

KENTUCKY INFRASTRUCTURE AUTHORITY
LOAN #F01-06
DWSRF #1

KENTUCKY INFRASTRUCTURE AUTHORITY
 PAYMENT SCHEDULE
 PLAN #F01-06
 Hick-Penn Water District
 JAL

3.80% Rate \$12,584.38 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
06/01/03	\$5,927.40	\$6,656.98	3.8000%	\$12,584.38	\$437.96	\$0.00	\$13,022.34	\$350,367.20	\$0.00	\$0.00
12/01/03	\$6,040.02	\$6,544.36	3.8000%	\$12,584.38	\$430.55	\$0.00	\$13,014.93	\$344,439.80	\$14,000.00	\$14,000.00
06/01/04	\$6,154.78	\$6,429.60	3.8000%	\$12,584.38	\$423.00	\$0.00	\$13,007.38	\$338,399.78	\$0.00	\$14,000.00
12/01/04	\$6,271.72	\$6,312.66	3.8000%	\$12,584.38	\$415.31	\$0.00	\$12,999.69	\$332,245.00	\$14,000.00	\$28,000.00
06/01/05	\$6,390.89	\$6,193.49	3.8000%	\$12,584.38	\$407.47	\$0.00	\$12,991.85	\$325,973.28	\$0.00	\$28,000.00
12/01/05	\$6,512.31	\$6,072.07	3.8000%	\$12,584.38	\$399.48	\$0.00	\$12,983.86	\$319,582.39	\$14,000.00	\$42,000.00
06/01/06	\$6,636.05	\$5,948.33	3.8000%	\$12,584.38	\$391.34	\$0.00	\$12,975.72	\$313,070.08	\$0.00	\$42,000.00
12/01/06	\$6,762.13	\$5,822.25	3.8000%	\$12,584.38	\$383.04	\$0.00	\$12,967.42	\$306,434.03	\$14,000.00	\$56,000.00
06/01/07	\$6,890.61	\$5,693.77	3.8000%	\$12,584.38	\$374.59	\$0.00	\$12,958.97	\$299,671.90	\$0.00	\$56,000.00
12/01/07	\$7,021.54	\$5,562.84	3.8000%	\$12,584.38	\$365.98	\$0.00	\$12,950.36	\$292,781.29	\$14,000.00	\$70,000.00
06/01/08	\$7,154.94	\$5,429.44	3.8000%	\$12,584.38	\$357.20	\$0.00	\$12,941.58	\$285,759.75	\$0.00	\$70,000.00
12/01/08	\$7,290.89	\$5,293.49	3.8000%	\$12,584.38	\$348.26	\$0.00	\$12,932.64	\$278,604.81	\$14,000.00	\$84,000.00
06/01/09	\$7,429.42	\$5,154.96	3.8000%	\$12,584.38	\$339.14	\$0.00	\$12,923.52	\$271,313.92	\$0.00	\$84,000.00
12/01/09	\$7,570.57	\$5,013.81	3.8000%	\$12,584.38	\$329.86	\$0.00	\$12,914.24	\$263,884.50	\$14,000.00	\$98,000.00
06/01/10	\$7,714.42	\$4,869.96	3.8000%	\$12,584.38	\$320.39	\$0.00	\$12,904.77	\$256,313.93	\$0.00	\$98,000.00
12/01/10	\$7,860.99	\$4,723.39	3.8000%	\$12,584.38	\$310.75	\$0.00	\$12,895.13	\$248,599.51	\$14,000.00	\$112,000.00
06/01/11	\$8,010.35	\$4,574.03	3.8000%	\$12,584.38	\$300.92	\$0.00	\$12,885.30	\$240,738.52	\$0.00	\$112,000.00
12/01/11	\$8,162.54	\$4,421.84	3.8000%	\$12,584.38	\$290.91	\$0.00	\$12,875.29	\$232,729.17	\$14,000.00	\$126,000.00
06/01/12	\$8,317.63	\$4,266.75	3.8000%	\$12,584.38	\$280.71	\$0.00	\$12,865.09	\$224,565.63	\$0.00	\$126,000.00
12/01/12	\$8,475.67	\$4,108.71	3.8000%	\$12,584.38	\$270.31	\$0.00	\$12,854.69	\$216,248.00	\$14,000.00	\$140,000.00
06/01/13	\$8,636.71	\$3,947.67	3.8000%	\$12,584.38	\$259.72	\$0.00	\$12,844.10	\$207,772.33	\$0.00	\$140,000.00
12/01/13	\$8,800.80	\$3,783.58	3.8000%	\$12,584.38	\$248.92	\$0.00	\$12,833.30	\$199,135.62	\$14,000.00	\$154,000.00
06/01/14	\$8,968.02	\$3,616.36	3.8000%	\$12,584.38	\$237.92	\$0.00	\$12,822.30	\$190,334.82	\$0.00	\$154,000.00
12/01/14	\$9,138.41	\$3,445.97	3.8000%	\$12,584.38	\$226.71	\$0.00	\$12,811.09	\$181,366.80	\$14,000.00	\$168,000.00
06/01/15	\$9,312.04	\$3,272.34	3.8000%	\$12,584.38	\$215.29	\$0.00	\$12,799.67	\$172,228.30	\$0.00	\$168,000.00
12/01/15	\$9,488.97	\$3,095.41	3.8000%	\$12,584.38	\$203.65	\$0.00	\$12,788.03	\$162,916.35	\$14,000.00	\$182,000.00
06/01/16	\$9,669.26	\$2,915.12	3.8000%	\$12,584.38	\$191.78	\$0.00	\$12,776.16	\$153,427.38	\$0.00	\$182,000.00
12/01/16	\$9,852.98	\$2,731.40	3.8000%	\$12,584.38	\$179.70	\$0.00	\$12,764.08	\$143,758.12	\$14,000.00	\$196,000.00
06/01/17	\$10,040.18	\$2,544.20	3.8000%	\$12,584.38	\$167.38	\$0.00	\$12,751.76	\$133,905.14	\$0.00	\$196,000.00
12/01/17	\$10,230.95	\$2,353.43	3.8000%	\$12,584.38	\$154.83	\$0.00	\$12,739.21	\$123,864.97	\$14,000.00	\$210,000.00
06/01/18	\$10,425.33	\$2,159.05	3.8000%	\$12,584.38	\$142.04	\$0.00	\$12,726.42	\$113,634.02	\$0.00	\$210,000.00
12/01/18	\$10,623.41	\$1,960.97	3.8000%	\$12,584.38	\$129.01	\$0.00	\$12,713.39	\$103,208.69	\$14,000.00	\$224,000.00
06/01/19	\$10,825.26	\$1,759.12	3.8000%	\$12,584.38	\$115.73	\$0.00	\$12,700.11	\$92,585.28	\$0.00	\$224,000.00
12/01/19	\$11,030.94	\$1,553.44	3.8000%	\$12,584.38	\$102.20	\$0.00	\$12,686.58	\$81,760.02	\$14,000.00	\$238,000.00
06/01/20	\$11,240.53	\$1,343.85	3.8000%	\$12,584.38	\$88.41	\$0.00	\$12,672.79	\$70,729.08	\$0.00	\$238,000.00
12/01/20	\$11,454.10	\$1,130.28	3.8000%	\$12,584.38	\$74.36	\$0.00	\$12,658.74	\$59,488.55	\$14,000.00	\$252,000.00
06/01/21	\$11,671.73	\$912.65	3.8000%	\$12,584.38	\$60.04	\$0.00	\$12,644.42	\$48,034.45	\$0.00	\$252,000.00
12/01/21	\$11,893.49	\$690.89	3.8000%	\$12,584.38	\$45.45	\$0.00	\$12,629.83	\$36,362.72	\$14,000.00	\$266,000.00
06/01/22	\$12,119.46	\$464.92	3.8000%	\$12,584.38	\$30.59	\$0.00	\$12,614.97	\$24,469.23	\$0.00	\$266,000.00
12/01/22	\$12,349.77	\$234.61	3.8000%	\$12,584.38	\$15.44	\$0.00	\$12,599.82	\$12,349.77	\$14,000.00	\$280,000.00
								(\$0.00)	\$0.00	\$140,000.00
Totals	\$350,367.20	\$153,007.99		\$503,375.19	\$10,066.32	\$0.00	\$513,441.51		\$140,000.00	

