or other proceedings, modifying or amending any of the terms or provisions contained in this Resolution, subject to the conditions that (a) this Resolution shall not be so modified in any manner that may adversely affect the rights of the Owners of any of the Prior Bonds, nor in any manner that may adversely affect the rights of any certain Owners of the Outstanding Bonds without similarly affecting the rights of all Owners of such Outstanding Bonds, or to reduce the percentage of the number of Owners whose consent is required to effect a further modification and (b) no such change may be effected without the consent of the RD so long as the RD owns any of the Outstanding Bonds.

Section 802. All Current Bonds are Equal. The Current Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among any of the Current Bonds regardless of the fact that they may be actually issued and delivered at different times.

Section 803. District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited. So long as the Government is the Owner of any of the Current Bonds, if it appears to the Government that the District is able to refund such Current Bonds in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, or to sell bonds of the District in the open market, at reasonable rates and terms, for loans or bond issues for similar purposes and periods of time, the District will, upon request of the Government, obtain such loan and/or issue such bonds in sufficient amount to repay the Government and will take all such action as may be required in connection therewith.

In addition, so long as the Government is the Owner of any of the Current Bonds, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating

the lien of the Current Bonds without immediately prepaying all of the then outstanding Current Bonds.

Section 804. Approval and Acceptance of RD Grant Agreement. The RD has agreed to make a grant to the District in the amount of \$522,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

Section 805. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents. The Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the District in approving and executing various documents related to the financing of the Project, including the following:

- (a) Legal Services Agreement with Bond Counsel.
- (b) Legal Services Agreement with Local Counsel.
- (c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).
- (d) Loan Resolution (RD Form 1780-27).
- (e) Agreement for Engineering Services with the Engineers.

Section 806. Authorization of Condemnation to Acquire Easements and/or Sites. In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least

ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The District further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with the acquiescence of the Commission, toward the costs of such easements, rights-of-way and/or sites; provided, in each instance, that the payment of such funds to satisfy any judgment, award or compromise must first be approved by the RD; and the Commission further determines that if and to whatever extent the funds available from the proceeds of the financing contemplated by this Resolution shall be inadequate to pay any judgment, award or compromise amount for such easements, rights-of-way and/or sites, or if the District is unable to obtain the approval of the RD for any such payment, the Commission shall take all reasonably necessary actions, within the powers and authority of the Commission, to make such additional amount available from all other available District resources.

Section 807. Authorization to File Required Financing Statements. In the event that it is determined by Bond Counsel or Local Counsel that the District is required to file any financing statements under the Kentucky Uniform Commercial Code in order to perfect the pledge of the gross revenues of the District's System as security for the Current Bonds, Bond Counsel and/or Local Counsel are hereby authorized to prepare and file with the appropriate officials such financing statements as they deem necessary.

ARTICLE 9. SALE OF CURRENT BONDS

Section 901. Sale of Current Bonds. The Current Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as the Commission shall designate.

A suggested form of "Notice of Bond Sale", a suggested form of "Official Notice of Sale of Bonds" and a suggested form of "Bid Form", having been prepared in advance by Bond Counsel, and all of such documents having been found to be in satisfactory form, a copy of each is hereby ordered to be filed in the records of the Secretary with the Minutes of the meeting at which this Resolution is adopted. The Notice of Bond Sale shall be signed by the Secretary and may be used for the purpose of publishing notice of the sale of the Current Bonds. Copies of such documents shall be furnished to any interested parties who may request same.

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

Section 902. Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed. In the event that delivery of the Current Bonds authorized herein is delayed for any reason and the District, with the consent of the Purchaser of the Current Bonds, determines it is in the District's best interest to change the maturities, the applicable prepayment date or any other dates, the District may adjust the same by a Resolution of the Commission approving the adjustments.

the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

(1) At the direction of the District, the Interim Lender shall disburse the proceeds of the Note by cashier's checks directly to the parties entitled thereto as set forth in the Requisition Certificate; or

(2) At the direction of the District, the Interim Lender shall deposit the proceeds of the Note in the Construction Account, in which event amounts of the District on deposit therein shall, until expended to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The aggregate of the principal amount of all Notes shall not exceed \$1,400,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of \$1,400,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds and/or Grant Proceeds.

The District hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds and/or the receipt of said Grant Proceeds, the District will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of the Note, together with accrued interest thereon to the date of such payment; and the proceeds of the Current Bonds and Grant Proceeds are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

Although the proceeds of the Current Bonds and Grant Proceeds are pledged to the repayment of said interim financing, it is recognized that the Grant Proceeds may be applied to the extent required at the time of receipt of the Grant Proceeds, to the payment of costs of the Project due and owing by the District at the time of receipt of such Grant Proceeds, rather than to the repayment of portions of the interim financing at that time. If and to the extent that the Grant Proceeds are in excess of any costs of the Project due and owing at the time of receipt thereof, such Grant Proceeds may be applied, in the same manner as set out hereinabove, to the reduction of the amount of the interim financing, after which, such interim financing may again be increased as theretofore. The District further pledges the revenues of the System to the repayment of said interim

financing, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

It is understood that the foregoing constitutes an alternative method of obtaining interim financing, and does not preclude the authorization and sale, by public advertisement or otherwise, of bond anticipation notes and/or grant anticipation notes to the most favorable bidder on the open market, by concurrent or subsequent proceedings of the District.

B. Multiple Advances by RD. In the event the Current Bonds are purchased by the RD, and in the event the District is unable to obtain a commitment for interim financing for the Project from any Interim Lender at reasonable rates and terms, the Chairman is authorized to request Multiple Advances of loan funds from the RD.

If the RD agrees to make Multiple Advances to the District pending the delivery of the Current Bonds, the Chairman is hereby authorized to execute in the name and on behalf of the District any number of Notes. Each such Note, evidencing an advance of funds by the RD to the District, shall be in the form prescribed by the RD.

Each request for an advance from the RD shall be accompanied by a Requisition Certificate. The District will also furnish to the RD, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the RD, including an updated supplemental title opinion of Local Counsel and an updated supplemental preliminary legal opinion of Bond Counsel.

The proceeds of any Multiple Advances shall be either (i) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project; or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301 hereof, in which event amounts on deposit in such Construction Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds. The District further pledges the revenues of the System to the repayment of said Multiple Advances, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

Section 303. Arbitrage Limitations on Investment of Proceeds. The District covenants and certifies, in compliance with the Code, on the basis of known facts and reasonable expectations on the date of adoption of this Resolution, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The District covenants to the Owners of the Current Bonds that (1) the District will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds"; and (2) the District will comply with all of the requirements of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as

or constitute "arbitrage bonds" and that the interest on the Bonds shall be excludable from gross income for federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Chairman and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) are authorized to execute such certifications as shall be required by Bond Counsel, setting out all known and contemplated facts concerning the anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".

ARTICLE 4. FLOW OF FUNDS.

Section 401. Funds. There was heretofore created in the Prior Bond Resolution the following funds and accounts:

- (a) Western Pulaski County Water District Waterworks Revenue Fund
- (b) Western Pulaski County Water District Waterworks Sinking Fund of 2002
- (c) Western Pulaski County Water District Waterworks Depreciation Fund
- (d) Western Pulaski County Water District Operation and Maintenance Fund

There is hereby created the following funds and accounts:

- (a) Western Pulaski County Water District Waterworks Sinking Fund of 2013
- (b) Western Pulaski County Water District Waterworks Debt Reserve Fund

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding, subject to the right of the District to name a different depository bank.

Section 402. Flow of Funds. All proceedings preliminary to and in connection with the issuance of the Outstanding Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Outstanding Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Outstanding Bonds and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners set out in the Prior Bond Resolution, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Outstanding Bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the Current Bonds, the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

A. Revenue Fund. The District covenants and agrees that it will continue to deposit in the Revenue Fund, promptly as received from time to time, all revenues of the System, as same may be extended and improved from time to time. The moneys in the Revenue Fund shall continue to be used, disbursed and applied by the District only for the purpose and in the manner and order of priorities specified in the Prior Bond Resolution, as hereinafter modified by this Resolution, all as permitted by the Act, and in accordance with previous contractual commitments.

