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APPLICATION FOR RATE ADJUSTMENT  
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities Pursuant to 807 KAR 5:076  
(Alternative Rate Filing)

Letcher County Water and Sewer District

(Name of Utility)

6 Broadway St

(Business Mailing Address - Number and Street, or P.O. Box)

Whitesburg, KY 41858

(Business Mailing Address - City, State, and Zip)

(606)633-8550

(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:

Mark Lewis

(Name)

6 Broadway St

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

Whitesburg, KY 41858

(Address - City, State, Zip)

(606)633-8550

(Telephone Number)

marklws21@gmail.com

(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 checked="" type="checkbox"/> | <input type="checkbox"/>            |     |

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 \$ 575,790.67 and total revenues from service rates of \$ 1,654,577.34. 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 2,953 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.
- b. Applicant is required to file state and federal tax returns.
- c. Applicant's most recent state and federal tax returns are attached to this Application.     
(Attach a copy of returns.)
- 17. Approximately 0 (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.
- 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.

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 Mark Lewis  
Officer of the Company/Authorized Representative

Title General Manager

Date 02-28-17

COMMONWEALTH OF KENTUCKY

COUNTY OF Woodford

Before me appeared Mark Lewis, 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.

Kimberly H. Padgett  
 Notary Public  
 My commission expires: 30 April 2018



# Letcher County Water and Sewer District

## List of Attachments

1. Customer Notice
2. Reasons for Rate Increase
3. Current and Proposed Rates
4. Statement of Adjusted Operations and Revenue Requirements Calculation with Attachments:
  - a. References
  - b. Table A – Depreciation Expense Adjustments
  - c. Table B – Debt Service Summary
5. Billing Analysis
6. Depreciation Schedule
7. Outstanding Debt Instruments
8. Statement of Disclosure of Related Party Transactions
9. Board Resolution

# **Customer Notice**

## CUSTOMER NOTICE

Notice is hereby given that the Letcher County Water and Sewer District expects to file an application on or about July 5, 2017 with the Kentucky Public Service Commission seeking approval of a proposed adjustment to its water rates. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates. Letcher County Water and Sewer District proposes the following rates:

<u>5/8" x 3/4" Meter</u>		<u>Current Rates</u>		<u>Proposed Rates</u>		<u>Dollar Increase</u>	<u>Percent Increase</u>
First	2,000 gallons	\$ 22.00	Minimum Bill	\$ 27.50	Minimum Bill	\$ 5.50	25%
Over	2,000 gallons	6.00	per 1,000 gallons	7.50	per 1,000 gallons	1.50	25%

The proposed rates will have the following effect on a customer's monthly bill:

<u>Meter</u>	<u>Average Monthly Usage</u>	<u>Current Monthly Bill</u>	<u>Proposed Rates Monthly Bill</u>	<u>Increase</u>	<u>Change</u>
5/8" x 3/4" Meter	3,500 gallons	\$31.00	\$38.75	\$7.75	25.0%

The rates contained in this notice are the rates proposed by Letcher County Water and Sewer 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 shown in this notice.

Any person may examine the application submitted to the Public Service Commission at Letcher County Water and Sewer District's office at 6 Broadway St, Whitesburg, KY 41858 or at the Public Service Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, 40601, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's website at <http://psc.ky.gov>.

Comments regarding the application may be submitted to the Public Service Commission through its website at <http://psc.kv.gov> or by mail to Public Service Commission, PO Box 615, Frankfort, Kentucky, 40602. You may contact the Public Service Commission at 502-564-3940.

A person may submit a timely written request for intervention to the Public Service Commission, PO Box 615, Frankfort, KY, 40602, establishing 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 of this notice, the Public Service Commission may take final action on the application.

# **Reasons for Rate Increase**



## Reasons for Rate Increase

Letcher County Water and Sewer District (LCWSD) is requesting a 25% across-the-board rate increase. The district needs this rate increase for the following reasons:

1. To enable LCWSD to pay its annual debt service payments on all outstanding long-term debts.
2. To re-establish its depreciation fund as required by its primary funder, Rural Development.
3. To restore LCWSD to a sustainable financial condition so the district can continue to provide safe and clean drinking water to its customers.

# **Current and Proposed Rates**

## CURRENT AND PROPOSED RATES

Letcher County Water and Sewer District

### Current Rates

#### 5/8 x 3/4" Meter

First 2,000 Gallons	\$22.00	Minimum Bill
Over 2,000 Gallons	\$6.00	Per 1,000 Gallons

### Proposed Rates

#### 5/8 x 3/4" Meter

First 2,000 Gallons	\$27.50	Minimum Bill
Over 2,000 Gallons	\$7.50	Per 1,000 Gallons

# **Statement of Adjusted Operations**

**SCHEDULE OF ADJUSTED OPERATIONS - WATER UTILITY**

TYE 12/31/20 15

	Test Year	Adjustment	Ref.	Pro Forma
<b><u>Operating Revenues</u></b>				
<b>Sales of Water</b>				
Unmetered Water Sales				0.00
Metered Water Sales	1,208,941.67	-130,155.00	A	1,078,786.67
Bulk Loading Stations				0.00
Fire Protection Revenue				0.00
Sales for Resale				0.00
<b>Total Sales of Water</b>	<b>1,208,941.67</b>	<b>-130,155.00</b>		<b>1,078,786.67</b>
<b>Other Water Revenues</b>				
Forfeited Discounts				0.00
Miscellaneous Service Revenues	17,658.00	114,806.00	B	132,464.00
Rents from Water Property				0.00
Other Water Revenues	46,325.00			46,325.00
<b>Total Other Water Revenues</b>	<b>63,983.00</b>	<b>114,806.00</b>		<b>178,789.00</b>
<b>Total Operating Revenues</b>	<b>1,272,924.67</b>	<b>-15,349.00</b>		<b>1,257,575.67</b>
<b><u>Operating Expenses</u></b>				
<b>Operation and Maintenance Expenses</b>				
Salaries and Wages - Employees	216,960.19			216,960.19
Salaries and Wages - Officers				0.00
Employee Pensions and Benefits	50,489.24			50,489.24
Purchased Water	573,269.30	-13,089.45	C	560,179.85
Purchased Power	30,520.11	-696.87	D	29,823.24
Fuel for Power Production				0.00
Chemicals				0.00
Materials and Supplies	83,153.60			83,153.60
Contractual Services	106,568.38			106,568.38
Water Testing	4,738.00			4,738.00
Rents	2,916.00			2,916.00
Transportation Expenses	17,085.45			17,085.45
Insurance	20,685.16			20,685.16
Regulatory Commission Expenses				0.00
Bad Debt Expense				0.00

Miscellaneous Expenses	16,113.92			16,113.92
Total Operation and Maintenance Expenses	1,122,499.35	-13,786.32		1,108,713.03
Depreciation Expense	703,727.30	-198,406.14	E	505,321.16
Amortization Expense	15,910.40	-3,977.60	F	11,932.80
Taxes Other Than Income	13,389.60			13,389.60
Income Tax Expense				0.00
<b>Total Operating Expenses</b>	<b>1,855,526.65</b>	<b>-216,170.06</b>		<b>1,639,356.59</b>
<b>Utility Operating Income</b>	<b>-582,601.98</b>	<b>200,821.06</b>		<b>-381,780.92</b>

# **Revenue Requirements**

## **Calculation**

**REVENUE REQUIREMENT CALCULATION - DEBT COVERAGE METHOD**

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

Pro forma Operating Expenses	\$1,639,356.59
Plus: Average Annual Debt Principal and Interest Payments*	165,787.00
Debt Coverage Requirement**	29,063.00
Total Revenue Requirement	<u>1,834,206.59</u>
Less: Other Operating Revenue	
Non-operating Revenue	-178,789.00
Interest Income	-840.25
Revenue Required from Rates	<u>1,654,577.34</u>
Less: Revenue from Sales at Present Rates	-1,078,786.67
Required Revenue Increase	<u>\$575,790.67</u>

Required Revenue Increase stated as a Percentage of Revenue at Present Rates	<u>53.37%</u>
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\* 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.



# References

# References

## A – Metered Water Sales

The amount of metered water sales was incorrectly reported in the 2015 PSC annual report. The following adjustment has been made to reflect actual metered water sales for the 2015 test year.

Metered Water Sales from 2015 PSC Annual Report:		\$1,208,942
Less Miscellaneous Service Revenues:		
Late Fees:	-64,930	
Tap Fees:	-32,984	
Returned Check Adjustments:	-7,398	
Misc. Adjustments:	-4,767	
Reconnect Fees:	-4,727	
Total Miscellaneous Service Revenues		-\$114,806
Less Customer Deposits:		-15,349
<b>Actual Metered Water Sales</b>		<b>\$1,078,787</b>
<b>Total Adjustment to Metered Water Sales:</b>		<b>-\$130,155</b>

## B – Miscellaneous Service Revenues

The test period miscellaneous service revenues was increased by \$114,806. This adjustment was made to reflect actual miscellaneous service revenues for the 2015 test year. A full breakdown is shown in section A.

## C – Purchased Water

During the test year Letcher County Water & Sewer District's unaccounted-for water loss was reported as 19.80%, thus exceeding the allowable limit by 4.80%. While performing the billing analysis an error in the billing system was discovered that was incorrectly reporting total water sold. This error reduced water sold by 4,592,400 gallons for the 2015 test year. Actual water sold during the 2015 test year was 114,239,800 gallons, resulting in an actual unaccounted-for water loss of 17.28%. This billing system error has now been corrected by Letcher County Water and Sewer District and future monthly water use reports will accurately reflect unaccounted-for water loss.