1997 DWSRF#
491E IMPR &
REPLACEMENT

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND F

PROJECT NUMBER: F01-06
BORROWER: Bullock Pen Water District
BORROWER'S ADDRESS: P.O. Box 188
Crittenden, Kentucky 41030
DATE OF ASSISTANCE AGREEMENT: February 1, 2002
CFDA NO.: 66.458

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

Section 3.1. Determination of Eligibility. Pursuant to the terms of the Act and the Indenture, the Authority has determined that the Governmental Agency's Project is a Drinking Water Supply Project under the Act and the Governmental Agency is entitled to financial assistance from the Authority in connection with financing the Construction of the Project.

Section 3.2. Principal Amount of Loan Established; Loan Payments; Disbursement of Funds. The principal amount of the Loan shall be the Loan Amount as identified in the Project Specifics, subject to such adjustments as may be set forth in the Schedule of Payments. Principal payments shall be made semiannually in the amounts and on the dates to be established by the Schedule of Payments, which Schedule of Payments shall provide for approximately level debt service payments over the Repayment Term set forth in the Project Specifics, commencing with the Amortization Commencement Date set forth in the Project Specifics.

The Loan shall bear interest, payable semiannually, at the Loan Rate identified in the Project Specifics, and after the Amortization Commencement Date, in the amounts (based on such Loan Rate) and on the dates set forth in the Schedule of Payments; provided that, should an Event of Default occur, such payments of interest shall be made on the first day of each month during the continuation of such Event of Default.

The Authority shall advance the proceeds of the Loan as Construction of the Project progresses upon the submission by the Governmental Agency of a Requisition for Funds in substantially the same form as Exhibit B hereto. Each disbursement under a Requisition for Funds representing a portion of the principal amount of the Loan shall bear interest at the Loan Rate from the date of the disbursement; and shall be subject to the further requirements set forth in Article IV hereof.

Payments of principal and interest on the Loan shall be made at the principal office of the Authority or the Trustee, as designated by the Authority.

Section 3.3. Governmental Agency's Right to Prepay Loan. The Governmental Agency shall have the right to prepay and retire the entire amount of the Loan at any time without penalty upon written notice to the Authority no less than five (5) Business Days in advance of said prepayment.

Notwithstanding the foregoing, upon the determination by the Authority that it intends to issue revenue bonds secured by a pledge of the payments on the Loan, the Authority shall advise the Governmental Agency (i) of its intention to proceed with the authorization of such bonds (ii) of the limitation on prepayments after such bonds are issued and (iii) that the Governmental Agency has thirty (30) days from its receipt of said notice to exercise its option to prepay the Loan. Upon the expiration of said thirty day period the Governmental Agency's right to prepay the Loan shall be limited to the terms described in such notice.

Section 3.4. Subordination of Loan. The Authority hereby agrees that the security interest and source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable

from the revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.5(D) hereof.

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

Section 4.1. Covenants of Governmental Agency and Conditions of Loan. By the execution of this Assistance Agreement, the Governmental Agency agrees that prior to any requests for the disbursement of all or a portion of the Loan made hereunder, the Governmental Agency shall supply the Authority and the Cabinet appropriate documentation, satisfactory to the Authority indicating the following:

(A) That the Authority and the Cabinet and any appropriate regulatory agency of the Commonwealth as may be designated by the Authority or the Cabinet, and their respective duly authorized agents, shall have the right at all reasonable times, subject to prior notice to the Governmental Agency, to examine and inspect the Project.

(B) All real estate and interest in real estate and all personal property constituting the Project and the sites of the Project heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency and constitute a part of the System.

(C) In the event the Governmental Agency is required to provide financing for the Project from sources other than the Authority (as described in the Project Specifics) the Authority shall have the right to receive such reasonable proofs as it may require of the ability of the Governmental Agency to finance the costs of the Construction of the Project over and above the Loan, prior to the disbursement by the Authority of any portion of the Loan.

(D) The Governmental Agency shall do all things necessary to acquire all proposed and necessary sites, easements and rights of way necessary or required in respect of the Project and demonstrate its ability to construct the Project in accordance with the plans, design and specifications prepared for the Governmental Agency by the Engineers.