B. Prior Sinking Fund. There shall be transferred from the Revenue Fund and deposited into the Prior Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Prior Bonds, a sum equal to the total of the following:

- (1) A sum equal to one-sixth (1/6) of the next succeeding interest payment to become due on all Prior Bonds then outstanding, plus

- (2) A sum equal to one-twelfth (1/12) of the principal of all of the Prior Bonds maturing on the next succeeding principal payment date.

Said Prior Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the Prior Bonds.

C. Current Sinking Fund. At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Current Sinking Fund an amount sufficient (currently estimated at \$26,000) to provide for capitalized interest during the construction of the Project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

After the monthly transfers required in the preceding paragraphs have been paid from the Revenue Fund, there shall next be transferred monthly from said Revenue Fund and deposited into the Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds, a sum equal to the total of the following:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Current Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Current Bonds maturing on the next succeeding January 1.

The Current Sinking Fund is hereby pledged for the payment of the interest and the principal of the Current Bonds, but subject to the vested rights and priorities of the Prior Bonds.

D. Debt Reserve Fund. It is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by RD, there shall next be transferred from the Revenue Fund the sum of at least \$465 each month which shall be deposited into the Debt Reserve Fund until there is accumulated in such Debt Reserve Fund the sum of at least \$55,800, which amount shall be maintained, and when necessary, restored to said sum of \$55,800, so long as any of the Current Bonds are outstanding and unpaid. These deposits are in addition to any deposits required by the Prior Bond Resolution.

As further security for the Bondowners and for the benefit of the District, it has been and is hereby provided that in addition to the monthly transfers required to be made from the Revenue Fund into the Debt Reserve Fund, there shall be deposited into said Debt Reserve Fund all proceeds of connection fees collected from potential customers (except the amounts necessary to pay the actual costs and service connections applicable to said potential customers) to aid in the financing of the cost of future extensions, additions and improvements to the System, plus the proceeds of any property damage insurance (not otherwise used to replace damaged or destroyed property); and any such amounts or proceeds so deposited shall be used solely and only for the purposes intended.

Moneys in the Debt Reserve Fund may be withdrawn and used by the District, upon appropriate certification of the Commission, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the Sinking Fund is not sufficient to make such payments.

E. Operation and Maintenance Fund. There shall next be transferred monthly from the Revenue Fund and deposited into said Operation and Maintenance Fund, sums sufficient to meet the current expenses of operating and maintaining the System. The balance maintained in said Operation and Maintenance Fund shall not be in excess of the amount required to cover anticipated System expenditures for a two-month period pursuant to the District's annual budget.

F. Monthly Principal and Interest Payments if Requested by the RD. So long as any of the Bonds are held or insured by the RD, the District shall, if requested by the RD, make the payments required by this Section 402, in monthly installments to the RD or to the insured Owners of the Bonds.

G. Surplus Funds. Subject to the provisions for the disposition of the income and revenues of the System as set forth hereinabove, which provisions are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the Revenue Fund on such date, to the Debt Reserve Fund for application in accordance with the terms of this Resolution or to the Sinking Fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of Outstanding Bonds.

H. Investment and Miscellaneous Provisions. All monies in the Sinking Fund and the Debt Reserve Fund shall be deposited in the Depository Bank, or such portion thereof as is designated by the Commission. All monies in the Sinking Fund and the Debt Reserve Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

Any investments will be a part of the respective Funds from which the proceeds invested are derived, and income from such investments will be credited to such respective Funds. All investments of funds derived from proceeds of the Outstanding Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

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

All monies held in any of the Funds shall be kept apart from all other District funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the District therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U.S. Obligations, having a market value equivalent to such deposit.

The Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any Bonds.

Section 403. Current Bonds Subject to Priority of Prior Bonds. It is hereby found and declared that the Current Bonds shall be subordinate to the rights and priorities of the outstanding Prior Bonds.

ARTICLE 5. COVENANTS OF DISTRICT

Section 501. Rates and Charges. The District shall charge such rates and charges for all services and facilities rendered by the System, which rates and charges shall be reasonable, taking into account and consideration the cost and value of the System, the cost of maintaining, repairing and operating same and the amounts necessary for the payment of principal of and interest on Outstanding Bonds against the System. The District shall charge such rates and charges as shall be adequate to meet the requirements of Articles 4 and 5 hereof.

The District covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Secretary a certification of an Independent Consulting Engineer that the annual net revenues (defined as gross revenues less operating expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then Outstanding Bonds payable from the revenues of the System, calculated in the manner specified in Section 603 hereof.

Section 502. Books and Accounts; Audit. The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than ninety (90) days after the close of each Fiscal Year, copies of such audit reports certified by such Certified Public Accountant shall be promptly mailed to the RD without request, so long as the Government is the Owner of any of the Bonds, and to any Bondowner that may have made a written request for same.

Monthly operating reports shall be furnished to the RD and to any Bondowner requesting same, during the first two (2) years of operation after completion of the Project, and whenever and so long as the District is delinquent in any of the covenants set out in the Prior Bond Resolution or this Current Bond Resolution. Thereafter, quarterly operating reports shall be furnished at all other times to the RD and to any Bondowner requesting the same.

Section 503. System to Continue to be Operated on Fiscal Year Basis; Annual Budget. While any of the Bonds are outstanding and unpaid, and to the extent permitted by law, the System shall continue to be operated and maintained on a Fiscal Year basis.

Not later than sixty (60) days before the end of each Fiscal Year, the District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such

Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

For the purpose of the Proposed Budget, operating expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining and insuring the System, but shall exclude depreciation and debt service payments. The District covenants that the operating expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that the District will not expend any amount or incur any obligation for operation or maintenance and repair in excess of the amounts provided for operating expenses in the annual budget, except upon resolution by the District that such expenses are necessary to operate and maintain the System.

Not later than sixty (60) days before the end of each Fiscal Year, the District shall prepare an estimate of gross revenues to be derived from the operation of the System for said Fiscal Year, and, to the extent that said gross revenues are insufficient (a) to pay debt service requirements on all Outstanding Bonds during the ensuing Fiscal Year, (b) to accumulate and maintain all required reserves enumerated herein and (c) to pay operating expenses, the District shall revise the rates and charges sufficiently to provide the funds so required.

If the Owners of at least 50% of the principal amount of the Outstanding Bonds, or the Government so long as it is the Owner of any of said Outstanding Bonds, so request, the Commission shall hold an open hearing not later than thirty (30) days before the beginning of the ensuing Fiscal Year, at which time any Bondowner may appear by agent or attorney and may file written objections to such proposed budget. Notice of the time and place of such hearing shall be mailed at least fifteen (15) days prior to the hearing to each registered Bondowner and to the Government.

The District covenants that annually before the first day of the Fiscal Year, the annual budget for the upcoming Fiscal Year will be adopted substantially in accordance with the Proposed Budget, and that no expenditures for operation and maintenance expenses of the System in excess of the budgeted amount shall be made during such Fiscal Year unless directed by said District by a specific resolution duly adopted.

Section 504. General Covenants. The District, through its Commission, hereby covenants and agrees with the Owners of the Bonds that:

- (1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;
- (2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;
- (3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;

- (4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the District agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions and improvements that may be made thereto, until all of the Outstanding Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 hereof;
- (5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and
- (6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

Section 505. Other Covenants Applicable So Long as RD Owns Any Bonds. So long as the RD shall own any of the Bonds, the District shall comply with such RD regulations, requirements and requests as shall be made by the RD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RD, the carrying of insurance of such types and in such amounts as the RD may specify, with insurance carriers acceptable to the RD and compliance with all of the terms and conditions of the Loan Resolution (RD Form 1780-27) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

Section 506. Insurance on Motors, Tanks and Structures. The District shall (a) immediately after the adoption of this Resolution and (b) at the time of final acceptance of the Project, insure all electric motors, elevated water storage tanks, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the RD, so long as the RD is the Owner of any of the Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the RD if and whenever the District has Outstanding Bonds against the System and none of such Outstanding Bonds are owned by the RD.

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

Section 601. Inferior Bonds. Except as hereinafter provided below in this Article, the District shall not, so long as any Bonds are outstanding, issue any additional bonds payable from the revenues of the System unless the security and/or pledge of the revenues to secure such additional bonds are made inferior and subordinate in all respects to the security of the Bonds.