# References

## C – Purchased Water (Continued)

	<u>Reported</u>	<u>Actual</u>	
Water purchased during the test year:	182,220,515	182,220,515	<i>gallons</i>
Less: Water sold:	109,647,400	114,239,800	<i>gallons</i>
Less: Accounted for water loss:	36,487,000	36,487,000	<i>gallons</i>
Unaccounted-for water loss:	36,086,115	31,493,715	<i>gallons</i>
Water loss percentage:	19.80%	17.28%	
Allowable water loss:	15%	15%	
<b>Excess water loss:</b>	<b>4.80%</b>	<b>2.28%</b>	

During the test year Letcher County Water & Sewer District's unaccounted-for water loss exceeded the allowable limit by 2.28%. The following adjustment was made to correct for the excess cost of unaccounted-for water loss.

Test year purchased water expense:	\$573,269.30
Water loss not allowed:	<u>2.28%</u>
<b>Adjustment:</b>	<b>-\$13,089.45</b>

## D – Purchased Power

The following adjustment to purchased power expense was made to correct for the additional cost to pump water due to the excess water loss as described in section C.

Test year purchased power:	\$30,520.11
Water loss not allowed:	<u>2.28%</u>
<b>Adjustment:</b>	<b>-\$696.87</b>

## E – Depreciation Expense

The test period depreciation expense was reduced by \$198,406.14. This adjustment was made to bring the asset useful lives to the average recommended range based on the NARUC in its publication titled "Depreciation Practices for Small Water Utilities". See *Table A* for detailed breakdown.

Depreciation expense based on audit amounts:	\$703,727.28
Depreciation expense based on pro-forma amounts:	<u>\$505,321.13</u>
<b>Adjustment:</b>	<b>-\$198,406.14</b>

# References

## F – Amortization Expense

The test period amortization expense was reduced by \$3,977.60. This adjustment was made to bring the asset useful lives to the average recommended range based on the NARUC in its publication titled “Depreciation Practices for Small Water Utilities”. See *Table A* for detailed breakdown.

Amortization expense based on audit amounts:	\$15,910.40
Amortization expense based on pro-forma amounts:	<u>\$11,977.60</u>
<b>Adjustment:</b>	<b>- \$3,977.60</b>

# **Depreciation Expense**

## **Adjustments**

## Letcher County Water and Sewer District Depreciation Schedule

Reported Amounts										Proforma Amounts		
Asset	Property Description	Date In Service	Cost	Prior Depreciation	Current Depreciation	End Depreciation	Net Book Value	Method	Life	Adjusted Life	Adjusted Depreciation Expense	Adjustment
1	Property Plant and Equipment	12/31/01	499,454.15	189,792.52	12,486.35	202,278.87	297,175.28	S/L	40	40	12,486.35	-
2	PP&E	12/31/01	84,136.12	31,971.70	2,103.40	34,075.10	50,061.02	S/L	40	40	2,103.40	-
5	PP&E	12/31/03	6,025.00	1,928.03	150.63	2,078.66	3,946.34	S/L	40	40	150.63	-
6	PP&E	12/31/03	653,210.80	209,027.45	16,330.27	225,357.72	427,853.08	S/L	40	40	16,330.27	-
7	PP&E	12/31/04	7,818.39	2,267.33	195.46	2,462.79	5,355.60	S/L	40	40	195.46	-
8	PP&E	12/31/04	86,336.63	25,037.64	2,158.42	27,196.06	59,140.57	S/L	40	40	2,158.42	-
13	Telemetry Equipment	12/28/06	39,900.64	33,907.41	3,990.06	37,897.47	2,003.17	S/L	10	10	-	(3,990.06)
19	Hand Held Meter Reading Equipment	2/21/08	7,069.76	4,595.35	706.98	5,302.33	1,767.43	S/L	10	12.5	565.58	(141.40)
26	Jeremiah-Isom Project	12/31/05	546,649.76	133,929.18	13,666.24	147,595.42	399,054.34	S/L	40	62.5	8,746.40	(4,919.85)
27	Jeremiah-Isom Project	12/31/07	8,289.90	1,554.37	207.25	1,761.62	6,528.28	S/L	40	62.5	132.64	(74.61)
28	Isom-Jeremiah Phase I	12/31/07	1,616.18	347.45	40.40	387.85	1,228.33	S/L	40	62.5	25.86	(14.55)
29	Blackey Water Plant	6/30/06	2,857,535.00	1,107,194.60	71,438.38	1,178,632.98	1,678,902.02	S/L	40	40	71,438.38	-
30	Isom Jeremiah Phase 2	12/1/06	926,687.40	199,237.82	23,167.19	222,405.01	704,282.39	S/L	40	62.5	14,827.00	(8,340.19)
31	Isom Jeremiah Phase 2	12/31/07	5,557.00	1,667.13	138.93	1,806.06	3,750.94	S/L	40	62.5	88.91	(50.01)
32	Isom Jeremiah Project	12/31/07	60,316.47	12,968.04	1,507.91	14,475.95	45,840.52	S/L	40	62.5	965.06	(542.85)
33	Isom Jeremiah Project	12/31/07	5,208.33	1,562.50	130.21	1,692.71	3,515.62	S/L	40	62.5	83.33	(46.87)
34	Isom Jeremiah Phase 2	12/31/07	1,156,824.93	248,717.33	28,920.62	277,637.95	879,186.98	S/L	40	62.5	18,509.20	(10,411.42)
35	Dryfork Uz Project	12/31/08	253,779.24	41,239.12	6,344.48	47,583.60	206,195.64	S/L	40	62.5	4,060.47	(2,284.01)
36	Crafts Colley Phase I	12/31/08	756,868.63	122,991.17	18,921.72	141,912.89	614,955.74	S/L	40	62.5	12,109.90	(6,811.82)
37	Crafts Colley Phase II	12/31/09	236,184.12	32,475.30	5,904.60	38,379.90	197,804.22	S/L	40	62.5	3,778.95	(2,125.66)
39	Little Cowan Land	12/31/09	809,702.07	101,212.76	20,242.55	121,455.31	688,246.76	S/L	40	62.5	12,955.23	(7,287.32)
40	Little Cowan	12/31/10	13,900.00	1,563.75	347.50	1,911.25	11,988.75	S/L	40	62.5	222.40	(125.10)
42	Blackey to Whitesburg Connector	12/31/09	70,105.74	9,639.52	1,752.64	11,392.16	58,713.58	S/L	40	62.5	1,121.69	(630.95)
43	Water Treatment Equipment	12/18/07	4,612.41	3,459.30	461.24	3,920.54	691.87	S/L	10	27.5	167.72	(293.52)
45	Sandlick Project	12/31/09	2,616,962.62	359,832.38	65,424.07	425,256.45	2,191,706.17	S/L	40	62.5	41,871.40	(23,552.66)
47	Camp Branch Little Dryfork	12/31/09	2,328,255.22	320,135.09	58,206.38	378,341.47	1,949,913.75	S/L	40	62.5	37,252.08	(20,954.30)
49	Pine Creek CIP	12/31/13	75,459.76	1,886.49	1,886.49	3,772.98	71,686.78	S/L	40	62.5	1,207.36	(679.14)
52	Thornton Water	12/31/11	451,742.90	33,880.71	11,293.57	45,174.28	406,568.62	S/L	40	62.5	7,227.89	(4,065.69)
53	Wilder Branch CIP	12/31/11	22,358.11	1,676.85	558.95	2,235.80	20,122.31	S/L	40	62.5	357.73	(201.22)
54	Payne Gap CIP	12/31/13	119,268.80	2,981.72	2,981.72	5,963.44	113,305.36	S/L	40	62.5	1,908.30	(1,073.42)
55	Deane	12/31/11	37,327.52	2,799.57	933.19	3,732.76	33,594.76	S/L	40	62.5	597.24	(335.95)
56	Red Star	12/31/11	197,598.67	14,819.91	4,939.97	19,759.88	177,838.79	S/L	40	62.5	3,161.58	(1,778.39)
58	Knott Co Connector	12/31/11	228,586.36	17,143.98	5,714.66	22,858.64	205,727.72	S/L	40	62.5	3,657.38	(2,057.28)
59	2000 Ford Ranger	12/15/11	4,232.00	2,609.73	493.73	3,103.46	1,128.54	S/L	5	7	-	(493.73)
61	2011 Ford Ranger	9/23/11	15,655.01	10,175.75	3,131.00	13,306.75	2,348.26	S/L	5	7	-	(3,131.00)
63	Knott Co Interconnect	12/31/11	753,547.81	56,516.10	18,838.70	75,354.80	678,193.01	S/L	40	62.5	12,056.76	(6,781.93)