(E) Actual construction and installation incident to the Project shall be performed by either the lump-sum (fixed price) or unit price contract method, and adequate legal methods of obtaining public, competitive bidding will be employed prior to the awarding of the construction contract for the Project in accordance with Kentucky law.

(F) Unless construction of the Project has already been initiated as of the date of this Assistance Agreement, pursuant to due compliance with state law and applicable regulations, the Project will not be advertised or placed on the market for construction bidding by the Governmental Agency until the final plans, designs and specifications therefor have been approved by such state and federal agencies and authorities as may be legally required, and until written notification of such approvals has been received by the Governmental Agency and furnished to the Cabinet.

(G) Duly authorized representatives of the Cabinet and such other agencies of the Commonwealth as may be charged with responsibility will have reasonable access to the construction work whenever it is in preparation or progress, and the Governmental Agency will assure that the contractor or contractors will provide facilities for such access and inspection.

(H) The construction contract or contracts shall require the contractor to comply with all provisions of federal and state law legally applicable to such work, and any amendments or modifications thereto, together with all other applicable provisions of law, to cause appropriate provisions to be inserted in subcontracts to insure compliance therewith by all subcontractors subject thereto, and to be responsible for the submission of any statements required of subcontractors thereunder.

(I) A work progress schedule utilizing a method of standard acceptance in the engineering community shall be prepared prior to the institution of construction in connection with each construction contract, or, if construction has already been initiated as of the date of this Assistance Agreement, at the earliest practicable date, to indicate the proposed schedule as to completion of the Project, and same shall be maintained monthly thereafter to indicate the actual construction progress of the Project.

(J) Prior to the award of the construction contract and prior to the commencement of construction, the Governmental Agency will arrange and conduct a conference as to the Project said conference to include representatives of the Authority, the Governmental Agency, the Cabinet and any other participating federal or state agency, the Engineers, and all construction contractors, such conference to be held in accordance with guidelines established by the Authority and the Cabinet. A written brief of said conference summarizing the construction schedule, fund requirements schedule, payment authorizations, responsible parties for approval of all facets of the construction work and payment therefor, and other pertinent matters shall be prepared and distributed to each agency involved, and all construction contractors and Engineers. Provided, however, that in the event construction shall have been initiated as of the date of this Assistance Agreement, this provision may be waived.

(K) All construction contracts will be so prepared that federal participation costs, if any, and state participation costs may be readily segregated from local participation costs, if any, and from each other, and in such manner that all materials and equipment furnished to the Governmental Agency may be readily itemized.

(L) Any change or changes in a construction contract will be promptly submitted to the Cabinet and any state or federal agencies.

(M) The Construction, including the letting of contracts in connection therewith, will conform in all respects to applicable requirements of federal, state and local laws, ordinances, rules and regulations.

(N) The Governmental Agency will proceed expeditiously with and complete the Project in accordance with the approved surveys, plans specifications and designs or amendments thereto, prepared by the Engineers for the Governmental Agency and approved by state and federal agencies.

(O) If requested, the Governmental Agency will erect at the Project sites, signs satisfactory to the Authority and the United States Environmental Protection Agency noting the participation of the Authority and the U.S. Government, respectively, in the financing of the Project.

(P) Except as otherwise provided in this Assistance Agreement, the Governmental Agency shall have the sole and exclusive charge of all details of the Construction.

(Q) The Governmental Agency shall keep complete and accurate records of the costs of acquiring the Project sites and the costs of Construction. The Governmental Agency shall permit the Authority and the Cabinet, acting by and through their duly authorized representatives, and the duly authorized representatives of state and/or federal agencies to inspect all books, documents, papers and records relating to the Project at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority and the Cabinet such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state assistance.

(R) The Governmental Agency shall require that each construction contractor or contractors furnish a performance and a payment bond in an amount at least equal to one hundred percent (100%) of the contract price or the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

(S) The Governmental Agency shall require that each of its contractors and all subcontractors maintain during the life of the construction contract, worker's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the contractor shall maintain builders risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor, and all subcontractors, as their interests may appear.

(T) The Governmental Agency shall provide and maintain competent and adequate resident engineering services covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that Construction conforms to the approved plans, specifications and designs prepared by the Engineers. Such resident engineer shall certify to the Cabinet, any involved state or federal agencies, and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or, approved amendments thereto.

(U) The Governmental Agency shall demonstrate to the satisfaction of the Authority the legal capability of the Governmental Agency to enact, adopt, levy, charge, collect, enforce and remit to the Authority and the Cabinet the Service Charges of the Governmental Agency described in the Schedule of Service Charges attached to and made a part of this Assistance Agreement as Exhibit C and submit proof satisfactory to the Authority that the Service Charges are in full force and effect

Section 4.2. Additional Conditions to Disbursement Required Under the Federal Agreement. The Governmental Agency, in order to comply with the terms and conditions of the Federal Agreement, further covenants and further agrees to additional conditions to disbursement, as follows:

(A) Notwithstanding any other agreements contained herein regarding the maintenance of books and records, that it shall maintain Project accounts in accordance with

generally accepted governmental accounting standards, as required by the Federal Agreement. The Governmental Agency shall retain such records for no less than three (3) years following the final payment by the Governmental Agency under this Assistance Agreement or if any portion of the Project is disposed of, until at least three (3) years after such disposition; provided that if any litigation, claim, appeal or audit is commenced prior to the end of such period such records shall be maintained until the completion of such action or until three (3) years after such commencement, whichever is later.

(B) That it has not and will not apply any other federal funding to the Project in a manner that would cause it to receive "double benefits" as described in Section 603 of the Water Quality Act of 1987.

(C) That all property required for the completion of the Project shall be obtained, by easement, purchase or other means acceptable to the Authority, prior to commencement of construction and that the relocation of any Person resulting therefrom be in accordance with 49 CFR24 for Uniform Relocation Assistance and Real Property Acquisition Act of 1970.

(D) That all Project contractors shall be required to retain Project records for the periods established for the retention of the Governmental Agency's records in Section 4.2(A).

(E) That no more than fifty percent (50%) of the proceeds of the Loan shall be disbursed until approval by the Cabinet of the final plan for operation for the Project.