The District expressly reserves the right at any time to issue its bonds or other obligations payable from the revenues of the System and not ranking on a parity basis with the Current Bonds, without any proof of previous earnings or net revenues, provided that the consent of the RD must be obtained prior to the issuance of any inferior bonds so long as the RD owns any of the Bonds, and provided further that, after the initial completion of the Project, such inferior bonds may be issued only for the purpose of providing for future extensions, additions and improvements to the System, and only in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the Outstanding Bonds; provided further, that nothing in this Section is intended to restrict or shall be construed as a restriction upon, the ordinary refunding all or a portion of the Outstanding Bonds.

Section 602. Parity Bonds to Complete the Project. The District hereby certifies, covenants and agrees that in the event that the cost of completion of the construction of the Project shall exceed the moneys available to the District from any and all sources, the District shall have the right, if necessary, to provide for such excess, and only such excess, through the issuance of Parity Bonds, provided the District has obtained a certification from the Engineers to the effect that it is necessary to issue the desired amount of Parity Bonds in order to enable the District to pay the cost (not otherwise provided) of the completion of the Project, and provided the District has complied with the provisions of Section 603 below or has obtained:

- (a) the consent of the RD if the Government is as the Owner of the Prior Bonds at that time or the consent of any other Owners of the Prior Bonds, and
- (b) the consent of (1) the RD if the Government is the purchaser of the Current Bonds; or (2) the Owners of at least 75% of the principal amount of the Current Bonds outstanding, if the Current Bonds have been issued, sold and delivered and are held by Owners other than the Government.

Section 603. Parity Bonds to Finance Future Improvements. The District reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional Parity Bonds, but only under the conditions specified in the Current Bond Resolution, which conditions are as follows:

The District further reserves the right to add new waterworks facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more additional series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

(a) The facilities to be constructed from the proceeds of the additional Parity Bonds are made a part of the System and their revenues are pledged as additional security for the additional Parity Bonds and for the Outstanding Bonds.

(b) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds.

(c) The annual net revenues (defined as gross revenues less operating expenses), of the then existing System for the Fiscal Year preceding the year in which such Parity Bonds are to be issued, adjusted as hereinafter provided, shall be certified by an independent Certified Public Accountant to be equal at least one hundred twenty percent (120%) of the average annual debt service requirements for principal and interest on all Outstanding Bonds payable from the revenues of the System, plus the anticipated debt service requirements of any Parity Bonds then proposed to be issued. The calculation of average annual debt service requirements of principal and interest on the additional Parity Bonds to be issued shall, regardless of whether such additional Parity Bonds are to be serial or term bonds, be determined on the basis of the principal of and interest on such Parity Bonds being payable in approximately equal annual installments.

(d) The annual net revenues referred to above may be adjusted for the purpose of the foregoing computations to reflect:

(1) any revisions in the System's schedule of rates or charges being imposed on or before the time of the issuance of any such additional Parity Bonds, and

(2) any increase in the annual net revenues to be realized from the proposed extensions, additions and improvements being financed (in whole or in part) by such additional Parity Bonds;

provided all such adjustments shall be based upon and included in a certification of an Independent Consulting Engineer.

(e) Compliance with Section 603(a) through (d) shall not be necessary for the issuance of Parity Bonds if the District has obtained (1) the written consent of the RD for the issuance of such Parity Bonds, if the Government is the Owner of any Bonds at the time of issuance of such Parity Bonds; and (2) the written consent of the Owners of all of the then outstanding Prior Bonds, and no other prerequisite need be complied with by the District in order to issue Parity Bonds.

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds. The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

(a) Adjust the monthly amount to be deposited into the Sinking Fund on the same basis as that prescribed in the provisions establishing such Sinking Fund, to reflect the average annual debt service requirements of the Parity Bonds;

(b) Adjust the minimum annual amount to be deposited monthly into the Debt Reserve Fund on the same basis as that prescribed in the provisions establishing such Debt Reserve Fund, taking into account the future debt service requirements of all Bonds which will then be outstanding against the System; and

(c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

Section 605. Prepayment Provisions Applicable to Parity Bonds. If, in connection with any subsequently issued series of Parity Bonds, it is provided that excess revenues in the Revenue Fund shall be used to prepay Outstanding Bonds in advance of scheduled maturity, or if the District at its option undertakes to prepay Outstanding Bonds in advance of scheduled maturity, it is agreed and understood, for so long as the Government owns any of the Outstanding Bonds, that no such prepayment will be effected without the approval of the RD.

Section 606. Consent of the RD Regarding Future Bonds. Notwithstanding any other provisions of this Resolution, the District agrees that so long as the Government owns any Outstanding Bonds against and/or payable from the revenues of the System, the District will not issue any future bonds, notes or other obligations against, secured by or payable from the revenues of the System without the written consent of the RD.

Section 607. Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities. The District covenants and agrees that so long as any of the Prior Bonds and/or Bonds are outstanding, the District will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided above, the District will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Outstanding Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any part of the facilities of the System, provided that:

- (a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;
- (b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

- (c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and
- (d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

Notwithstanding any other provisions hereof, so long as any Bonds are held by the Government, the District shall not dispose of its title to the System or to any part thereof, without first obtaining the written consent of the RD.

BOND RESOLUTION

WESTERN PULASKI COUNTY WATER DISTRICT

AUTHORIZING

WESTERN PULASKI COUNTY WATER DISTRICT

WATERWORKS REVENUE BONDS, SERIES 2013

IN THE PRINCIPAL AMOUNT OF

\$1,400,000

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BOND RESOLUTION

RESOLUTION OF THE WESTERN PULASKI COUNTY WATER DISTRICT AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$1,400,000 PRINCIPAL AMOUNT OF WESTERN PULASKI COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2013 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the waterworks system (the "System") of the Western Pulaski County Water District (the "District") is owned and operated by said District pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes (the "Act"), and

WHEREAS, the District presently has outstanding certain Prior Bonds (as hereinafter defined), which Prior Bonds are payable from and secured by a pledge of the revenues derived from the operation of the System, and

WHEREAS, all of the Prior Bonds presently outstanding are current as to payment of both principal and interest, and for the security of which a certain Sinking Fund and certain reserves are being maintained in the manner and by the means prescribed in the Prior Bond Resolution (as hereinafter defined) of the District, authorizing the Prior Bonds, and

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of \$1,400,000 (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by Monarch Engineering, Inc. and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds to be issued be subordinate as to security and source of payment to the Prior Bonds, and

WHEREAS, the Public Service Commission of Kentucky has granted to the District a Certificate of Public Convenience and Necessity, authorizing the construction of said extensions, additions and improvements, and

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately \$522,000 to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE WESTERN PULASKI COUNTY WATER DISTRICT AS FOLLOWS:

**ARTICLE 1. DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS;
SECURITY.**

Section 101. Definitions. As used in this Resolution, unless the context requires otherwise:

"Act" refers to Chapters 58 and 74 of the Kentucky Revised Statutes.

"Beginning Month" refers to the month following the month in which the Current Bonds authorized herein are issued, sold and delivered to the Purchaser thereof.

"Bond Counsel" refers to an attorney or firm of attorneys recognized nationally as experts in the field of municipal bond law and shall be deemed to refer to Rubin & Hays, Louisville, Kentucky, or their successors.

"Bondowner" or "Owner" refer to registered Owners of the Current Bonds at the time issued and outstanding hereunder.

"Bonds" collectively refers to the outstanding Current Bonds, Prior Bonds and the Parity Bonds.

"Bonds of 2002" or "Series 2002 Bonds" refer to the outstanding Western Pulaski County Water District Waterworks Revenue Bonds, Series 2002A and B, dated February 7, 2003, in the original authorized principal amount of \$1,450,000.

"Bonds of 2010" or "Series 2010 Bonds" refer to the outstanding Western Pulaski County Water District Taxable Waterworks Revenue Bonds, Series 2010 (Build America Bonds - Direct Payment), dated December 3, 2010, in the original authorized principal amount of \$911,000.

"Bond Resolution of 2002" or "2002 Bond Resolution" refer to the Resolution authorizing the Bonds of 2002, duly adopted by the Board of Commissioners of the District on January 10, 2002.