Reported Amounts									
Asset	Property Description	Date In Service	Cost	Prior Depreciation	Current Depreciation	End Depreciation	Net Book Value	Method	Life
64	Red Star	12/31/11	1,088,974.63	81,673.11	27,224.37	108,897.48	980,077.15	S/L	40
65	Thornton Water	12/31/11	390,442.05	29,283.15	9,761.05	39,044.20	351,397.85	S/L	40
66	Premium Project	12/31/12	444,409.74	22,220.48	11,110.24	33,330.72	411,079.02	S/L	40
68	Payne Gap CIP	12/31/13	6,419.25	160.48	160.48	320.96	6,098.29	S/L	40
69	Knott Co Interconnect	12/31/11	180,219.45	13,516.47	4,505.49	18,021.96	162,197.49	S/L	40
71	Isom Jeremiah 2	12/31/11	18,562.43	1,392.18	464.06	1,856.24	16,706.19	S/L	40
72	Deane	12/31/11	23,538.72	1,765.41	588.47	2,353.88	21,184.84	S/L	40
73	Pine Cram Creek CIP	12/31/13	146,027.68	3,650.69	3,650.69	7,301.38	138,726.30	S/L	40
74	Smoot Creek Project	12/31/12	56,349.48	2,817.48	1,408.74	4,226.22	52,123.26	S/L	40
76	Crafts Colley	12/31/11	38,581.80	2,893.65	964.55	3,858.20	34,723.60	S/L	40
77	Little Cowan Land	12/31/11	165,704.33	12,427.83	4,142.61	16,570.44	149,133.89	S/L	40
78	Red Star/Hallie Project	12/31/12	133,315.51	6,665.78	3,332.89	9,998.67	123,316.84	S/L	40
79	Thornton	12/31/14	595,119.53	-	14,877.99	14,877.99	580,241.54	S/L	40
80	Premium Project	12/31/13	23,521.27	588.03	588.03	1,176.06	22,345.21	S/L	40
81	Millstone Water Project	12/31/13	63,236.25	1,580.91	1,580.91	3,161.82	60,074.43	S/L	40
83	Payne Gap Project	12/31/13	609,171.47	15,229.29	15,229.29	30,458.58	578,712.89	S/L	40
84	Knott Co Connector	12/31/12	56,668.20	2,833.42	1,416.71	4,250.13	52,418.07	S/L	40
85	Little Cowan Project	12/31/12	5,455.25	272.76	136.38	409.14	5,046.11	S/L	40
86	Pine, Pert and Cram Creek	12/31/13	1,832,770.38	45,819.26	45,819.26	91,638.52	1,741,131.86	S/L	40
87	Deane Water	12/31/13	830,636.05	20,765.90	20,765.90	41,531.80	789,104.25	S/L	40
88	Thornton Project	12/31/14	11,490.41	-	287.26	287.26	11,203.15	S/L	40
89	Billing software	4/04/12	19,900.00	5,472.50	1,990.00	7,462.50	12,437.50	S/L	10
90	2001 GNC Sonoma	7/23/12	3,404.00	1,645.27	680.80	2,326.07	1,077.93	S/L	5
92	Premium Phase II	12/31/13	464,362.82	11,609.07	11,609.07	23,218.14	441,144.68	S/L	40
93	Deane I	12/31/13	179,403.12	4,485.08	4,485.08	8,970.16	170,432.96	S/L	40
94	Deane II	12/31/14	167,238.03	-	4,180.95	4,180.95	163,057.08	S/L	40
95	Thornton	12/31/14	23,371.41	-	584.29	584.29	22,787.12	S/L	40
98	Pine Pert Cram	12/31/13	805,669.36	20,141.73	20,141.73	40,283.46	765,385.90	S/L	40
100	2013 Dodge Ram	6/17/13	24,953.16	7,485.95	4,990.63	12,476.58	12,476.58	S/L	5
101	Race Track Hollow Line Relocate	9/02/14	12,730.18	106.08	318.25	424.33	12,305.85	S/L	40
102	Premium Phase II	2/5/14	79,142.56	1,813.68	1,978.56	3,792.24	75,350.32	S/L	40
103	Deane Improvement	12/19/14	1,171,211.78	-	29,280.29	29,280.29	1,141,931.49	S/L	40
104	Thornton	1/09/14	58,111.06	1,452.78	1,452.78	2,905.56	55,205.50	S/L	40
105	Premium	4/21/14	5,296.44	88.27	132.41	220.68	5,075.76	S/L	40
106	Millstone	11/17/14	398,708.49	830.64	9,967.71	10,798.35	387,910.14	S/L	40
107	Deane	11/17/14	11,312.02	23.57	282.80	306.37	11,005.65	S/L	40
108	Thornton	11/17/14	74,986.63	156.22	1,874.67	2,030.89	72,955.74	S/L	40
109	Copier, monitor, office equipment	1/29/14	5,272.70	690.47	753.24	1,443.71	3,828.99	S/L	7
110	Equipment meter reading	3/20/14	2,038.00	218.36	291.14	509.50	1,528.50	S/L	7
111	Radio Read Conversion Improvement	9/25/14	200,000.00	1,250.00	5,000.00	6,250.00	193,750.00	S/L	40

Proforma Amounts		
Adjusted Life	Adjusted Depreciation Expense	Adjustment
62.5	17,423.59	(9,800.77)
62.5	6,247.07	(3,513.98)
62.5	7,110.56	(3,999.69)
62.5	102.71	(57.77)
62.5	2,883.51	(1,621.98)
62.5	297.00	(167.06)
62.5	376.62	(211.85)
62.5	2,336.44	(1,314.25)
62.5	901.59	(507.15)
62.5	617.31	(347.24)
62.5	2,651.27	(1,491.34)
62.5	2,133.05	(1,199.84)
62.5	9,521.91	(5,356.08)
62.5	376.34	(211.69)
62.5	1,011.78	(569.13)
62.5	9,746.74	(5,482.54)
62.5	906.69	(510.01)
62.5	87.28	(49.10)
62.5	29,324.33	(16,494.93)
62.5	13,290.18	(7,475.72)
62.5	183.85	(103.41)
10	1,990.00	-
7	486.29	(194.51)
62.5	7,429.81	(4,179.27)
62.5	2,870.45	(1,614.63)
62.5	2,675.81	(1,505.14)
62.5	373.94	(210.34)
62.5	12,890.71	(7,251.02)
7	3,564.74	(1,425.89)
62.5	203.68	(114.57)
62.5	1,266.28	(712.28)
62.5	18,739.39	(10,540.91)
62.5	929.78	(523.00)
62.5	84.74	(47.67)
62.5	6,379.34	(3,588.38)
62.5	180.99	(101.81)
62.5	1,199.79	(674.88)
10	527.27	(225.97)
12.5	163.04	(128.10)
40	5,000.00	-

Reported Amounts									
Asset	Property Description	Date In Service	Cost	Prior Depreciation	Current Depreciation	End Depreciation	Net Book Value	Method	Life
112	Letcher Interconnect	7/14/15	35,500.00	-	443.75	443.75	35,056.25	S/L	40
113	Race Track Hollow	5/29/15	159,038.82	-	2,319.32	2,319.32	156,719.50	S/L	40
114	Deane Water	5/04/15	69,022.51	-	1,150.38	1,150.38	67,872.13	S/L	40
115	Pine Creek Water	6/22/15	1,800,578.14	-	22,507.23	22,507.23	1,778,070.91	S/L	40
116	Premium Water	2/6/15	9,365.14	-	214.62	214.62	9,150.52	S/L	40
117	Red Star	4/20/15	67,984.58	-	1,133.08	1,133.08	66,851.50	S/L	40
118	Millstone Project	4/20/15	4,724.72	-	78.75	78.75	4,645.97	S/L	40
119	Loggy Hollow	4/20/15	105,000.00	-	1,750.00	1,750.00	103,250.00	S/L	40
120	Cumberland River	11/16/15	136,180.91	-	283.71	283.71	135,897.20	S/L	40
121	Thornton	4/20/15	7,249.31	-	120.82	120.82	7,128.49	S/L	40
<b>Grand Total</b>			<b>28,771,153.22</b>	<b>3,665,771.00</b>	<b>703,727.28</b>	<b>4,369,498.28</b>	<b>24,401,654.91</b>		

Proforma Amounts		
Adjusted Life	Adjusted Depreciation Expense	Adjustment
62.5	568.00	124.25
62.5	2,544.62	225.30
62.5	1,104.36	(46.02)
62.5	28,809.25	6,302.02
62.5	149.84	(64.78)
62.5	1,087.75	(45.33)
62.5	75.60	(3.15)
62.5	1,680.00	(70.00)
62.5	2,178.89	1,895.18
62.5	115.99	(4.83)
<b>505,321.13</b>		<b>(198,406.14)</b>

Amortization Schedule

Reported Amounts									
Asset	Property Description	Date In Service	Cost	Prior Depreciation	Current Depreciation	End Depreciation	Net Book Value	Method	Life
48	Amortization of Blackey WTP	6/30/06	477,312.02	127,283.20	15,910.40	143,193.60	334,118.42	Amort	30
<b>Grand Total</b>			<b>477,312.02</b>	<b>127,283.20</b>	<b>15,910.40</b>	<b>143,193.60</b>	<b>334,118.42</b>		

Proforma Amounts		
Adjusted Life	Adjusted Depreciation Expense	Adjustment
40	11,932.80	(3,977.60)
<b>11,932.80</b>		<b>(3,977.60)</b>



# **Debt Service Summary**

## Table B - Debt Service Summary

<b><i>RD Bond - Series 2007</i></b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>3-Yr Avg</b>
Principle	15,500	16,500	17,000	16,333
Interest	36,877	36,238	35,557	36,224
Total P&I	52,377	52,738	52,557	52,557
20% Coverage	10,475	10,548	10,511	10,511
<b>Total</b>	<b>62,852</b>	<b>63,286</b>	<b>63,068</b>	<b>63,069</b>

<b><i>RD Bond - Series 2005</i></b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>3-Yr Avg</b>
Principle	14,000	14,500	15,000	14,500
Interest	30,493	29,898	29,282	29,891
Total P&I	44,493	44,398	44,282	44,391
20% Coverage	8,899	8,880	8,856	8,878
<b>Total</b>	<b>53,392</b>	<b>53,278</b>	<b>53,138</b>	<b>53,269</b>