(F) That no more than ninety percent (90%) of the proceeds of the Loan shall be disbursed until approval by the Cabinet of the draft operations and maintenance manual.

(G) That final disbursement will not be allowed until approval by the Cabinet of a final operations and maintenance manual.

(H) That, as required by 40 CFR 35.2218, all engineering services regarding construction and regarding the first year of operation of the Project shall be provided for, including the following:

(1) The operation of the Project and the revision of the operations and maintenance manual as necessary to accommodate actual operating experience;

(2) The training of operating personnel, including preparation of curricula and training material for operating personnel; and

(3) Advice as to whether the Project is meeting the Project performance standards (including three quarterly reports and one project performance report).

(I) That it shall advise the Cabinet and the Authority in writing of the date for initiation of operation of the Project.

(J) That one year after operation is initiated, it shall certify to the Cabinet and the Authority that the Project is capable of meeting the Project performance standards.

(K) That it shall provide that qualified inspectors are present at the construction site. A summary of such inspector's qualifications and experience shall be submitted to the Cabinet and the Authority.

(L) That it shall notify the Authority and the Cabinet of the completion date of the Project.

(M) That it agrees to the terms and conditions of its application for assistance and the Authority's commitment to provide assistance, the terms of which are incorporated herein by reference.

(N) That all measures required to minimize water pollution to affected waters shall be employed in the Project including compliance with Section 404 of PL 92-500, as amended, it being understood that approval of the Project does not constitute sanction or approval of any changes or deviations from established water quality standards, criteria implementation dates, or dates established by enforcement proceedings.

Section 4.3. Disbursements of Loan; Requisition for Funds. The Governmental Agency shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) and the Cabinet a Requisition for Funds prior to the fifth day of each month (or such other designated period as is acceptable to the Authority), in substantially the same form as that attached to this Assistance Agreement as Exhibit B and made a part hereof, accompanied by, to the extent requested by the Authority, the following documentation:

(A) A full and complete accounting of the costs of the planning and design of the Project to be obligated by contract or otherwise during the month in question, or already obligated and not included in any previous accounting;

(B) A full and complete accounting of any costs of the planning and design of the Project paid by the Governmental Agency from its own funds with the approval of the Authority and not included in any previous accounting for which it seeks reimbursement;

(C) A full and complete accounting of any costs of the planning and design of the Project paid or requisitioned under any other financing, loan, bond, grant or similar agreement or paid from its own funds for which it does not seek reimbursement and which have not been identified in any previous requisition form.

(D) The Contractor's estimate of work performed during the preceding month pursuant to construction contracts for the Project and payment thereunder due, together with the Engineer's and Governmental Agency's approval thereof for disbursement by the Authority.

Upon the Authority's receipt of the Requisition for Funds, and such additional documentation as it may require, and subject to certification by the Cabinet, the Authority may direct the Trustee to remit the amount requested to the Governmental Agency as a draw upon the Loan.

ARTICLE V

CERTAIN COVENANTS OF THE GOVERNMENTAL AGENCY; PAYMENTS TO BE MADE BY GOVERNMENTAL AGENCY TO THE AUTHORITY

Section 5.1. Imposition of Service Charges. The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Assistance Agreement, pursuant to which the Loan is to be made by the Authority to the Governmental Agency as specified herein and in the Act and the Indenture. The Governmental Agency hereby further irrevocably covenants and agrees that it already has, or will, to the extent necessary, immediately impose Service Charges upon all persons, firms and entities to whom or which services are provided by the System, such Service Charges to be no less than as set forth in Exhibit C annexed hereto. If so required, such Service Charges shall be in addition to all other rates, rentals and service charges of a similar nature of the Governmental Agency now or hereafter authorized by law, and now or hereafter being levied and collected by the Governmental Agency and shall be levied and collected solely for the purpose of repaying to the Authority all sums received from the Authority as representing the Loan in respect of the Project.

Section 5.2. Governmental Agency's Obligation to Repay Loan. The obligation of the Governmental Agency to repay to the Authority the amount of the Loan from the Service Charges shall not be revocable, and in the event that services supplied by the Project shall cease, or be suspended for any reason, the Governmental Agency shall continue to be obligated to repay the Loan from the Services Charges. In the event the Governmental Agency defaults in the payment of any Service Charges to the Authority, the amount of such default shall bear interest at the per annum rate equal to the Default Rate set forth in the Project Specifics, from the date of the default until the date of the payment thereof.

Section 5.3. Covenant to Adjust Service Charges. In the event, for any reason, the Schedule of Service Charges shall prove to be insufficient to provide to the Authority the minimum sums set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, the Governmental Agency hereby covenants and agrees that it will, upon notice by the Authority, to the full extent authorized by law, both federal and state, immediately adjust and increase such Schedule of Service Charges, or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments, to provide for the operation of the System as required under this Assistance Agreement and to make the required deposits to the Maintenance and Replacement Reserve.

Section 5.4. Adequacy of Service Charges. The Service Charges herein covenanted to be imposed by the Governmental Agency shall be fixed at such rate or rates (and it is represented that the Schedule set forth in Exhibit C hereto so qualifies), as shall be at least adequate to make the payments at the times and in the amounts set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project not less frequently than the Service Charge Payment period set forth in the Project Specifics, and shall be remitted to the Authority by the

Governmental Agency with a report showing collections and any delinquencies. A report of all collections and delinquencies shall be made at least semi-annually on or before each Payment Date identified in the Schedule of Payments.

Section 5.5. Covenant to Establish Maintenance and Replacement Reserve. The Governmental Agency shall establish a special account identified as a "Maintenance and Replacement Reserve". The Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to the amount set forth in the Project Specifics at the times set forth in the Project Specifics. Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the unbudgeted costs of replacing worn or obsolete portions of the Project.

Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspections. The Governmental Agency hereby irrevocably covenants and agrees with the Authority:

(A) That, as aforesaid, it will at all times impose, prescribed, charge and collect the Service Charges set forth in Exhibit C as shall result in net revenues to the Governmental Agency at least adequate to provide for the payments to the Authority required by this Assistance Agreement, to provide for the operation of the System and to make the required deposits to the Maintenance and Replacement Reserve.

(B) That it will furnish to the Authority and the Cabinet not less than annually reports of the operations and income and revenues of the System, and will permit authorized agents of the Authority to inspect all records, accounts and data of the System at all reasonable times.