"Bond Resolution of 2010" or "2010 Bond Resolution" refer to the Resolution authorizing the Bonds of 2010, duly adopted by the Board of Commissioners of the District on January 19, 2010.

"Chairman" refers to the elected or appointed Chairman or Chairperson of the Commission.

"Code" refers to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations relating thereto.

"Commission" refers to the Board of Commissioners of the District, or such other body as shall be the governing body of said District under the laws of Kentucky at any given time.

"Construction Account" refers to the Western Pulaski County Water District Waterworks Construction Account, created in Section 301(B) of this Current Bond Resolution.

"Contractors" refers to the general contractors who have been employed by the District to construct the Project.

"Current Bond Resolution" or *"Resolution"* refer to this Resolution authorizing the Current Bonds.

"Current Bonds" refers to the \$1,400,000 of Western Pulaski County Water District Waterworks Revenue Bonds, Series 2013 authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the Western Pulaski County Water District Waterworks Sinking Fund of 2013, created in Section 401 of this Resolution.

"Debt Reserve Fund" refers to the Western Pulaski County Water District Waterworks Debt Reserve Fund, described in Section 402 of this Resolution.

"Depository Bank" refers to the bank, which shall be a member of the FDIC, which bank is Monticello Banking Company, Somerset, Kentucky, or its successor.

"District" refers to the Western Pulaski County Water District.

"Engineers" refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of the Project and who will supervise the construction thereof and/or will furnish full time resident inspection of the construction of the Project, and shall be deemed to refer to Monarch Engineering, Inc., or a member of said firm, or their successors.

"Event of Default" refers to one or more of the Events of Default set forth in Section 701 of this Resolution.

"FDIC" refers to the Federal Deposit Insurance Corporation, or its successors.

"Fiscal Year" refers to the annual accounting period of the District, beginning on January 1, and ending on December 31, of each year.

"Funds" refers to the Construction Account, the Revenue Fund, the Current Sinking Fund, the Prior Sinking Fund, the Debt Reserve Fund and the Operation and Maintenance Fund.

"Government" refers to the United States of America, or any agency thereof, including RD.

"Grant Proceeds" refers to the proceeds of the RD Grant.

"Independent Consulting Engineer" refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of waterworks system engineering, and such definition includes the Engineers named above.

"Interim Lender" refers to Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the District.

"KRWFC Resolution" refers to the Resolution of the District authorizing the KRWFC Loan, adopted on April 17, 2012.

"KRWFC Loan" refers to the Kentucky Rural Water Finance Corporation loan to the District, dated August 29, 2012, in the original principal amount of \$2,080,000.

"Local Counsel" refers to John T. Pruitt, Esq., Somerset, Kentucky, or any other attorney or firm of attorneys designated by the District.

"Multiple Advances" refers to the advance of loan funds from the RD as described in Section 302 of this Resolution.

"Note" refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Chapter 58 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the District evidencing the interim financing for the Project as prescribed in Section 302 of this Resolution.

"Operation and Maintenance Fund" refers to the Western Pulaski County Water District Waterworks Operation and Maintenance Fund described in Section 401 of this Resolution.

"Outstanding Bonds" refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the RD shall be deemed to constitute Outstanding Bonds until paid regardless of the deposit of funds to pay for same.

"Parity Bonds" refers to bonds which may be issued in the future which, pursuant to this Resolution, rank on a basis of parity with the outstanding Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Bonds.

"Prior Bonds" refers collectively to the Series 2002 Bonds, the Series 2010 Bonds and the KRWFC Loan.

"Prior Bond Resolution" refers collectively to the 2002 Bond Resolution, the 2010 Bond Resolution and the KRWFC Resolution.

"Prior Sinking Fund" refers to the Western Pulaski County Water District Waterworks Sinking Fund of 2002, described in Section 401 of this Resolution.

"Project" refers specifically to the construction of the currently proposed extensions, additions and improvements to the System of the District, which Project is being financed by the Current Bonds and by other funds.

"Purchaser" refers to the agency, person, firm or firms, or their successors, to whom the Current Bonds herein authorized are awarded at the public sale of the Current Bonds.

"RD" refers to the Rural Development of the Department of Agriculture of the United States of America.

"RD Grant" refers to the RD grant described in Section 804 of this Resolution.

"Required Signatures" refers to the signatures necessary to be obtained with reference to the approval of the expenditures to be made from the Construction Account, which required signatures shall consist of the signatures of (1) the Chairman; (2) the Engineers; and (3) the Purchaser; provided, however, any expenditures for issuance and administrative costs and the costs of any equipment which is not permanently affixed to the real estate shall not require the signature or the approval of the Engineers.

"Revenue Fund" refers to the Western Pulaski County Water District Waterworks Revenue Fund, described in Section 401 of this Resolution.

"Secretary" refers to the elected or appointed Secretary of the Commission.

"System" refers to the existing waterworks system of the District, together with all extensions, additions and improvements to said System.

"Treasurer" refers to the elected or appointed Treasurer of the Commission.

"U.S. Obligations" refers to bonds or notes which are the direct obligations of the United States of America, or obligations the principal of and interest on which are guaranteed by the United States of America.

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa. Unless otherwise indicated, references to Articles or Sections refers to those in this Resolution.

Section 102. Purpose. The Current Bonds shall be issued for the purpose of financing the cost (not otherwise provided) of the Project, as set out in the plans and specifications prepared by the Engineers. The Commission hereby declares the System of the District, including the extensions, additions and improvements to be constructed, to constitute a revenue producing public project, and said System shall continue to be owned, controlled, operated and maintained by the District as a revenue producing public project pursuant to the Act, so long as any Bonds remain outstanding.

Section 103. Construction Award Approved; Work Authorized. The Commission hereby authorizes, approves, ratifies and confirms its previous action in advertising for and taking steps toward awarding the contracts for the construction of the Project to the lowest and best bidders, and further approves the action of the District officials in entering into formal contracts with said bidders, subject to the necessary approvals being obtained. Authority is hereby given for undertaking the construction of the Project according to the plans and specifications heretofore prepared by the Engineers for the District, after all necessary approvals have been obtained.

Section 104. Declaration of Period of Usefulness. The Commission hereby declares that the period of usefulness of the System is more than forty (40) years from the date of completion of the Project.

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$1,922,000. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of \$1,400,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$1,922,000
Less:		
RD Grant	\$522,000	
Total Non-Bond Funds:		<u>(522,000)</u>
Balance to be financed by Current Bonds		\$1,400,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$1,400,000 principal amount of Western Pulaski County Water District Waterworks Revenue Bonds, Series 2013.

The Current Bonds shall be dated as of the date of delivery to the Purchaser thereof; shall bear interest from such date at such interest rate as may be fixed by supplemental resolution as a result of the advertised sale and competitive bidding for such Current Bonds, as hereinafter provided; and shall be issued and delivered as prescribed in Section 202 hereof.

Interest on the Current Bonds shall be payable semiannually on January 1 and July 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Current Bonds to the ensuing January 1 or July 1, as the case may be. Principal of the Current Bonds shall be payable on January 1 of each of the respective years until maturity, as set out in Section 201 hereof.

Section 106. Recognition of Prior Bonds. The District hereby expressly recognizes and acknowledges that the District has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds and in the Prior Bond Resolution.

Section 107. Current Bonds Shall be Payable on Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely out of the gross revenues of the System, subject to the rights and priorities of the outstanding Prior Bonds.

Section 108. Lien on Contracts. In addition to the revenue pledge securing the Bonds, a lien is hereby created and granted in favor of the Bondowners on all contracts, and on all other rights of the District pertaining to the System, enforceable by assignment to any receiver or other operator proceeding by authority of any court.

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

Section 201. Principal Payments. Principal payments due on the Current Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A** attached to this Resolution and incorporated herein.

Section 202. Issuance of Current Bonds; Bond Form. The Purchaser of the Current Bonds at the public sale shall take delivery of the Current Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B** attached hereto and incorporated herein, amounting in the aggregate to the principal amount of the Current Bonds authorized herein, maturing as to principal as set out in Section 201. The Current Bonds shall be numbered R-1 and consecutively upward thereafter. Such Current Bonds shall, upon appropriate execution on behalf of the District as prescribed, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), registered as to principal and interest and payable as directed by the registered Owner.