<b><i>RD Bond - Series 1998</i></b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>3-Yr Avg</b>
Principle	11,000	11,500	12,000	11,500
Interest	16,897	16,402	15,885	16,395
Total P&I	27,897	27,902	27,885	27,895
20% Coverage	5,579	5,580	5,577	5,579
<b>Total</b>	<b>33,476</b>	<b>33,482</b>	<b>33,462</b>	<b>33,474</b>

<b><i>KIA Loan F07-04</i></b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>3-Yr Avg</b>
Principle	35,513	35,870	36,229	35,871
Interest	4,416	4,060	3,700	4,059
Service Fees	1,104	1,015	925	1,015
Total P&I	41,034	40,945	40,855	40,944
10% Coverage	4,103	4,094	4,085	4,094
<b>Total</b>	<b>45,137</b>	<b>45,039</b>	<b>44,940</b>	<b>45,039</b>

<b><i>Totals</i></b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>3-Yr Avg</b>
Principle	76,013	78,370	80,229	78,204
Interest	88,683	86,598	84,424	86,569
Service Fees	1,104	1,015	925	1,015
Total P&I	165,801	165,983	165,579	165,787
Coverage	29,057	29,102	29,030	29,063
<b>Total</b>	<b>194,857</b>	<b>195,085</b>	<b>194,609</b>	<b>194,850</b>

# **Billing Analysis**

# Billing Analysis

## Letcher County Water and Sewer District

Test Period: January – December 2015

### Usage Table

	Bills	Gallons	First 2,000	Over 2,000	Total
First 2,000 Minimum Bill	12,518	13,072,800	13,072,800		13,072,800
Over 2,000 Gallons	20,425	101,167,000	40,850,000	60,317,000	101,167,000
<b>Totals</b>	<b>32,943</b>	<b>114,239,800</b>	<b>53,922,800</b>	<b>60,317,000</b>	<b>114,239,800</b>

### Revenue Table - Current Rates

	Bills	Gallons	Rates	Revenue
First 2,000 Minimum Bill	32,943	53,922,800	\$ 22.00	\$ 724,746
Over 2,000 Gallons		60,317,000	\$ 6.00	\$ 361,902
<b>Totals</b>	<b>32,943</b>	<b>114,239,800</b>		<b>\$ 1,086,648</b>

### Revenue Table - Proposed Rates

	Bills	Gallons	Rates	Revenue
First 2,000 Minimum Bill	32,943	53,922,800	\$ 27.50	\$ 905,933
Over 2,000 Gallons		60,317,000	\$ 7.50	\$ 452,378
<b>Totals</b>	<b>32,943</b>	<b>114,239,800</b>		<b>\$ 1,358,310</b>

# Depreciation Schedules

**Book Asset Detail 1/01/15 - 12/31/15**

FYE: 12/31/2015

Asset	d t	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
<b>Group: Water</b>												
1		Property plant and equipment	12/31/01	499,454.15	0.00	0.00	189,792.52	12,486.35	202,278.87	297,175.28	S/L	40.00
2		PP&E	12/31/01	84,136.12	0.00	0.00	31,971.70	2,103.40	34,075.10	50,061.02	S/L	40.00
5		PP&E	12/31/03	6,025.00	0.00	0.00	1,928.03	150.63	2,078.66	3,946.34	S/L	40.00
6		PP&E	12/31/03	653,210.80	0.00	0.00	209,027.45	16,330.27	225,357.72	427,853.08	S/L	40.00
7		PP&E	12/31/04	7,818.39	0.00	0.00	2,267.33	195.46	2,462.79	5,355.60	S/L	40.00
8		PP&E	12/31/04	86,336.63	0.00	0.00	25,037.64	2,158.42	27,196.06	59,140.57	S/L	40.00
9		1985 ditch witch	3/17/06	5,520.00	0.00	0.00	5,520.00	0.00	5,520.00	0.00	S/L	5.00
11		1994 john deere backhoe	8/01/06	11,500.00	0.00	0.00	11,500.00	0.00	11,500.00	0.00	S/L	5.00
13		Telemetry equipment	12/28/06	39,900.64	0.00	0.00	33,907.41	3,990.06	37,897.47	2,003.17	S/L	10.00
15		1999 Cherokee ka9484	5/23/07	2,852.00	0.00	0.00	1,996.40	0.00	1,996.40	855.60	S/L	5.00
17		Computer	12/30/08	1,195.89	0.00	0.00	1,195.89	0.00	1,195.89	0.00	S/L	5.00
19		Hand held meter reading equip	2/21/08	7,069.76	0.00	0.00	4,595.35	706.98	5,302.33	1,767.43	S/L	10.00
21		2009 Sierra 1500	9/01/09	20,937.80	0.00	0.00	20,937.80	0.00	20,937.80	0.00	S/L	5.00
25		Easements	12/31/05	7,300.00	0.00	0.00	0.00	0.00	0.00	7,300.00	Land	0.00
26		Jeremiah-Isom Project	12/31/05	546,649.76	0.00	0.00	133,929.18	13,666.24	147,595.42	399,054.34	S/L	40.00
27		Jeremiah-Isom Project	12/31/07	8,289.90	0.00	0.00	1,554.37	207.25	1,761.62	6,528.28	S/L	40.00
28		Isom-Jeremiah Phase 1	12/31/07	1,616.18	0.00	0.00	347.45	40.40	387.85	1,228.33	S/L	40.00
29		Blackey Water plant	6/30/06	2,857,535.00	0.00	0.00	1,107,194.60	71,438.38	1,178,632.98	1,678,902.02	S/L	40.00
30		Isom Jeremiah Phase2	12/01/06	926,687.40	0.00	0.00	199,237.82	23,167.19	222,405.01	704,282.39	S/L	40.00
31		Isom Jeremiah Phase 2	12/31/07	5,557.00	0.00	0.00	1,667.13	138.93	1,806.06	3,750.94	S/L	40.00
32		Isom Jeremiah Project	12/31/07	60,316.47	0.00	0.00	12,968.04	1,507.91	14,475.95	45,840.52	S/L	40.00
33		Isom Jeremiah project	12/31/07	5,208.33	0.00	0.00	1,562.50	130.21	1,692.71	3,515.62	S/L	40.00
34		Isom Jeremiah Phase 2	12/31/07	1,156,824.93	0.00	0.00	248,717.33	28,920.62	277,637.95	879,186.98	S/L	40.00
35		Dryfork Uz Project	12/31/08	253,779.24	0.00	0.00	41,239.12	6,344.48	47,583.60	206,195.64	S/L	40.00
36		Crafts Colley Phase 1	12/31/08	756,868.63	0.00	0.00	122,991.17	18,921.72	141,912.89	614,955.74	S/L	40.00
37		Crafts Colley Phase 1	12/31/09	236,184.12	0.00	0.00	32,475.30	5,904.60	38,379.90	197,804.22	S/L	40.00
38		Little Cowan land	12/31/07	8,554.50	0.00	0.00	0.00	0.00	0.00	8,554.50	Land	0.00
39		Little Cowan	12/31/09	809,702.07	0.00	0.00	101,212.76	20,242.55	121,455.31	688,246.76	S/L	40.00
40		Little Cowan	12/31/10	13,900.00	0.00	0.00	1,563.75	347.50	1,911.25	11,988.75	S/L	40.00
41		Land Blackey Connector	1/30/08	5,000.00	0.00	0.00	0.00	0.00	0.00	5,000.00	Land	0.00
42		Blackey to Whitesburg connector	12/31/09	70,105.74	0.00	0.00	9,639.52	1,752.64	11,392.16	58,713.58	S/L	40.00
43		Water treatment equipment	12/18/07	4,612.41	0.00	0.00	3,459.30	461.24	3,920.54	691.87	S/L	10.00
44		Static mixer	3/06/08	750.00	0.00	0.00	750.00	0.00	750.00	0.00	S/L	5.00
45		Sandlick project	12/31/09	2,616,962.62	0.00	0.00	359,832.38	65,424.07	425,256.45	2,191,706.17	S/L	40.00
46		Snoot Creek Project	12/31/09	273.03	0.00	0.00	273.03	0.00	273.03	0.00	S/L	5.00
47		Camp Branch Little Dryfork	12/31/09	2,328,255.22	0.00	0.00	320,135.09	58,206.38	378,341.47	1,949,913.75	S/L	40.00
48		Amortization of Blackey WTP	6/30/06	477,312.02	0.00	0.00	127,283.20	15,910.40	143,193.60	334,118.42	Amort	30.00
49		Pine Creek cip	12/31/13	75,459.76	0.00	0.00	1,886.49	1,886.49	3,772.98	71,686.78	S/L	40.00
52		Thornton Water	12/31/11	451,742.90	0.00	0.00	33,880.71	11,293.57	45,174.28	406,568.62	S/L	40.00
53		Wilder Branch cip	12/31/11	22,358.11	0.00	0.00	1,676.85	558.95	2,235.80	20,122.31	S/L	40.00
54		Payne Gap cip	12/31/13	119,268.80	0.00	0.00	2,981.72	2,981.72	5,963.44	113,305.36	S/L	40.00
55		Deane	12/31/11	37,327.52	0.00	0.00	2,799.57	933.19	3,732.76	33,594.76	S/L	40.00
56		Red Star	12/31/11	197,598.67	0.00	0.00	14,819.91	4,939.97	19,759.88	177,838.79	S/L	40.00
58		Knott Co connector	12/31/11	228,586.36	0.00	0.00	17,143.98	5,714.66	22,858.64	205,727.72	S/L	40.00
59	d	2000 Ford Ranger	12/15/11	4,232.00	0.00	0.00	2,609.73	493.73	3,103.46	1,128.54	S/L	5.00
61		2011 Ford Ranger	9/23/11	15,655.01	0.00	0.00	10,175.75	3,131.00	13,306.75	2,348.26	S/L	5.00
63		Knott County Interconnect	12/31/11	753,547.81	0.00	0.00	56,516.10	18,838.70	75,354.80	678,193.01	S/L	40.00
64		Red Star	12/31/11	1,088,974.63	0.00	0.00	81,673.11	27,224.37	108,897.48	980,077.15	S/L	40.00
65		Thornton Water	12/31/11	390,442.05	0.00	0.00	29,283.15	9,761.05	39,044.20	351,397.85	S/L	40.00