(C) That it will collect, account for and promptly remit to the Authority those specific revenues, funds, income and proceeds derived from Service Charges incident to this Assistance Agreement.

(D) That it will notify the Authority in writing of its intention to issue bonds or notes payable from the revenues of the System not less than thirty (30) days prior to the sale of said obligations. It further covenants that it will not issue any notes, bonds or other obligations payable from the revenues of the System, if the pledge of the revenues of the System to the repayment of such obligations is to rank on a parity with, or superior to, the pledge of the revenues of the System for the repayment of the Loan granted under this Assistance Agreement, unless the Governmental Agency has secured the consent of the Authority not less than fifteen (15) days prior to the issuance of such obligations.

Section 5.7. Segregation of Funds. The Governmental Agency shall at all times account for the income and revenues of the System and distinguish same from all other revenues, moneys and funds of the Governmental Agency, if any.

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

Section 6.1. Further Assurance. At any time and all times the Governmental Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the Governmental Agency may hereafter become bound to pledge or assign.

Section 6.2. Completion of Project. The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project in accordance with the plans, designs and specifications prepared by the Engineers for the Governmental Agency.

Section 6.3. Establishment of Completion Date. The completion date for the Project shall be evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Governmental Agency stating that, except for amounts retained by the Authority for costs of the Project not then due and payable, (i) the Construction has been completed and all labor, services, materials, supplies, machinery and equipment used in such Construction have been paid for, (ii) all other facilities necessary in connection with the Project have been acquired, constructed, equipped and installed and all costs and expenses incurred in connection therewith have been paid, (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped and installed to his satisfaction.

Section 6.4. Commitment to Operate. The Governmental Agency hereby covenants and agrees to commence operation of the Project immediately on completion of construction and not to discontinue operations or dispose of such Project without the approval of the Authority.

Section 6.5. Continue to Operate. The Governmental Agency hereby covenants and agrees to continuously operate and maintain the Project in accordance with applicable provisions of federal and state law and to maintain adequate records relating to said operation; said records to be made available to the Authority upon its request at all reasonable times.

Section 6.6. Tax Covenant. In the event the Authority issues Bonds which are intended to be excludable from gross income for federal income tax purposes to provide the funds for the Loan, the Governmental Agency shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion and shall take such actions as may be directed by the Authority in order to accomplish the foregoing. The Governmental Agency shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business, (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business, (iii) any management agreement for the operation of the System or (iv) any federal guarantee of its obligations hereunder without the prior written consent of the Authority. The Governmental Agency will not acquire or pledge any obligations which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 6.7. Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in accordance with the "Uniform System of

Accounts" established by the Commonwealth, in which complete and accurate entries shall be made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within ninety (90) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

Section 6.9. General Compliance With All Duties. The Governmental Agency shall faithfully and punctually perform all duties with reference to the Project and the System required by the Constitution and laws of the Commonwealth, and by the terms and provisions of this Assistance Agreement and any other Debt Obligations.

Section 6.10. General. The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of the Act, the Federal Act and this Assistance Agreement in accordance with the terms of such provisions including the Additional Covenants and Agreements, if any, set forth in Exhibit G hereto.

Section 6.11. Further Covenants under the Federal Agreement. The Governmental Agency shall comply with all further requirements or conditions which may arise from time to time in order to assure compliance with the Federal Act, and with the agreements of the Authority set forth in the Federal Agreement, including but not limited to the following:

(A) The Governmental Agency shall provide all information requested of it by the Authority or the Cabinet so that (i) the Grants Information Control System, referred to in the Federal Agreement, can be maintained, (ii) the accounting and auditing procedures required by the Federal Act can be maintained and (iii) the Authority can furnish the information required of it under the Federal Agreement.

(B) Qualified operating personnel, properly certified by the Cabinet, shall be retained by the Governmental Agency to operate the Project during the entire term of this Assistance Agreement. An approved plan of operating and an operations and maintenance manual for the Project shall be provided by the Governmental Agency to the Cabinet and the Authority. The Project shall be operated and maintained in an efficient and effective manner.

(C) All residents in the service area of the Project must be offered the same opportunity to become users of the Project regardless of race, creed, color, or level of income.

(D) The Governmental Agency shall comply with provisions contained in the following federal regulations, orders, acts and circulars and the following statutes and regulations of the Commonwealth.

(1) Federal Cross-Cutters

Environmental Authorities

- (a) Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- (b) Clean Air Act, Pub. L. 84-159, as amended
- (c) Coastal Barrier Resources Act, Pub. L. 97-348
- (d) Coastal Zone Management Act, Pub. L. 93-583, as amended
- (e) Endangered Species Act, Pub. L. 93-205, as amended
- (f) Environmental Justice, Executive Order 12898
- (g) Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- (h) Protection of Wetlands, Executive Order 11990
- (i) Farmland Protection Policy Act, Pub. L. 97-98
- (j) Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- (k) National Historic Preservation Act of 1966, PL 89-665, as amended
- (l) Safe Drinking Water Act, Pub. L. 93-523, as amended
- (m) Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

- (a) Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372
- (b) Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.
- (c) Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended
- (d) Debarment and Suspension, Executive Order 12549

Social Policy Authorities

- (a) Age Discrimination Act of 1975, Pub. L. 94-135
- (b) Title VI of the Civil Rights Act of 1964, Pub. L. 88-352
- (c) Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
- (d) Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)
- (e) Equal Employment Opportunity, Executive Order 11246
- (f) Women's and Minority Business Enterprise, Executive Orders 11625, 12138, and 12432

(g) Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590

(2) State:

- (a) KRS 224
- (b) KRS 224A.1115 Federally Assisted Drinking Water Revolving Fund
- (c) KRS Chapter 337, Labor Laws
- (d) 401 KAR Chapter 5

Section 6.12. Continuing Disclosure Obligation. The Governmental Agency covenants and agrees that notwithstanding any other provision of this Assistance Agreement to the contrary, upon written notice from the Authority that the Schedule of Payments provides ten percent (10%) or more of the debt service requirements on an issue of the Authority's Bonds and that compliance by the Governmental Agency with the requirements of Securities and Exchange Commission Rule 15c2-12, as amended (the "SEC Rule") is required in connection with the Authority's Bonds, the Governmental Agency shall provide to the Authority such information as may be required by the Rule, within the time periods set out in such notice by the Authority, to enable the Authority to establish to the satisfaction of prospective purchasers of the Authority's Bonds that the requirements of the SEC Rule will be satisfied in connection with the issuance of the Authority's Bonds. The Governmental Agency further understands and agrees that the Authority shall act as the Governmental Agency's disclosure agent for purposes of compliance with the SEC Rule and that upon a failure by the Governmental Agency to provide the information required to be provided under the SEC Rule within the time frame specified in such notice, the Authority and/or the beneficial owners and holders of the Authority's Bonds shall be specifically granted the right of enforcing the provisions of this Section 6.12 by an action in mandamus, for specific performance, or similar remedy to compel performance.