Section 203. Place of Payment and Manner of Execution. Both principal of and interest on the Current Bonds shall be payable at the place and in the manner set out in the form of such Current Bond. The Current Bonds shall be executed on behalf of the District by the manual or facsimile signature of the Chairman of the District, with the Corporate Seal of the District affixed thereto and attested by the manual or facsimile signature of the Secretary of said District.

If either of the officers whose signatures appear on the Current Bonds ceases to be such officer before delivery of said Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery.

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2024, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2024, shall be subject to prepayment by the District on any date falling on and after January 1, 2023, at par plus accrued interest, without any prepayment penalty.

So long as all of the Current Bonds are owned by the Government, all or any of the Current Bonds, or in a multiple of \$100, may be prepaid at any time in inverse chronological order of the principal maturities due, at par plus accrued interest without any prepayment penalty.

Notice of such prepayment shall be given by certified mail to the Bondowner or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the Bondowner.

**ARTICLE 3. CONSTRUCTION ACCOUNT; INTERIM FINANCING;
APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.**

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$375,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed \$375,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

A. Covenants Applicable if RD Purchases Current Bonds. It is acknowledged that all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures and the necessity of using RD forms (the "RD Forms"), shall apply only if the RD is the Purchaser of the Current Bonds and only so long as the RD holds the Current Bonds thereafter. In the event that the RD shall not be the Purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to an Owner who shall not be the Government, all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures, and the necessity of using RD Forms, shall not be applicable.

B. Application of Proceeds of Current Bonds. The proceeds of the Current Bonds shall be applied as follows:

(1) Payment of Interim Financing, Costs of Project and Costs of Issuance. Simultaneously with the delivery of the Current Bonds, there shall immediately be paid to the Interim Lender (or the RD if Multiple Advances are made) an amount sufficient to pay principal of and interest on any temporary loans borrowed by the District in anticipation of the sale and delivery of the Current Bonds and/or of the receipt of Grant Proceeds. Also, at the time of delivery of the Current Bonds, there shall be paid all amounts then due and payable in connection with the costs of the Project and in connection with the issuance of the Current Bonds.

(2) Construction Account. If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "Western Pulaski County Water District Waterworks Construction Account" hereby created, which shall be established at the Depository Bank. There shall

also be deposited in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of Grant Proceeds.

(3) Withdrawal of Funds From Construction Account. Prior to the expenditure by the District of any moneys from the Construction Account, the District must obtain written approval from the RD as to such expenditures, if the RD is the Owner of any Outstanding Bonds. The proceeds of said Construction Account shall be withdrawn only on checks signed by the Chairman, the Treasurer (or by such other official of the District as may be authorized by the Commission), provided such official shall be covered by the Fidelity Bond required by Section 301 of this Resolution, in payment for services and/or materials supplied in connection with the Project, as evidenced by (1) a Requisition Certificate; and (2) invoices and/or partial payment estimates bearing the written approval of the Engineers and the Chairman (or by such other official of the District as may be authorized by the Commission), and which invoices and/or partial payment estimates must have been reviewed and approved for payment by the designated RD official.

Written approval or certification of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition and related items.

During construction, the District shall disburse Construction Account funds in a manner consistent with RD Instruction 1780.

The District shall prepare and submit any and all RD Forms required by the RD. Periodic audits of the District's Construction Account records shall be made by RD as determined by it to be necessary.

(4) Transfer of Capitalized Interest to Current Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$26,000) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Current Sinking Fund.

(5) Investment of Funds in Construction Account. Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of the Project (as determined by the Engineers, the Chairman and the RD), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits of

the District in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

(6) Statements of Contractors, Engineers and Attorneys as to Payment. Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under RD Instruction 1780.

(7) Disposition of Balance in Construction Account After Completion of Project. When the Project has been completed and all construction costs have been paid in full, as certified by the Engineers for the District and/or by the RD, any balance then remaining in the Construction Account may, with the consent of the RD, be applied to the cost of constructing additional extensions, additions and improvements to the System (the "Additional Construction"). If such Additional Construction is to be undertaken by the Contractors previously engaged in the Project, such Additional Construction may be authorized by a change order.

If there is a balance remaining in the Construction Account after such Additional Construction, such balance (subject to legal requirements as to possible refund of any allocated portion of the balance derived from Grant Proceeds) shall be transferred to the Current Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Current Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least \$100 of the principal payment falling due in any year on the Bonds will be transferred to the Debt Reserve Fund.

Section 302. Interim Financing Authorization.

A. Interim Financing. The District shall use interim financing for the Project during construction of that portion of the cost of the Project financed by the Current Bonds, if available at reasonable rates and terms.

The borrowing of up to the aggregate sum of \$1,400,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to

Amortization Schedules

USDA BOND SCHEDULE

Water Works Revenue Bond 2002A ISSUE LOAN

		Principal	\$900,000
		Term	40
Annual Payment	\$49,862	Interest Rate	4.500%

YEAR	PMT. NO	TOTAL	INTEREST	PRINCIPAL	BALANCE
2003	1	\$40,500	\$40,500	\$0	\$900,000
2004	2	40,500	40,500	0	900,000
2005	3	49,862	40,500	9,400	890,600
2006	4	49,862	40,077	9,800	880,800
2007	5	49,862	39,636	10,200	870,600
2008	6	49,862	39,177	10,700	859,900
2009	7	49,862	38,696	11,200	848,700
2010	8	49,862	38,192	11,700	837,000
2011	9	49,862	37,665	12,200	824,800
2012	10	49,862	37,116	12,700	812,100
2013	11	49,862	36,545	13,300	798,800
2014	12	49,862	35,946	13,900	784,900
2015	13	49,862	35,321	14,500	770,400
2016	14	49,862	34,668	15,200	755,200
2017	15	49,862	33,984	15,900	739,300
2018	16	49,862	33,269	16,600	722,700
2019	17	49,862	32,522	17,300	705,400
2020	18	49,862	31,743	18,100	687,300
2021	19	49,862	30,929	18,900	668,400
2022	20	49,862	30,078	19,800	648,600
2023	21	49,862	29,187	20,700	627,900
2024	22	49,862	28,256	21,600	606,300
2025	23	49,862	27,284	22,600	583,700
2026	24	49,862	26,267	23,600	560,100
2027	25	49,862	25,205	24,700	535,400
2028	26	49,862	24,093	25,800	509,600
2029	27	49,862	22,932	26,900	482,700
2030	28	49,862	21,722	28,100	454,600
2031	29	49,862	20,457	29,400	425,200
2032	30	49,862	19,134	30,700	394,500
2033	31	49,862	17,753	32,100	362,400
2034	32	49,862	16,308	33,600	328,800
2035	33	49,862	14,796	35,100	293,700
2036	34	49,862	13,217	36,600	257,100
2037	35	49,862	11,570	38,300	218,800
2038	36	49,862	9,846	40,000	178,800
2039	37	49,862	8,046	41,800	137,000
2040	38	49,862	6,165	43,700	93,300
2041	39	49,862	4,199	45,700	47,600
2042	40	49,862	2,142	47,700	-100
TOTALS		\$1,975,738	\$1,075,635	\$900,100	