**Book Asset Detail 1/01/15 - 12/31/15**

FYE: 12/31/2015

Asset	d t	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
<b>Group: Water (continued)</b>												
66		Premium project	12/31/12	444,409.74	0.00	0.00	22,220.48	11,110.24	33,330.72	411,079.02	S/L	40.00
68		Payne Gap CIP	12/31/13	6,419.25	0.00	0.00	160.48	160.48	320.96	6,098.29	S/L	40.00
69		Knott County Interconnect	12/31/11	180,219.45	0.00	0.00	13,516.47	4,505.49	18,021.96	162,197.49	S/L	40.00
71		Isom Jeremiah 2	12/31/11	18,562.43	0.00	0.00	1,392.18	464.06	1,856.24	16,706.19	S/L	40.00
72		Deane	12/31/11	23,538.72	0.00	0.00	1,765.41	588.47	2,353.88	21,184.84	S/L	40.00
73		Pine Cram Creek CIP	12/31/13	146,027.68	0.00	0.00	3,650.69	3,650.69	7,301.38	138,726.30	S/L	40.00
74		Smoot Creek project	12/31/12	56,349.48	0.00	0.00	2,817.48	1,408.74	4,226.22	52,123.26	S/L	40.00
76		Crafts Colley	12/31/11	38,581.80	0.00	0.00	2,893.65	964.55	3,858.20	34,723.60	S/L	40.00
77		Little Cowan	12/31/11	165,704.33	0.00	0.00	12,427.83	4,142.61	16,570.44	149,133.89	S/L	40.00
78		Red Star/Hallie project	12/31/12	133,315.51	0.00	0.00	6,665.78	3,332.89	9,998.67	123,316.84	S/L	40.00
79		Thornton	12/31/14	595,119.53	0.00	0.00	0.00	14,877.99	14,877.99	580,241.54	S/L	40.00
80		Premium project	12/31/13	23,521.27	0.00	0.00	588.03	588.03	1,176.06	22,345.21	S/L	40.00
81		Millstone water project	12/31/13	63,236.25	0.00	0.00	1,580.91	1,580.91	3,161.82	60,074.43	S/L	40.00
83		Payne Gap project	12/31/13	609,171.47	0.00	0.00	15,229.29	15,229.29	30,458.58	578,712.89	S/L	40.00
84		Knott Co Connector	12/31/12	56,668.20	0.00	0.00	2,833.42	1,416.71	4,250.13	52,418.07	S/L	40.00
85		Little Cowan project	12/31/12	5,455.25	0.00	0.00	272.76	136.38	409.14	5,046.11	S/L	40.00
86		Pine, Pert and Cram Creek	12/31/13	1,832,770.38	0.00	0.00	45,819.26	45,819.26	91,638.52	1,741,131.86	S/L	40.00
87		Deane Water	12/31/13	830,636.05	0.00	0.00	20,765.90	20,765.90	41,531.80	789,104.25	S/L	40.00
88		Thornton project	12/31/14	11,490.41	0.00	0.00	0.00	287.26	287.26	11,203.15	S/L	40.00
89		Billing software	4/04/12	19,900.00	0.00	0.00	5,472.50	1,990.00	7,462.50	12,437.50	S/L	10.00
90		2001 GMC Sonoma	7/23/12	3,404.00	0.00	0.00	1,645.27	680.80	2,326.07	1,077.93	S/L	5.00
92		Premium Phase II	12/31/13	464,362.82	0.00	0.00	11,609.07	11,609.07	23,218.14	441,144.68	S/L	40.00
93		Deane I	12/31/13	179,403.12	0.00	0.00	4,485.08	4,485.08	8,970.16	170,432.96	S/L	40.00
94		Deane II	12/31/14	167,238.03	0.00	0.00	0.00	4,180.95	4,180.95	163,057.08	S/L	40.00
95		Thornton	12/31/14	23,371.41	0.00	0.00	0.00	584.29	584.29	22,787.12	S/L	40.00
98		Pine Pert Cram	12/31/13	805,669.36	0.00	0.00	20,141.73	20,141.73	40,283.46	765,385.90	S/L	40.00
100		2013 Dodge Ram	6/17/13	24,953.16	0.00	0.00	7,485.95	4,990.63	12,476.58	12,476.58	S/L	5.00
101		Race Track Hollow Line Relocate	9/02/14	12,730.18	0.00	0.00	106.08	318.25	424.33	12,305.85	S/L	40.00
102		Premium Phase II	2/05/14	79,142.56	0.00	0.00	1,813.68	1,978.56	3,792.24	75,350.32	S/L	40.00
103		Deane Improvement	12/19/14	1,171,211.78	0.00	0.00	0.00	29,280.29	29,280.29	1,141,931.49	S/L	40.00
104		Thornton	1/09/14	58,111.06	0.00	0.00	1,452.78	1,452.78	2,905.56	55,205.50	S/L	40.00
105		Premium	4/21/14	5,296.44	0.00	0.00	88.27	132.41	220.68	5,075.76	S/L	40.00
106		Millstone	11/17/14	398,708.49	0.00	0.00	830.64	9,967.71	10,798.35	387,910.14	S/L	40.00
107		Deane	11/17/14	11,312.02	0.00	0.00	23.57	282.80	306.37	11,005.65	S/L	40.00
108		Thornton	11/17/14	74,986.63	0.00	0.00	156.22	1,874.67	2,030.89	72,955.74	S/L	40.00
109		Copier, monitor, office equipment	1/29/14	5,272.70	0.00	0.00	690.47	753.24	1,443.71	3,828.99	S/L	7.00
110		Equipment meter reading	3/20/14	2,038.00	0.00	0.00	218.36	291.14	509.50	1,528.50	S/L	7.00
111		Radio Read Conversion Impr	9/25/14	200,000.00	0.00	0.00	1,250.00	5,000.00	6,250.00	193,750.00	S/L	40.00
112		Letcher Interconnect	7/14/15	35,500.00	0.00c	0.00	0.00	443.75	443.75	35,056.25	S/L	40.00
113		Race Track Hollow	5/29/15	159,038.82	0.00c	0.00	0.00	2,319.32	2,319.32	156,719.50	S/L	40.00
114		Deane Water	5/04/15	69,022.51	0.00c	0.00	0.00	1,150.38	1,150.38	67,872.13	S/L	40.00
115		Pine Creek Water	6/22/15	1,800,578.14	0.00c	0.00	0.00	22,507.23	22,507.23	1,778,070.91	S/L	40.00
116		Premium Water	2/06/15	9,365.14	0.00c	0.00	0.00	214.62	214.62	9,150.52	S/L	40.00
117		Red Star	4/20/15	67,984.58	0.00c	0.00	0.00	1,133.08	1,133.08	66,851.50	S/L	40.00
118		Millstone Project	4/20/15	4,724.72	0.00c	0.00	0.00	78.75	78.75	4,645.97	S/L	40.00
119		Loggy Hollow	4/20/15	105,000.00	0.00c	0.00	0.00	1,750.00	1,750.00	103,250.00	S/L	40.00
120		Cumberland River	11/16/15	136,180.91	0.00c	0.00	0.00	283.71	283.71	135,897.20	S/L	40.00
121		Thornton	4/20/15	7,249.31	0.00c	0.00	0.00	120.82	120.82	7,128.49	S/L	40.00
122		Bull Elk Carcassone	12/31/15	249,436.04	0.00c	0.00	0.00	0.00	0.00	249,436.04	S/L	40.00

**Book Asset Detail 1/01/15 - 12/31/15**

FYE: 12/31/2015

Asset	d t	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
<b>Group: Water (continued)</b>												
123		Haymond Kona	12/31/15	64,089.01	0.00c	0.00	0.00	0.00	0.00	64,089.01	S/L	40.00
124		Knott Co Interconnect	12/31/15	7,673.10	0.00c	0.00	0.00	0.00	0.00	7,673.10	S/L	40.00
125		Little Cowan	12/31/15	150,977.35	0.00c	0.00	0.00	0.00	0.00	150,977.35	S/L	40.00
126		Smoot Creek	12/31/15	15,487.58	0.00c	0.00	0.00	0.00	0.00	15,487.58	S/L	40.00
		<b>Water</b>		<u>29,800,011.54</u>	<u>0.00c</u>	<u>0.00</u>	<u>3,835,227.32</u>	<u>719,637.69</u>	<u>4,554,865.01</u>	<u>25,245,146.53</u>		
		<b>*Less: Dispositions and Transfers</b>		<u>4,232.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,609.73</u>	<u>0.00</u>	<u>3,103.46</u>	<u>1,128.54</u>		
		<b>Net Water</b>		<u>29,795,779.54</u>	<u>0.00c</u>	<u>0.00</u>	<u>3,832,617.59</u>	<u>719,637.69</u>	<u>4,551,761.55</u>	<u>25,244,017.99</u>		
		<b>Grand Total</b>		<u>29,800,011.54</u>	<u>0.00c</u>	<u>0.00</u>	<u>3,835,227.32</u>	<u>719,637.69</u>	<u>4,554,865.01</u>	<u>25,245,146.53</u>		
		<b>Less: Dispositions and Transfers</b>		<u>4,232.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,609.73</u>	<u>0.00</u>	<u>3,103.46</u>	<u>1,128.54</u>		
		<b>Net Grand Total</b>		<u>29,795,779.54</u>	<u>0.00c</u>	<u>0.00</u>	<u>3,832,617.59</u>	<u>719,637.69</u>	<u>4,551,761.55</u>	<u>25,244,017.99</u>		