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

Section 7.1. Maintain System. The Governmental Agency agrees that during the entire term of this Assistance Agreement, it will keep the Project, including all appurtenances thereto, and the equipment and machinery therein, in good and sound repair and good operating condition at its own cost so that the completed Project will continue to provide the services for which the System is designed.

Section 7.2. Additions and Improvements. The Governmental Agency shall have the privilege of making additions, modifications and improvements to the sites of the Project, and to the Project itself from time to time provided that said additions, modifications and improvements do not impair the operation or objectives of the Project. The Cost of such additions, modifications and improvements shall be paid by the Governmental Agency, and the same shall be the property of the Governmental Agency and shall be included under the terms of this Assistance Agreement as part of the site of the Project, or the Project, as the case may be. Nothing herein contained shall be construed as precluding the Authority and the Governmental Agency from entering into one or more supplementary Assistance Agreements providing for an additional Loan or Loans in respect of additional Projects undertaken by the Governmental Agency.

Section 7.3. System Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not, without the prior written consent of the Authority, which consent shall not be unreasonably withheld, sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the System or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 7.4. Compliance with State and Federal Standards. The Governmental Agency agrees that it will at all times provide operation and maintenance of the Project to comply with the water quality standards, if any, established by any state or federal agency. The Governmental Agency agrees that qualified operating personnel properly certified by the Commonwealth will be retained to operate the Project during the entire term of this Assistance Agreement.

Section 7.5. Access to Records. The Governmental Agency agrees that it will permit the Authority and any state or federal agency and their respective agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the Project at any reasonable time following completion of construction of the Project, and commencement of operations thereof.

Section 7.6. Covenant to Insure - Casualty. The Governmental Agency agrees to insure the Project facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

Section 7.7. Authority as Named Insured. Any insurance policy issued pursuant to Section 7.5 hereof, shall be so written or endorsed as to make losses, if any, payable to the Governmental Agency, and to the Authority, as their interests may appear.

Section 7.8. Covenant to Insure - Liability. The Governmental Agency agrees that it will carry public liability insurance with reference to the Project with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal injury, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

Section 7.9. Covenant Regarding Worker's Compensation. Throughout the entire term of this Assistance Agreement, the Governmental Agency shall maintain worker's compensation coverage, or cause the same to be maintained.

Section 7.10. Application of Casualty Insurance Proceeds. If, prior to the completion of the term of this Assistance Agreement, the Project shall be damaged or partially or totally destroyed by fire, windstorm or other casualty, there shall be no abatement or reduction in the amount payable by the Governmental Agency pursuant to the terms of this Assistance Agreement and the Governmental Agency will (1) promptly repair, rebuild or restore the Project damaged or destroyed; and (2) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Governmental Agency necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Governmental Agency, and shall be promptly applied as herein provided.

Section 7.11. Eminent Domain. In the event that title to, or the temporary use of, the Project, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, there shall be no abatement or reduction in the minimum amounts payable by the Governmental Agency to the Authority pursuant to the terms of this Assistance Agreement, and any and all net proceeds received from any award made in such eminent domain proceedings shall be paid to and held by the Governmental Agency in a separate condemnation award account and shall be applied by the Governmental Agency in either or both of the following ways, as shall be determined by the Governmental Agency in its sole discretion:

(A) The restoration of the improvements located on the Project sites to substantially the same condition as prior to the exercise of said power of eminent domain; or

(B) The acquisition of additional property, if necessary, and the acquisition of additional facilities by construction or otherwise, equivalent to the Project facilities, which property and facilities shall be deemed to be a part of the Project sites and a part of the Project facilities and to be substituted for Project facilities so taken by eminent domain, without the payment of any amount other than herein provided, to the same extent as if such property and facilities were specifically described herein.

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section 7.11, shall be paid to the Governmental Agency upon delivery to the Authority of a certificate signed by an authorized officer of the Governmental Agency to the effect that the Governmental Agency has

complied with either subparagraph (A) or (B), or both, of this Section, and written approval of such certificate by an authorized officer of the Authority. In no event will the Governmental Agency voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Project or any part thereof without the written consent of the Authority.

Section 7.12. Flood Insurance. All structures located in flood prone areas shall be covered by flood insurance carried by the Governmental Agency for an amount equal to the total Project cost excluding the cost of land and any uninsurable improvements, or for the maximum limit available under the National Flood Insurance Act of 1968, as amended, whichever is less, for the entire useful life of the Project.



KENTUCKY INFRASTRUCTURE AUTHORITY

Steven L. Beshear
Governor

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

Executive Director

May 13, 2008

Mr. Bobby Burgess, Chairman
Bullock Pen Water District
PO Box 188
Crittenden, KY 41030

RE: Bullock Pen Water District – Water Line Replacement
KIA Drinking Water State Revolving Fund Loan F01-06

Dear Chairman Burgess:

Attached for your review and signature is the Exhibit F to the Assistance Agreement (dated February 1, 2002) for the above-mentioned project. All eligible funds have been drawn and the total amount is \$350,367.20. This exhibit shows acknowledgement of the loan repayment schedule from which the district is retiring its debt.

The total amount of \$350,367.20 stated above was the balance of the loan prior to repayment (starting June 1, 2003). As of today, the principal balance due on the loan is \$285,759.75.

The execution of this document will complete the Assistance Agreement documentation requirements of the Kentucky Infrastructure Authority.

Please sign all four copies and return three to the Authority as soon as possible. A copy should be retained for your records. Please call (502) 573-0260 with any questions.