USDA BOND SCHEDULE

Water Works Revenue Bond 2002B ISSUE LOAN

		Principal	\$550,000
		Term	40
Annual Payment	\$30,471	Interest Rate	4.500%

YEAR	PMT. NO	TOTAL	INTEREST	PRINCIPAL	BALANCE
2003	1	\$24,750	\$24,750	\$0	\$550,000
2004	2	24,750	24,750	0	550,000
2005	3	30,471	24,750	5,700	544,300
2006	4	30,471	24,494	6,000	538,300
2007	5	30,471	24,224	6,200	532,100
2008	6	30,471	23,945	6,500	525,600
2009	7	30,471	23,652	6,800	518,800
2010	8	30,471	23,346	7,100	511,700
2011	9	30,471	23,027	7,400	504,300
2012	10	30,471	22,694	7,800	496,500
2013	11	30,471	22,343	8,100	488,400
2014	12	30,471	21,978	8,500	479,900
2015	13	30,471	21,596	8,900	471,000
2016	14	30,471	21,195	9,300	461,700
2017	15	30,471	20,777	9,700	452,000
2018	16	30,471	20,340	10,100	441,900
2019	17	30,471	19,886	10,600	431,300
2020	18	30,471	19,409	11,100	420,200
2021	19	30,471	18,909	11,600	408,600
2022	20	30,471	18,387	12,100	396,500
2023	21	30,471	17,843	12,600	383,900
2024	22	30,471	17,276	13,200	370,700
2025	23	30,471	16,682	13,800	356,900
2026	24	30,471	16,061	14,400	342,500
2027	25	30,471	15,413	15,100	327,400
2028	26	30,471	14,733	15,700	311,700
2029	27	30,471	14,027	16,400	295,300
2030	28	30,471	13,289	17,200	278,100
2031	29	30,471	12,515	18,000	260,100
2032	30	30,471	11,705	18,800	241,300
2033	31	30,471	10,859	19,600	221,700
2034	32	30,471	9,977	20,500	201,200
2035	33	30,471	9,054	21,400	179,800
2036	34	30,471	8,091	22,400	157,400
2037	35	30,471	7,083	23,400	134,000
2038	36	30,471	6,030	24,400	109,600
2039	37	30,471	4,932	25,500	84,100
2040	38	30,471	3,785	26,700	57,400
2041	39	30,471	2,583	27,900	29,500
2042	40	30,471	1,328	29,100	400
TOTALS		\$1,207,395	\$657,707	\$549,600	

USDA BOND SCHEDULE

Water Works Revenue Bond 2010 ISSUE LOAN

		Principal	\$911,000
		Term	40
Annual Payment	\$35,918	Interest Rate	2.250%

YEAR	PMT. NO	TOTAL	INTEREST	PRINCIPAL	BALANCE
2010	1	\$20,498	\$20,498	\$0	\$911,000
2011	2	20,498	20,498	0	911,000
2012	3	35,918	20,498	15,400	895,600
2013	4	35,918	20,151	15,800	879,800
2014	5	35,918	19,796	16,100	863,700
2015	6	35,918	19,433	16,500	847,200
2016	7	35,918	19,062	16,900	830,300
2017	8	35,918	18,682	17,200	813,100
2018	9	35,918	18,295	17,600	795,500
2019	10	35,918	17,899	18,000	777,500
2020	11	35,918	17,494	18,400	759,100
2021	12	35,918	17,080	18,800	740,300
2022	13	35,918	16,657	19,300	721,000
2023	14	35,918	16,223	19,700	701,300
2024	15	35,918	15,779	20,100	681,200
2025	16	35,918	15,327	20,600	660,600
2026	17	35,918	14,864	21,100	639,500
2027	18	35,918	14,389	21,500	618,000
2028	19	35,918	13,905	22,000	596,000
2029	20	35,918	13,410	22,500	573,500
2030	21	35,918	12,904	23,000	550,500
2031	22	35,918	12,386	23,500	527,000
2032	23	35,918	11,858	24,100	502,900
2033	24	35,918	11,315	24,600	478,300
2034	25	35,918	10,762	25,200	453,100
2035	26	35,918	10,195	25,700	427,400
2036	27	35,918	9,617	26,300	401,100
2037	28	35,918	9,025	26,900	374,200
2038	29	35,918	8,420	27,500	346,700
2039	30	35,918	7,801	28,100	318,600
2040	31	35,918	7,169	28,700	289,900
2041	32	35,918	6,523	29,400	260,500
2042	33	35,918	5,861	30,100	230,400
2043	34	35,918	5,184	30,700	199,700
2044	35	35,918	4,493	31,400	168,300
2045	36	35,918	3,787	32,100	136,200
2046	37	35,918	3,065	32,900	103,300
2047	38	35,918	2,324	33,600	69,700
2048	39	35,918	1,568	34,400	35,300
2049	40	35,918	794	35,100	200
TOTALS		\$1,405,897	\$494,984	\$910,800	

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM SERIES 2012 E

Borrower: Western Pulaski County Waer District
 Closing Date: 08/29/12

Borrower Payment Schedule

Payment Date	Principal	Interest Rate	Interest	Trustee Fees	Total	Fiscal Total
01/01/13			25,943.44	450.00	26,393.44	
07/01/13	55,000.00	2.200%	30,722.50		85,722.50	112,115.94
01/01/14			30,117.50	450.00	30,567.50	
07/01/14	115,000.00	2.200%	30,117.50		145,117.50	175,685.00
01/01/15			28,852.50	450.00	29,302.50	
07/01/15	115,000.00	2.200%	28,852.50		143,852.50	173,155.00
01/01/16			27,587.50	450.00	28,037.50	
07/01/16	120,000.00	2.200%	27,587.50		147,587.50	175,625.00
01/01/17			26,267.50	450.00	26,717.50	
07/01/17	120,000.00	2.200%	26,267.50		146,267.50	172,985.00
01/01/18			24,947.50	450.00	25,397.50	
07/01/18	125,000.00	2.450%	24,947.50		149,947.50	175,345.00
01/01/19			23,416.25	450.00	23,866.25	
07/01/19	125,000.00	3.200%	23,416.25		148,416.25	172,282.50
01/01/20			21,416.25	450.00	21,866.25	
07/01/20	130,000.00	3.200%	21,416.25		151,416.25	173,282.50
01/01/21			19,336.25	450.00	19,786.25	
07/01/21	135,000.00	3.200%	19,336.25		154,336.25	174,122.50
01/01/22			17,176.25	450.00	17,626.25	
07/01/22	140,000.00	3.200%	17,176.25		157,176.25	174,802.50
01/01/23			14,936.25	450.00	15,386.25	
07/01/23	140,000.00	3.200%	14,936.25		154,936.25	170,322.50
01/01/24			12,696.25	450.00	13,146.25	
07/01/24	145,000.00	3.200%	12,696.25		157,696.25	170,842.50
01/01/25			10,376.25	450.00	10,826.25	
07/01/25	155,000.00	3.200%	10,376.25		165,376.25	176,202.50
01/01/26			7,896.25	450.00	8,346.25	
07/01/26	40,000.00	3.200%	7,896.25		47,896.25	56,242.50
01/01/27			7,256.25	450.00	7,706.25	
07/01/27	40,000.00	3.200%	7,256.25		47,256.25	54,962.50
01/01/28			6,616.25	450.00	7,066.25	
07/01/28	40,000.00	3.200%	6,616.25		46,616.25	53,682.50
01/01/29			5,976.25	450.00	6,426.25	
07/01/29	45,000.00	3.350%	5,976.25		50,976.25	57,402.50
01/01/30			5,222.50	450.00	5,672.50	
07/01/30	45,000.00	3.350%	5,222.50		50,222.50	55,895.00
01/01/31			4,468.75	450.00	4,918.75	
07/01/31	45,000.00	3.450%	4,468.75		49,468.75	54,387.50
01/01/32			3,692.50	450.00	4,142.50	
07/01/32	50,000.00	3.450%	3,692.50		53,692.50	57,835.00
01/01/33			2,830.00	450.00	3,280.00	
07/01/33	50,000.00	3.550%	2,830.00		52,830.00	56,110.00
01/01/34			1,942.50	450.00	2,392.50	
07/01/34	50,000.00	3.700%	1,942.50		51,942.50	54,335.00
01/01/35			1,017.50	450.00	1,467.50	
07/01/35	55,000.00	3.700%	1,017.50		56,017.50	57,485.00
Totals	<u>2,080,000.00</u>		<u>664,755.94</u>	<u>10,350.00</u>	<u>2,755,105.94</u>	<u>2,755,105.94</u>