# **Outstanding Debt Instruments**



United States Department of Agriculture  
 CPAP - Community Program Application Processing



### CPAP - Bond Schedule Detail

Name of Borrower: Letcher County Water & Sewer			
Amount of Loan	1000000	Annual Interest Rate	0.04125
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	No
Principal Payment Units	500	Interest Payment Units.	1

Year	Period	Number	Payment	Interest	Principal	Balance
2007	1	1	41250	41250	0	1000000
2008	1	2	41250	41250	0	1000000
2009	1	3	52750	41250	11500	988500
2010	1	4	52775	40775	12000	976500
2011	1	5	52780	40280	12500	964000
2012	1	6	52765	39765	13000	951000
2013	1	7	52728	39228	13500	937500
2014	1	8	52671	38671	14000	923500
2015	1	9	52594	38094	14500	909000
2016	1	10	52496	37496	15000	894000
2017	1	11	52377	36877	15500	878500
2018	1	12	52338	36238	16500	862000
2019	1	13	52557	35557	17000	845000
2020	1	14	52356	34856	17500	827500
2021	1	15	52634	34134	18500	809000
2022	1	16	52371	33371	19000	790000
2023	1	17	52587	32587	20000	770000
2024	1	18	52762	31762	21000	749000
2025	1	19	52396	30896	21500	727500
2026	1	20	52509	30009	22500	705000
2027	1	21	52581	29081	23500	681500
2028	1	22	52611	28111	24500	657000
2029	1	23	52601	27101	25500	631500
2030	1	24	52549	26049	26500	605000
2031	1	25	52456	24956	27500	577500
2032	1	26	52321	23821	28500	549000
2033	1	27	52646	22646	30000	519000
2034	1	28	52408	21408	31000	488000
2035	1	29	52630	20130	32500	455500
2036	1	30	52789	18789	34000	421500
2037	1	31	52386	17386	35000	386500
2038	1	32	52443	15943	36500	350000
2039	1	33	52437	14437	38000	312000
2040	1	34	52370	12870	39500	272500
2041	1	35	52740	11240	41500	231000
2042	1	36	52528	9528	43000	188000
2043	1	37	52755	7755	46000	143000
2044	1	38	52398	5898	46500	96500
2045	1	39	52480	3980	48500	48000
2046	1	40	49980	1980	48000	0
<b>TOTALS</b>			<b>\$2,077,455.00</b>	<b>\$1,077,455.00</b>	<b>\$1,000,000.00</b>	

Warning: This schedule is an estimate of payments. Rural Development calculates interest amounts and principle reduction as of the date the payment is processed. Because over the life of the loan payments will be processed on dates other than the due date, the actual interest amounts and principle reduction will not match the schedule provided here.



United States Department of Agriculture  
CPAP - Community Program Application Processing



### CPAP - Bond Schedule Detail

Name of Borrower: Letcher County Water & Sewer			
Amount of Loan	830000	Annual Interest Rate	0.0425
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	No
Principal Payment Units	500	Interest Payment Units.	1

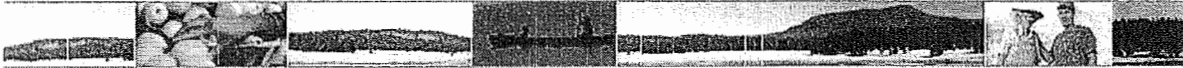
Year	Period	Number	Payment	Interest	Principal	Balance
2005	1	1	35275	35275	0	830000
2006	1	2	35275	35275	0	830000
2007	1	3	44275	35275	9000	821000
2008	1	4	44392	34892	9500	811500
2009	1	5	44488	34488	10000	801500
2010	1	6	44563	34063	10500	791000
2011	1	7	44617	33617	11000	780000
2012	1	8	44650	33150	11500	768500
2013	1	9	44661	32661	12000	756500
2014	1	10	44651	32151	12500	744000
2015	1	11	44620	31620	13000	731000
2016	1	12	44567	31067	13500	717500
2017	1	13	44493	30493	14000	703500
2018	1	14	44398	29898	14500	689000
2019	1	15	44282	29282	15000	674000
2020	1	16	44645	28645	16000	658000
2021	1	17	44465	27965	16500	641500
2022	1	18	44263	27263	17000	624500
2023	1	19	44541	26541	18000	606500
2024	1	20	44276	25776	18500	588000
2025	1	21	44490	24990	19500	568500
2026	1	22	44661	24161	20500	548000
2027	1	23	44290	23290	21000	527000
2028	1	24	44397	22397	22000	505000
2029	1	25	44462	21462	23000	482000
2030	1	26	44485	20485	24000	458000
2031	1	27	44465	19465	25000	433000
2032	1	28	44402	18402	26000	407000
2033	1	29	44297	17297	27000	380000
2034	1	30	44650	16150	28500	351500
2035	1	31	44438	14938	29500	322000
2036	1	32	44185	13685	30500	291500
2037	1	33	44388	12388	32000	259500
2038	1	34	44528	11028	33500	226000
2039	1	35	44605	9605	35000	191000
2040	1	36	44617	8117	36500	154500
2041	1	37	44566	6566	38000	116500
2042	1	38	44451	4951	39500	77000
2043	1	39	44272	3272	41000	36000
2044	1	40	37530	1530	36000	0
<b>TOTALS</b>			<b>\$1,753,576.00</b>	<b>\$923,576.00</b>	<b>\$830,000.00</b>	

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United States Department of Agriculture  
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### CPAP - Bond Schedule Detail

Name of Borrower: Letcher County Water			
Amount of Loan	507000	Annual Interest Rate	0.045
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	No
Principal Payment Units	500	Interest Payment Units.	1

Year	Period	Number	Payment	Interest	Principal	Balance
1998	1	1	22815	22815	0	507000
1999	1	2	22815	22815	0	507000
2000	1	3	28315	22815	5500	501500
2001	1	4	28067	22567	5500	496000
2002	1	5	28320	22320	6000	490000
2003	1	6	28050	22050	6000	484000
2004	1	7	28280	21780	6500	477500
2005	1	8	27987	21487	6500	471000
2006	1	9	28195	21195	7000	464000
2007	1	10	27880	20880	7000	457000
2008	1	11	28065	20565	7500	449500
2009	1	12	28227	20227	8000	441500
2010	1	13	27867	19867	8000	433500
2011	1	14	28007	19507	8500	425000
2012	1	15	28125	19125	9000	416000
2013	1	16	28220	18720	9500	406500
2014	1	17	28292	18292	10000	396500
2015	1	18	28342	17842	10500	386000
2016	1	19	27870	17370	10500	375500
2017	1	20	27897	16897	11000	364500
2018	1	21	27902	16402	11500	353000
2019	1	22	27885	15885	12000	341000
2020	1	23	27845	15345	12500	328500
2021	1	24	28282	14782	13500	315000
2022	1	25	28175	14175	14000	301000
2023	1	26	28045	13545	14500	286500
2024	1	27	27892	12892	15000	271500
2025	1	28	28217	12217	16000	255500
2026	1	29	27997	11497	16500	239000
2027	1	30	28255	10755	17500	221500
2028	1	31	27967	9967	18000	203500
2029	1	32	28157	9157	19000	184500
2030	1	33	28302	8302	20000	164500
2031	1	34	27902	7402	20500	144000
2032	1	35	27980	6480	21500	122500
2033	1	36	28012	5512	22500	100000
2034	1	37	28000	4500	23500	76500
2035	1	38	27942	3442	24500	52000
2036	1	39	28340	2340	26000	26000
2037	1	40	27170	1170	26000	0
<b>TOTALS</b>			<b>\$1,111,903.00</b>	<b>\$604,903.00</b>	<b>\$507,000.00</b>	

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STRUCTURE AUTHORITY  
EDULE

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1.00% Rate  
\$19,964.78 P & I Calculation

Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve
\$12,357.47	\$2,715.38	1.0000%	\$15,072.85	\$682.11	\$0.00	\$15,754.96	\$545,691.71	\$0.00
\$17,898.67	\$3,078.46	1.0000%	\$20,977.13	\$960.80	\$0.00	\$21,937.93	\$768,642.53	\$3,905.00
\$17,988.17	\$3,753.71	1.0000%	\$21,741.88	\$938.43	\$0.00	\$22,680.31	\$730,743.86	\$0.00
\$18,078.10	\$3,663.78	1.0000%	\$21,741.88	\$915.94	\$0.00	\$22,657.82	\$732,755.69	\$3,905.00
\$18,168.49	\$3,573.39	1.0000%	\$21,741.88	\$893.35	\$0.00	\$22,635.22	\$714,677.60	\$0.00
\$18,259.33	\$3,482.55	1.0000%	\$21,741.88	\$870.64	\$0.00	\$22,612.51	\$696,509.11	\$0.00
\$18,350.63	\$3,391.25	1.0000%	\$21,741.88	\$847.81	\$0.00	\$22,589.69	\$678,249.78	\$3,905.00
\$18,442.38	\$3,299.50	1.0000%	\$21,741.88	\$824.87	\$0.00	\$22,566.75	\$659,899.16	\$0.00
\$18,534.60	\$3,207.28	1.0000%	\$21,741.88	\$801.82	\$0.00	\$22,543.70	\$641,456.78	\$3,905.00
\$18,627.27	\$3,114.61	1.0000%	\$21,741.88	\$778.65	\$0.00	\$22,520.53	\$622,922.18	\$0.00
\$18,720.40	\$3,021.48	1.0000%	\$21,741.88	\$755.37	\$0.00	\$22,497.25	\$604,294.91	\$3,905.00
\$65,138.94	\$2,927.87	1.0000%	\$68,066.81	\$731.97	\$0.00	\$68,798.78	\$585,574.52	\$0.00
\$17,362.59	\$2,715.43	1.0000%	\$20,078.01	\$650.54	\$0.00	\$20,728.56	\$520,435.58	\$3,905.00
\$17,449.42	\$2,515.36	1.0000%	\$19,964.78	\$628.84	\$0.00	\$20,593.62	\$503,072.99	\$0.00
\$17,536.66	\$2,428.12	1.0000%	\$19,964.78	\$607.03	\$0.00	\$20,571.81	\$485,623.58	\$3,905.00
\$17,624.35	\$2,340.43	1.0000%	\$19,964.78	\$585.11	\$0.00	\$20,549.88	\$468,086.92	\$0.00
\$17,712.46	\$2,252.32	1.0000%	\$19,964.78	\$563.08	\$0.00	\$20,527.85	\$450,462.57	\$3,905.00
\$17,801.03	\$2,163.75	1.0000%	\$19,964.78	\$540.94	\$0.00	\$20,505.71	\$432,750.12	\$0.00
\$17,890.04	\$2,074.74	1.0000%	\$19,964.78	\$518.69	\$0.00	\$20,483.46	\$414,949.09	\$3,905.00
\$17,979.48	\$1,985.30	1.0000%	\$19,964.78	\$496.32	\$0.00	\$20,461.10	\$397,059.06	\$0.00
\$18,069.38	\$1,895.40	1.0000%	\$19,964.78	\$473.85	\$0.00	\$20,438.63	\$379,079.58	\$3,905.00
\$18,159.72	\$1,805.06	1.0000%	\$19,964.78	\$451.26	\$0.00	\$20,416.04	\$361,010.20	\$0.00
\$18,250.52	\$1,714.26	1.0000%	\$19,964.78	\$428.56	\$0.00	\$20,393.34	\$342,850.49	\$0.00
\$18,341.79	\$1,622.99	1.0000%	\$19,964.78	\$405.75	\$0.00	\$20,370.53	\$324,599.97	\$0.00
\$18,433.48	\$1,531.30	1.0000%	\$19,964.78	\$382.82	\$0.00	\$20,347.60	\$306,258.19	\$0.00
\$18,525.66	\$1,439.12	1.0000%	\$19,964.78	\$359.78	\$0.00	\$20,324.56	\$287,824.71	\$0.00
\$18,618.28	\$1,346.50	1.0000%	\$19,964.78	\$336.62	\$0.00	\$20,301.40	\$269,299.05	\$0.00
\$18,711.37	\$1,253.41	1.0000%	\$19,964.78	\$313.35	\$0.00	\$20,278.13	\$250,680.78	\$0.00
\$18,804.93	\$1,159.85	1.0000%	\$19,964.78	\$289.96	\$0.00	\$20,254.74	\$231,969.41	\$0.00
\$18,898.96	\$1,065.82	1.0000%	\$19,964.78	\$266.46	\$0.00	\$20,231.23	\$213,164.49	\$0.00
\$18,993.45	\$971.33	1.0000%	\$19,964.78	\$242.83	\$0.00	\$20,207.61	\$194,265.53	\$0.00
\$19,088.42	\$876.36	1.0000%	\$19,964.78	\$219.09	\$0.00	\$20,183.87	\$175,272.09	\$0.00
\$19,183.86	\$780.92	1.0000%	\$19,964.78	\$195.23	\$0.00	\$20,160.01	\$156,183.67	\$0.00
\$19,279.78	\$685.00	1.0000%	\$19,964.78	\$171.25	\$0.00	\$20,136.03	\$136,999.81	\$0.00
\$19,376.18	\$588.60	1.0000%	\$19,964.78	\$147.15	\$0.00	\$20,111.93	\$117,720.04	\$0.00
\$19,473.06	\$491.72	1.0000%	\$19,964.78	\$122.93	\$0.00	\$20,087.71	\$98,343.86	\$0.00
\$19,570.43	\$394.35	1.0000%	\$19,964.78	\$98.59	\$0.00	\$20,063.36	\$78,870.81	\$0.00
\$19,668.28	\$296.50	1.0000%	\$19,964.78	\$74.13	\$0.00	\$20,038.90	\$59,300.38	\$0.00
\$19,766.62	\$198.16	1.0000%	\$19,964.78	\$49.54	\$0.00	\$20,014.32	\$39,632.10	\$0.00
\$19,865.49	\$99.29	1.0000%	\$19,964.78	\$24.83	\$0.00	\$19,989.61	\$19,865.49	\$0.00
<b>\$781,000.00</b>	<b>\$77,920.64</b>		<b>\$858,920.64</b>	<b>\$19,646.31</b>	<b>\$0.00</b>	<b>\$878,566.95</b>	<b>\$39,050.00</b>	

on 01/30/2017

**BOND RESOLUTION**

**LETCHER COUNTY WATER AND SEWER DISTRICT**

**AUTHORIZING**

**LETCHER COUNTY WATER AND SEWER DISTRICT**

**WATERWORKS REVENUE BONDS, SERIES 2007**

**IN THE PRINCIPAL AMOUNT OF**

**\$1,000,000**

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## BOND RESOLUTION

**RESOLUTION OF THE LETCHER COUNTY WATER AND SEWER DISTRICT OF LETCHER COUNTY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$1,000,000 PRINCIPAL AMOUNT OF LETCHER COUNTY WATER AND SEWER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2007 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 Letcher County Water and Sewer 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 \$1,000,000 (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 Howard K. Bell Consulting 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) to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE LETCHER COUNTY WATER AND SEWER DISTRICT OF LETCHER 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.

*"Bonds of 2005" or "Series 2005 Bonds"* refer to the outstanding Letcher County Water and Sewer District Waterworks Revenue Bonds, Series 2005, dated December 16, 2005, in the original authorized principal amount of \$830,000.

*"Bond Resolution of 2005" or "2005 Bond Resolution"* refer to the Resolution authorizing the Bonds of 2005, duly adopted by the Board of Commissioners of the District on July 21, 2005.

*"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 Letcher County Water and Sewer 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 \$1,000,000 of Letcher County Water and Sewer District Waterworks Revenue Bonds, Series 2007 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 shall be designated by the District, or its successor.

*"Depreciation Fund"* refers to the Letcher County Water and Sewer District Waterworks Depreciation Reserve Fund, described in Section 402 of this Resolution.

*"District"* refers to the Letcher County Water and Sewer District of Letcher 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 Howard K. Bell Consulting 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 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 an attorney or firm of attorneys to be 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 Letcher County Water and Sewer 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 Series 2005 Bonds.

*"Prior Bond Resolution"* refers to the 2005 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 Letcher County Water and Sewer 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 Letcher County Water and Sewer District Waterworks Sinking Fund, 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 \$1,800,000. 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 \$1,000,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$1,800,000
Less:		
RD Grant	<u>\$800,000</u>	
Total Non-Bond Funds:		<u>(800,000)</u>
Balance to be financed by Current Bonds		\$1,000,000

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 \$1,000,000 principal amount of Letcher County Water and Sewer District Waterworks Revenue Bonds, Series 2007.

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, 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, 2017, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2017, shall be subject to prepayment by the District on any date falling on and after January 1, 2016, 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 \$131,000 (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 \$131,000, 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 "Letcher County Water and Sewer 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 \$50,000) 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 \$1,000,000 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 \$1,000,000. 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 \$1,000,000 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) Letcher County Water and Sewer District Revenue Fund
- (b) Letcher County Water and Sewer District Sinking Fund
- (c) Letcher County Water and Sewer District Depreciation Fund
- (d) Letcher County Water and Sewer District 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 \$50,000) 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 \$440 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least \$52,800, which amount shall be maintained, and when necessary, restored to said sum of \$52,800, 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 \$1,000,000 of Letcher County Water and Sewer District Waterworks Revenue Bonds, Series 2007 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;
- (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); and
- (7) It will, pursuant to Section 96.394 of the Kentucky Revised Statutes and other applicable legal provisions, cause rates and charges for sewer services provided by the System to be billed simultaneously with rates and charges for water service furnished to sewer customers by the System, and will provide that water service will be discontinued to any premises where there is a failure to pay any part of the aggregate charges so billed, including such penalties and fees for disconnection and/or reconnection as be prescribed from time to time.

**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 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 \$800,000 (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.