Sincerely,

A handwritten signature in cursive script that reads "Kasi L. White".

Kasi L. White
Financial Analyst

Attachments

Kentucky

FUND F
EXHIBIT F
F01-06
TO ASSISTANCE AGREEMENT BETWEEN
BULLOCK PEN WATER DISTRICT
("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

TOTAL LOAN TO BE REPAYED BY
BULLOCK PEN WATER DISTRICT (F01-06)
KENTUCKY INFRASTRUCTURE AUTHORITY \$350,367.20
PRINCIPAL AND INTEREST PAYABLE
ON EACH JUNE AND DECEMBER

IT IS UNDERSTOOD AND AGREED BY THE PARTIES TO THIS ASSISTANCE AGREEMENT THAT THIS EXHIBIT F IS AN INTEGRAL PART OF THE ASSISTANCE AGREEMENT BETWEEN THE GOVERNMENTAL AGENCY AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

IN WITNESS WHEREOF, THE PARTIES HAVE CAUSED THIS EXHIBIT F TO ASSISTANCE AGREEMENT TO BE EXECUTED BY THEIR RESPECTIVE DULY AUTHORIZED OFFICERS AS OF THE DATE OF SAID ASSISTANCE AGREEMENT.

KENTUCKY INFRASTRUCTURE AUTHORITY

BY *Melinda Pitt*

TITLE Secretary

BULLOCK PEN WATER DISTRICT

BY *Bobby Burger*

TITLE Chairman

ATTEST:

Paula Mason

TITLE *Office Manager*

DATE *5-16-08*

KENTUCKY INFRASTRUCTURE AUTHORITY

LOAN #F02-11

DWSRF #2

KENTUCKY INFRASTRUCTURE AUTHORITY
 REPAYMENT SCHEDULE

LOAN #F02-11
 BULLOCK PEN WATER DISTRICT
 FINAL

3.00% Rate \$40,555.78 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
								\$1,139,135.00		
12/01/04	\$20,990.95	\$16,542.90	3.0000%	\$37,533.85	\$1,423.92	\$0.00	\$38,957.77	\$1,123,181.05	\$36,000.00	\$36,000.00
06/01/05	\$21,401.79	\$16,847.72	3.0000%	\$38,249.51	\$1,403.98	\$0.00	\$39,653.49	\$1,108,211.25	\$0.00	\$36,000.00
12/01/05	\$23,032.61	\$17,266.04	3.0000%	\$40,298.65	\$1,460.26	\$0.00	\$41,758.91	\$1,145,178.65	\$36,000.00	\$72,000.00
06/01/06	\$23,378.11	\$17,177.67	3.0000%	\$40,555.78	\$1,431.47	\$0.00	\$41,987.25	\$1,121,800.54	\$0.00	\$72,000.00
12/01/06	\$23,728.77	\$16,827.01	3.0000%	\$40,555.78	\$1,402.25	\$0.00	\$41,958.03	\$1,098,071.77	\$36,000.00	\$108,000.00
06/01/07	\$24,084.70	\$16,471.08	3.0000%	\$40,555.78	\$1,372.59	\$0.00	\$41,928.37	\$1,073,987.08	\$0.00	\$108,000.00
12/01/07	\$24,445.97	\$16,109.81	3.0000%	\$40,555.78	\$1,342.48	\$0.00	\$41,898.26	\$1,049,541.11	\$36,000.00	\$144,000.00
06/01/08	\$24,812.66	\$15,743.12	3.0000%	\$40,555.78	\$1,311.93	\$0.00	\$41,867.70	\$1,024,728.45	\$0.00	\$144,000.00
12/01/08	\$25,184.86	\$15,370.92	3.0000%	\$40,555.78	\$1,280.91	\$0.00	\$41,836.69	\$999,543.60	\$36,000.00	\$180,000.00
06/01/09	\$25,562.63	\$14,993.15	3.0000%	\$40,555.78	\$1,249.43	\$0.00	\$41,805.21	\$973,980.97	\$0.00	\$180,000.00
12/01/09	\$25,946.07	\$14,609.71	3.0000%	\$40,555.78	\$1,217.48	\$0.00	\$41,773.25	\$948,034.90	\$36,000.00	\$216,000.00
06/01/10	\$26,335.25	\$14,220.53	3.0000%	\$40,555.78	\$1,185.04	\$0.00	\$41,740.82	\$921,699.66	\$0.00	\$216,000.00
12/01/10	\$26,730.28	\$13,825.50	3.0000%	\$40,555.78	\$1,152.12	\$0.00	\$41,707.90	\$894,969.38	\$36,000.00	\$252,000.00
06/01/11	\$27,131.24	\$13,424.54	3.0000%	\$40,555.78	\$1,118.71	\$0.00	\$41,674.49	\$867,838.14	\$0.00	\$252,000.00
12/01/11	\$27,538.21	\$13,017.57	3.0000%	\$40,555.78	\$1,084.80	\$0.00	\$41,640.57	\$840,299.94	\$36,000.00	\$288,000.00
06/01/12	\$27,951.29	\$12,604.49	3.0000%	\$40,555.78	\$1,050.37	\$0.00	\$41,606.15	\$812,348.65	\$0.00	\$288,000.00
12/01/12	\$28,370.55	\$12,185.23	3.0000%	\$40,555.78	\$1,015.44	\$0.00	\$41,571.21	\$783,978.10	\$36,000.00	\$324,000.00
06/01/13	\$28,796.11	\$11,759.67	3.0000%	\$40,555.78	\$979.97	\$0.00	\$41,535.75	\$755,182.00	\$0.00	\$324,000.00
12/01/13	\$29,228.05	\$11,327.73	3.0000%	\$40,555.78	\$943.98	\$0.00	\$41,499.75	\$725,953.95	\$36,000.00	\$360,000.00
06/01/14	\$29,666.46	\$10,889.32	3.0000%	\$40,555.78	\$907.44	\$0.00	\$41,463.22	\$696,287.49	\$0.00	\$360,000.00
12/01/14	\$30,111.46	\$10,444.32	3.0000%	\$40,555.78	\$870.36	\$0.00	\$41,426.14	\$666,176.03	\$0.00	\$360,000.00
06/01/15	\$30,563.14	\$9,992.64	3.0000%	\$40,555.78	\$832.72	\$0.00	\$41,388.50	\$635,612.90	\$0.00	\$360,000.00
12/01/15	\$31,021.58	\$9,534.20	3.0000%	\$40,555.78	\$794.52	\$0.00	\$41,350.29	\$604,591.32	\$0.00	\$360,000.00
06/01/16	\$31,486.91	\$9,068.87	3.0000%	\$40,555.78	\$755.74	\$0.00	\$41,311.52	\$573,104.41	\$0.00	\$360,000.00
12/01/16	\$31,959.21	\$8,596.57	3.0000%	\$40,555.78	\$716.38	\$0.00	\$41,272.16	\$541,145.21	\$0.00	\$360,000.00
06/01/17	\$32,438.60	\$8,117.18	3.0000%	\$40,555.78	\$676.43	\$0.00	\$41,232.21	\$508,708.61	\$0.00	\$360,000.00
12/01/17	\$32,925.18	\$7,630.60	3.0000%	\$40,555.78	\$635.88	\$0.00	\$41,191.66	\$475,781.43	\$0.00	\$360,000.00
06/01/18	\$33,419.05	\$7,136.73	3.0000%	\$40,555.78	\$594.73	\$0.00	\$41,150.50	\$442,362.39	\$0.00	\$360,000.00
12/01/18	\$33,920.34	\$6,635.44	3.0000%	\$40,555.78	\$552.95	\$0.00	\$41,108.73	\$408,442.05	\$0.00	\$360,000.00
06/01/19	\$34,429.15	\$6,126.63	3.0000%	\$40,555.78	\$510.55	\$0.00	\$41,066.33	\$374,012.90	\$0.00	\$360,000.00
12/01/19	\$34,945.59	\$5,610.19	3.0000%	\$40,555.78	\$467.52	\$0.00	\$41,023.29	\$339,067.32	\$0.00	\$360,000.00
06/01/20	\$35,469.78	\$5,086.00	3.0000%	\$40,555.78	\$423.83	\$0.00	\$40,979.61	\$303,597.54	\$0.00	\$360,000.00
12/01/20	\$36,001.82	\$4,553.96	3.0000%	\$40,555.78	\$379.50	\$0.00	\$40,935.27	\$267,595.72	\$0.00	\$360,000.00
06/01/21	\$36,541.84	\$4,013.94	3.0000%	\$40,555.78	\$334.49	\$0.00	\$40,890.27	\$231,053.89	\$0.00	\$360,000.00
12/01/21	\$37,089.97	\$3,465.81	3.0000%	\$40,555.78	\$288.82	\$0.00	\$40,844.59	\$193,963.92	\$0.00	\$360,000.00
06/01/22	\$37,646.32	\$2,909.46	3.0000%	\$40,555.78	\$242.45	\$0.00	\$40,798.23	\$156,317.60	\$0.00	\$360,000.00
12/01/22	\$38,211.01	\$2,344.77	3.0000%	\$40,555.78	\$195.40	\$0.00	\$40,751.17	\$118,106.60	\$0.00	\$360,000.00
06/01/23	\$38,784.19	\$1,771.59	3.0000%	\$40,555.78	\$147.63	\$0.00	\$40,703.41	\$79,322.41	\$0.00	\$360,000.00
12/01/23	\$39,365.95	\$1,189.83	3.0000%	\$40,555.78	\$99.15	\$0.00	\$40,654.93	\$39,956.46	\$0.00	\$360,000.00
06/01/24	\$39,956.47	\$599.31	3.0000%	\$40,555.78	\$49.95	\$0.00	\$40,605.72	(\$0.00)	\$0.00	\$360,000.00
Totals	\$1,210,604.00	\$406,041.75		\$1,616,645.76	\$33,903.59	\$0.00	\$1,650,549.34		\$360,000.00	