USDA BOND SCHEDULE

Water Works Revenue Bond 2013 ISSUE LOAN

		Principal	\$1,400,000
		Term	40
Annual Payment	\$55,199	Interest Rate	2.250%

YEAR	PMT. NO	TOTAL	INTEREST	PRINCIPAL	BALANCE
2014	1	\$31,500	\$31,500	\$0	\$1,400,000
2015	2	31,500	31,500	0	1,400,000
2016	3	55,199	31,500	23,700	1,376,300
2017	4	55,199	30,967	24,200	1,352,100
2018	5	55,199	30,422	24,800	1,327,300
2019	6	55,199	29,864	25,300	1,302,000
2020	7	55,199	29,295	25,900	1,276,100
2021	8	55,199	28,712	26,500	1,249,600
2022	9	55,199	28,116	27,100	1,222,500
2023	10	55,199	27,506	27,700	1,194,800
2024	11	55,199	26,883	28,300	1,166,500
2025	12	55,199	26,246	29,000	1,137,500
2026	13	55,199	25,594	29,600	1,107,900
2027	14	55,199	24,928	30,300	1,077,600
2028	15	55,199	24,246	31,000	1,046,600
2029	16	55,199	23,549	31,700	1,014,900
2030	17	55,199	22,835	32,400	982,500
2031	18	55,199	22,106	33,100	949,400
2032	19	55,199	21,362	33,800	915,600
2033	20	55,199	20,601	34,600	881,000
2034	21	55,199	19,823	35,400	845,600
2035	22	55,199	19,026	36,200	809,400
2036	23	55,199	18,212	37,000	772,400
2037	24	55,199	17,379	37,800	734,600
2038	25	55,199	16,529	38,700	695,900
2039	26	55,199	15,658	39,500	656,400
2040	27	55,199	14,769	40,400	616,000
2041	28	55,199	13,860	41,300	574,700
2042	29	55,199	12,931	42,300	532,400
2043	30	55,199	11,979	43,200	489,200
2044	31	55,199	11,007	44,200	445,000
2045	32	55,199	10,013	45,200	399,800
2046	33	55,199	8,996	46,200	353,600
2047	34	55,199	7,956	47,200	306,400
2048	35	55,199	6,894	48,300	258,100
2049	36	55,199	5,807	49,400	208,700
2050	37	55,199	4,696	50,500	158,200
2051	38	55,199	3,560	51,600	106,600
2052	39	55,199	2,399	52,800	53,800
2053	40	55,199	1,211	54,000	-200
TOTALS		\$2,160,544	\$760,433	\$1,400,200	

KENTUCKY INFRASTRUCTURE AUTHORITY
REPAYMENT SCHEDULE
Fund A Loan (2016)
WESTERN PULASKI COUNTY WATER DISTRICT

Loan Amount	\$3,304,000
Interest Rate	1.75%
Term	20
Payment	\$98,253.70

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Total Payment	Principal Balance	R&M Reserve	Total Reserve
							\$3,304,000.00		
06/01/17	\$69,343.70	\$28,910.00	1.75%	\$98,253.70	\$4,130.00	\$102,383.70	\$3,234,656.30	\$8,260.00	\$8,260.00
12/01/17	\$69,950.45	\$28,303.24	1.75%	\$98,253.70	\$4,043.32	\$102,297.02	\$3,164,705.85	\$0.00	\$8,260.00
06/01/18	\$70,562.52	\$27,691.18	1.75%	\$98,253.70	\$3,955.88	\$102,209.58	\$3,094,143.33	\$8,260.00	\$16,520.00
12/01/18	\$71,179.94	\$27,073.75	1.75%	\$98,253.70	\$3,867.68	\$102,121.38	\$3,022,963.39	\$0.00	\$16,520.00
06/01/19	\$71,802.77	\$26,450.93	1.75%	\$98,253.70	\$3,778.70	\$102,032.40	\$2,951,160.62	\$8,260.00	\$24,780.00
12/01/19	\$72,431.04	\$25,822.66	1.75%	\$98,253.70	\$3,688.95	\$101,942.65	\$2,878,729.58	\$0.00	\$24,780.00
06/01/20	\$73,064.81	\$25,188.88	1.75%	\$98,253.70	\$3,598.41	\$101,852.11	\$2,805,664.77	\$8,260.00	\$33,040.00
12/01/20	\$73,704.13	\$24,549.57	1.75%	\$98,253.70	\$3,507.08	\$101,760.78	\$2,731,960.64	\$0.00	\$33,040.00
06/01/21	\$74,349.04	\$23,904.66	1.75%	\$98,253.70	\$3,414.95	\$101,668.65	\$2,657,611.59	\$8,260.00	\$41,300.00
12/01/21	\$74,999.60	\$23,254.10	1.75%	\$98,253.70	\$3,322.01	\$101,575.71	\$2,582,612.00	\$0.00	\$41,300.00
06/01/22	\$75,655.84	\$22,597.85	1.75%	\$98,253.70	\$3,228.26	\$101,481.96	\$2,506,956.16	\$8,260.00	\$49,560.00
12/01/22	\$76,317.83	\$21,935.87	1.75%	\$98,253.70	\$3,133.70	\$101,387.39	\$2,430,638.33	\$0.00	\$49,560.00
06/01/23	\$76,985.61	\$21,268.09	1.75%	\$98,253.70	\$3,038.30	\$101,291.99	\$2,353,652.72	\$8,260.00	\$57,820.00
12/01/23	\$77,659.24	\$20,594.46	1.75%	\$98,253.70	\$2,942.07	\$101,195.76	\$2,275,993.48	\$0.00	\$57,820.00
06/01/24	\$78,338.75	\$19,914.94	1.75%	\$98,253.70	\$2,844.99	\$101,098.69	\$2,197,654.73	\$8,260.00	\$66,080.00
12/01/24	\$79,024.22	\$19,229.48	1.75%	\$98,253.70	\$2,747.07	\$101,000.77	\$2,118,630.51	\$0.00	\$66,080.00
06/01/25	\$79,715.68	\$18,538.02	1.75%	\$98,253.70	\$2,648.29	\$100,901.98	\$2,038,914.83	\$8,260.00	\$74,340.00
12/01/25	\$80,413.19	\$17,840.50	1.75%	\$98,253.70	\$2,548.64	\$100,802.34	\$1,958,501.64	\$0.00	\$74,340.00
06/01/26	\$81,116.81	\$17,136.89	1.75%	\$98,253.70	\$2,448.13	\$100,701.82	\$1,877,384.83	\$8,260.00	\$82,600.00
12/01/26	\$81,826.58	\$16,427.12	1.75%	\$98,253.70	\$2,346.73	\$100,600.43	\$1,795,558.25	\$0.00	\$82,600.00
06/01/27	\$82,542.56	\$15,711.13	1.75%	\$98,253.70	\$2,244.45	\$100,498.14	\$1,713,015.69	\$0.00	\$82,600.00
12/01/27	\$83,264.81	\$14,988.89	1.75%	\$98,253.70	\$2,141.27	\$100,394.97	\$1,629,750.88	\$0.00	\$82,600.00
06/01/28	\$83,993.38	\$14,260.32	1.75%	\$98,253.70	\$2,037.19	\$100,290.89	\$1,545,757.50	\$0.00	\$82,600.00
12/01/28	\$84,728.32	\$13,525.38	1.75%	\$98,253.70	\$1,932.20	\$100,185.89	\$1,461,029.18	\$0.00	\$82,600.00
06/01/29	\$85,469.69	\$12,784.01	1.75%	\$98,253.70	\$1,826.29	\$100,079.98	\$1,375,559.49	\$0.00	\$82,600.00
12/01/29	\$86,217.55	\$12,036.15	1.75%	\$98,253.70	\$1,719.45	\$99,973.15	\$1,289,341.94	\$0.00	\$82,600.00
06/01/30	\$86,971.95	\$11,281.74	1.75%	\$98,253.70	\$1,611.68	\$99,865.37	\$1,202,369.99	\$0.00	\$82,600.00
12/01/30	\$87,732.96	\$10,520.74	1.75%	\$98,253.70	\$1,502.96	\$99,756.66	\$1,114,637.03	\$0.00	\$82,600.00
06/01/31	\$88,500.62	\$9,753.07	1.75%	\$98,253.70	\$1,393.30	\$99,646.99	\$1,026,136.40	\$0.00	\$82,600.00
12/01/31	\$89,275.00	\$8,978.69	1.75%	\$98,253.70	\$1,282.67	\$99,536.37	\$936,861.40	\$0.00	\$82,600.00
06/01/32	\$90,056.16	\$8,197.54	1.75%	\$98,253.70	\$1,171.08	\$99,424.77	\$846,805.24	\$0.00	\$82,600.00
12/01/32	\$90,844.15	\$7,409.55	1.75%	\$98,253.70	\$1,058.51	\$99,312.20	\$755,961.09	\$0.00	\$82,600.00
06/01/33	\$91,639.04	\$6,614.66	1.75%	\$98,253.70	\$944.95	\$99,198.65	\$664,322.05	\$0.00	\$82,600.00
12/01/33	\$92,440.88	\$5,812.82	1.75%	\$98,253.70	\$830.40	\$99,084.10	\$571,881.18	\$0.00	\$82,600.00
06/01/34	\$93,249.74	\$5,003.96	1.75%	\$98,253.70	\$714.85	\$98,968.55	\$478,631.44	\$0.00	\$82,600.00
12/01/34	\$94,065.67	\$4,188.03	1.75%	\$98,253.70	\$598.29	\$98,851.99	\$384,565.77	\$0.00	\$82,600.00
06/01/35	\$94,888.75	\$3,364.95	1.75%	\$98,253.70	\$480.71	\$98,734.40	\$289,677.02	\$0.00	\$82,600.00
12/01/35	\$95,719.02	\$2,534.67	1.75%	\$98,253.70	\$362.10	\$98,615.79	\$193,958.00	\$0.00	\$82,600.00
06/01/36	\$96,556.56	\$1,697.13	1.75%	\$98,253.70	\$242.45	\$98,496.14	\$97,401.43	\$0.00	\$82,600.00
12/01/36	\$97,401.43	\$852.26	1.75%	\$98,253.70	\$121.75	\$98,375.45	\$0.00	\$0.00	\$82,600.00
Totals	\$3,304,000.00	\$626,147.87		\$3,930,147.87	\$89,449.70	\$4,019,597.56		\$82,600.00	