## 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.



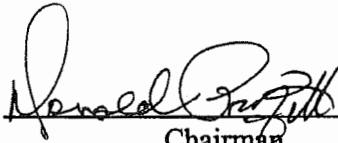
**Section 1002. Severability Clause.** If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

**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 March 22, 2007.

Letcher County Water and Sewer District

  
\_\_\_\_\_  
Chairman

(Seal of District)

Attest:

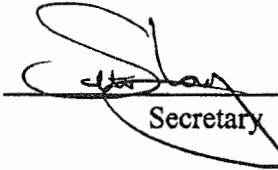
  
\_\_\_\_\_  
Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Letcher County Water and Sewer District of Letcher 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 March 22, 2007, 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 March 22, 2007.

  
Secretary

(Seal of District)

**EXHIBIT A**

**Schedule of Principal Payments**

<u>Payment Due January 1</u>	<u>Principal Payment</u>	<u>Payment Due January 1</u>	<u>Principal Payment</u>
2009	\$11,500	2028	\$24,500
2010	12,000	2029	25,500
2011	12,500	2030	26,500
2012	13,000	2031	27,500
2013	13,500	2032	28,500
2014	14,000	2033	30,000
2015	14,500	2034	31,000
2016	15,000	2035	32,500
2017	15,500	2036	34,000
2018	16,500	2037	35,000
2019	17,000	2038	36,500
2020	17,500	2039	38,000
2021	18,500	2040	39,500
2022	19,000	2041	41,500
2023	20,000	2042	43,000
2024	21,000	2043	45,000
2025	21,500	2044	46,500
2026	22,500	2045	48,500
2027	23,500	2046	48,000

**EXHIBIT B**

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
LETCHER COUNTY WATER AND SEWER DISTRICT  
WATERWORKS REVENUE BONDS, SERIES 2007

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

KNOW ALL PERSONS BY THESE PRESENTS:

That the Letcher County Water and Sewer District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Letcher 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:

Year      Principal      Year      Principal      Year      Principal

[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 ranks on a parity as to security and source of payment with certain outstanding Letcher County Water and Sewer District Waterworks Revenue Bonds, Series 2005, dated December 16, 2005 (the "Prior Bonds"), authorized by a Resolution adopted by the Commission of the District on July 21, 2005 (the "Prior Bond Resolution"). Accordingly, this Bond, together with any bonds ranking on a parity herewith, is 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 "Letcher County Water and Sewer District Waterworks Sinking Fund", 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, 2016, 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 Letcher County Water and Sewer 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

Letcher County Water and Sewer 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: Letcher County Water and Sewer District Waterworks Revenue Bonds, Series 2007, in the principal amount of \$1,000,000

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 Letcher County Water and Sewer District (the "District") of Letcher 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 "Letcher County Water and Sewer 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\_\_\_\_.

Letcher County Water and Sewer District

Howard K. Bell Consulting Engineers, Inc.

By [Signature]  
Chairman

By [Signature]  
Registered Professional Engineer  
State of Kentucky No. 19888

Approved on \_\_\_\_\_

Approved on \_\_\_\_\_

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

# **Statement of Disclosure of Related Party Transactions**

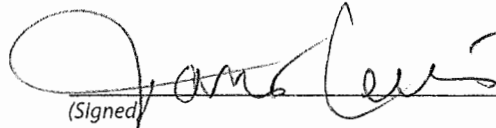
**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

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 Letohv Co. Water & Sewer Dist. ("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."

James Mark Lewis  
(Print Name)

  
(Signed)

General Manager  
(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 LEITCHER

Subscribed and sworn to before me by JAMES MARIC LEWIS  
(Name)

this 18<sup>TH</sup> day of MAY, 2017

Brian Blair  
NOTARY PUBLIC  
State-at-Large

**BRIAN A BLAIR**  
NOTARY PUBLIC  
STATE AT LARGE, KENTUCKY  
COMM. # 494183  
MY COMMISSION EXPIRES JULY 29, 2017

**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 Letcher County Water and Sewer 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.
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Bernard Watts  
(Print Name)

Bernard Watts  
(Signed)

Board Chair  
(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 LETCHER

Subscribed and sworn to before me by BERNARD WATTS  
(Name)

this 18<sup>TH</sup> day of MAY, 2017.

Brian Blair  
NOTARY PUBLIC  
State-at-Large

**BRIAN A BLAIR**  
NOTARY PUBLIC  
STATE AT LARGE, KENTUCKY  
COMM. # 494183  
MY COMMISSION EXPIRES JULY 29, 2017

**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

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RICHARD CARTER  
(Print Name)

Richard Carter  
(Signed)

Commissioner  
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF LETCHER

Subscribed and sworn to before me by RICHARD CARTER  
(Name)

this 18<sup>TH</sup> day of MAY, 2017.

Brian Blair  
NOTARY PUBLIC  
State-at-Large

**BRIAN A BLAIR**  
NOTARY PUBLIC  
STATE AT LARGE, KENTUCKY  
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MY COMMISSION EXPIRES JULY 29, 2017

**STATEMENT OF DISCLOSURE OF  
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Billy Stamper  
(Print Name)

[Signature]  
(Signed)

Treasurer  
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF LEITCHER

Subscribed and sworn to before me by BILLY STAMPER  
(Name)

this 18<sup>TH</sup> day of MAY, 2017

Brian Blair  
NOTARY PUBLIC  
State-at-Large

**BRIAN A BLAIR**  
NOTARY PUBLIC  
STATE AT LARGE, KENTUCKY  
COMM. # 494183  
MY COMMISSION EXPIRES JULY 29, 2017

**STATEMENT OF DISCLOSURE OF  
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FRED WEBB  
(Print Name)

*Fred Webb*  
(Signed)

SECRETARY  
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF LETCHER

Subscribed and sworn to before me by FRED WEBB  
(Name)

this 18<sup>TH</sup> day of MAY, 2017

Brian Blain

NOTARY PUBLIC  
State-at-Large

**BRIAN A BLAIN**  
NOTARY PUBLIC  
STATE AT LARGE, KENTUCKY  
COMM. # 494183  
MY COMMISSION EXPIRES JULY 29, 2017

**STATEMENT OF DISCLOSURE OF  
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Dianne Adams  
(Print Name)

Dianne Adams  
(Signed)

Commissioner  
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF LEITCH

Subscribed and sworn to before me by DIANNE ADAMS  
(Name)

this 18<sup>th</sup> day of MAY, 2017.

Brian Blair

NOTARY PUBLIC  
State-at-Large

**BRIAN A BLAIR**  
NOTARY PUBLIC  
STATE AT LARGE, KENTUCKY  
COMM. # 494183  
MY COMMISSION EXPIRES JULY 29, 2017

# Board Resolution



**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF  
THE LETCHER COUNTY WATER AND SEWER DISTRICT TO  
APPLY TO THE KENTUCKY PUBLIC SERVICE COMMISSION  
FOR AUTHORITY TO ADJUST RATES FOR WATER SERVICE**

**WHEREAS**, the Letcher County Water and Sewer 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**, KRS 278.030 provides that "[e]very utility may demand, collect and receive fair, just and reasonable rates for the services rendered or to be rendered to it by any person;"

**WHEREAS**, KRS 74.080 provides that the board of commissioners of a water district "may establish water rates and make reasonable regulations for the disposition and consumption of water;"

**WHEREAS**, Letcher County Water and Sewer District has reviewed its costs to provide adequate and reasonable water service and the revenues produced from the current rates for such service;

**WHEREAS**, using the ratemaking methodology that the Kentucky Public Service Commission has historically employed for water districts to establish the appropriate level of revenue from rates.

**WHEREAS**, an across-the-board increase of 25% percent to Letcher County Water and Sewer District's current rates is necessary for Letcher County Water and Sewer District's rates to produce the appropriate level of revenue to ensure adequate and reliable service to persons within its territory;

**WHEREAS**, KRS 278.180 and 807 KAR 5:076 require Letcher County Water and Sewer District to serve notice of its proposed rate adjustment on and to make application for rate adjustment to the Kentucky Public Service Commission;

**NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF LETCHER COUNTY WATER AND SEWER 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 General Manager is authorized and directed to take any and all actions reasonable necessary to prepare and submit an application to the Kentucky Public Service Commission, pursuant to 807 KAR 5:076, for authority to adjust Letcher County Water and Sewer District's rates to the rate set forth in Exhibit A to this Resolution.

**Section 3.** This Resolution shall take effect upon its adoption.

**ADOPTED BY THE BOARD OF COMMISSIONERS OF LETCHER COUNTY WATER AND SEWER DISTRICT at a meeting held on May 18, 2017, signed by the Chairman, and attested by the Secretary.**

 Chairman

ATTEST:

 Secretary

**CERTIFICATION**

I, Secretary of the Letcher County Water and Sewer 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 May 18, 2017, signed by the Chairman of the Commission, attested by me as Secretary, and now in full force and effect.

WITNESS my hand this 18th day of May, 2017.

 Secretary

**EXHIBIT A**

**EXHIBIT TO A RESOLUTION OF THE BOARD OF  
COMMISSIONERS OF LETCHER COUNTY WATER AND  
SEWER DISTRICT DATED MAY 18, 2017**

**Current Rates**

<u>5/8 x 3/4" Meter</u>		
First 2,000 Gallons	\$22.00	Minimum Bill
Over 2,000 Gallons	\$6.00	Per 1,000 Gallons

**Proposed Rates**

<u>5/8 x 3/4" Meter</u>		
First 2,000 Gallons	\$27.50	Minimum Bill
Over 2,000 Gallons	\$7.50	Per 1,000 Gallons