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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

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

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Don Calder
(Print Name)


(Signed)

Chairman
(Position/Office)


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

COMMONWEALTH OF KENTUCKY

COUNTY OF Anderson

Subscribed and sworn to before me by _____ Don Calder
(Name)

this 21st day of February, 20 17.


NOTARY PUBLIC
State-at-Large
EXP: MAY 19, 2018
I.D.: 512242

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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

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Jimmy Daulton
(Print Name)


(Signed)

Commissioner
(Position/Office)


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COMMONWEALTH OF KENTUCKY

COUNTY OF Anderson

Subscribed and sworn to before me by Jimmy Daulton
(Name)

this 21st day of February, 2017.


NOTARY PUBLIC
State-at-Large
EXP: May 14, 2018
I.D.: 512242

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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

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Joel Wilson
(Print Name)


(Signed)

Commissioner
(Position/Office)


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COMMONWEALTH OF KENTUCKY

COUNTY OF Anderson

Subscribed and sworn to before me by Joel Wilson
(Name)

this 21st day of February, 2017.


NOTARY PUBLIC
State-at-Large
EXP: MAY 14, 2018
I.D.: 512242

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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Teddy Roberts
(Print Name)

Teddy Roberts
(Signed)

Commissioner
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Anderson

Subscribed and sworn to before me by Teddy Roberts
(Name)

this 21st day of February, 20 17.


NOTARY PUBLIC
State-at-Large
EXP: MAY 14, 2018
I.D.: 512242

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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Randall Wilson
(Print Name)


(Signed)

Commissioner
(Position/Office)


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COMMONWEALTH OF KENTUCKY

COUNTY OF Anderson

Subscribed and sworn to before me by Randall Wilson
(Name)

this 21st day of February, 2017.


NOTARY PUBLIC
State-at-Large EXP: MAY 14, 2018
I.D.: 512242

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE WESTERN PULASKI COUNTY WATER DISTRICT PROPOSING ADJUSTMENTS TO ITS WATER RATES AND CHARGES AND AUTHORIZING ITS CHAIRMAN TO FILE AN APPLICATION WITH THE PSC SEEKING APPROVAL OF THE PROPOSED RATE ADJUSTMANT

WHEREAS, The Western Pulaski County Water District (“District”) is a water district created and organized under the provisions of KRS Chapter 74. The District is subject to the jurisdiction of the Kentucky Public Service Commission (“PSC”);

WHEREAS, prudent financial management dictates that the District take appropriate action to adjust its water rates and charges; and

WHEREAS, KRS 278.180 and 807 KAR 5:076 provide the legal mechanism for the District to proposed adjustments to its water rates and charges;

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE WESTERN PULASKI COUNTY WATER DISTRICT AS FOLLOWS;

Section 1. The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

Section 2. The District proposes to adjust its monthly water rates and charges as set forth in **Appendix A**, which is attached hereto and is incorporated herein by reference as a part of this Resolution. The proposed rates and charges set forth in **Appendix A** are subject to any minor adjustments that may be made by the PSC. The proposed rate adjustment shall not become effective until PSC approval has been obtained.

Section 3. The Chairman is hereby authorized and directed to prepare, execute, and file with the PSC, by utilizing the Alternative Rate Procedure for Small Utilities set forth in 807 KAR 5:076, an Alternative Rate Filing (“ARF”) Application, Tariff Sheets, and all other documents that may be required by the PSC.

Section 4. The Chairman, General Manager, and all the other appropriate District Staff are hereby further authorized and directed to take any and all other actions and to execute and deliver any and all other documents as may be reasonably necessary to implement this Resolution.


Section 5. This Resolution shall take effect upon its adoption.

**ADOPTED BY THE COMMISSION OF THE WESTERN PULASKI
COUNTY WATER DISTRICT** at a meeting held on February 21, 2017, signed
by the Chairman, and attested by the Secretary.

ATTEST:



CHAIRMAN




SECRETARY

CERTIFICATION

I, Secretary of the Western Pulaski County Water District (the "District"), do hereby certify that the foregoing is a true copy of a Resolution duly adopted by the Commission of the District at a meeting properly held on February 21, 2017, signed by the Chairman of the Commission, attested by me as Secretary, and now in full force and effect.

WITNESS my hand this 21st day of February, 2017.



SECRETARY

CURRENT AND PROPOSED RATES
Western Pulaski County Water District
APPENDIX A

<u>Current Rates</u>	
<u>5/8 x 3/4-Inch Meter</u>	
First 2,000 Gallons (Minimum Bill)	\$15.34 Minimum Bill
Over 2,000 Gallons (per 1,000 gallons)	5.82 Per 1,000 Gallons
<u>1-Inch Meter</u>	
First 10,000 Gallons (Minimum Bill)	\$61.90 Minimum Bill
Over 10,000 Gallons (per 1,000 gallons)	5.82 Per 1,000 Gallons
<u>1 1/2-Inch Meter</u>	
First 15,000 Gallons (Minimum Bill)	\$91.00 Minimum Bill
Over 15,000 Gallons (per 1,000 gallons)	5.82 Per 1,000 Gallons
<u>2-Inch Meter</u>	
First 20,000 Gallons (Minimum Bill)	\$120.10 Minimum Bill
Over 20,000 Gallons (per 1,000 gallons)	5.82 Per 1,000 Gallons
<u>3-Inch Meter</u>	
First 30,000 Gallons (Minimum Bill)	\$178.30 Minimum Bill
Over 30,000 Gallons (per 1,000 gallons)	5.82 Per 1,000 Gallons

<u>Proposed Rates</u>	
<u>5/8 x 3/4-Inch Meter</u>	
First 2,000 Gallons (Minimum Bill)	\$17.34 Minimum Bill
Over 2,000 Gallons (per 1,000 gallons)	5.82 Per 1,000 Gallons
<u>1-Inch Meter</u>	
First 10,000 Gallons (Minimum Bill)	\$63.90 Minimum Bill
Over 10,000 Gallons (per 1,000 gallons)	5.82 Per 1,000 Gallons
<u>1 1/2-Inch Meter</u>	
First 15,000 Gallons (Minimum Bill)	\$93.00 Minimum Bill
Over 15,000 Gallons (per 1,000 gallons)	5.82 Per 1,000 Gallons
<u>2-Inch Meter</u>	
First 20,000 Gallons (Minimum Bill)	\$122.10 Minimum Bill
Over 20,000 Gallons (per 1,000 gallons)	5.82 Per 1,000 Gallons
<u>3-Inch Meter</u>	
First 30,000 Gallons (Minimum Bill)	\$180.30 Minimum Bill
Over 30,000 Gallons (per 1,000 gallons)	5.82 Per 1,000 Gallons