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND F

PROJECT NUMBER: F02-11
BORROWER: Bullock Pen Water District
BORROWER'S ADDRESS: P.O. Box 188
Crittenden, Kentucky 41030
DATE OF ASSISTANCE AGREEMENT: November 1, 2003
CFDA NO.: 66.458

ARTICLE V

CERTAIN COVENANTS OF THE GOVERNMENTAL AGENCY; PAYMENTS TO BE MADE BY GOVERNMENTAL AGENCY TO THE AUTHORITY

Section 5.1. Imposition of Service Charges. The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Assistance Agreement, pursuant to which the Loan is to be made by the Authority to the Governmental Agency as specified herein and in the Act and the Indenture. The Governmental Agency hereby further irrevocably covenants and agrees that it already has, or will, to the extent necessary, immediately impose Service Charges upon all persons, firms and entities to whom or which services are provided by the System, such Service Charges to be no less than as set forth in Exhibit C annexed hereto. If so required, such Service Charges shall be in addition to all other rates, rentals and service charges of a similar nature of the Governmental Agency now or hereafter authorized by law, and now or hereafter being levied and collected by the Governmental Agency and shall be levied and collected solely for the purpose of repaying to the Authority all sums received from the Authority as representing the Loan in respect of the Project.

Section 5.2. Governmental Agency's Obligation to Repay Loan. The obligation of the Governmental Agency to repay to the Authority the amount of the Loan from the Service Charges shall not be revocable, and in the event that services supplied by the Project shall cease, or be suspended for any reason, the Governmental Agency shall continue to be obligated to repay the Loan from the Services Charges. In the event the Governmental Agency defaults in the payment of any Service Charges to the Authority, the amount of such default shall bear interest at the per annum rate equal to the Default Rate set forth in the Project Specifics, from the date of the default until the date of the payment thereof.

Section 5.3. Covenant to Adjust Service Charges. In the event, for any reason, the Schedule of Service Charges shall prove to be insufficient to provide to the Authority the minimum sums set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, the Governmental Agency hereby covenants and agrees that it will, upon notice by the Authority, to the full extent authorized by law, both federal and state, immediately adjust and increase such Schedule of Service Charges, or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments, to provide for the operation of the System as required under this Assistance Agreement and to make the required deposits to the Maintenance and Replacement Reserve.

Section 5.4. Adequacy of Service Charges. The Service Charges herein covenanted to be imposed by the Governmental Agency shall be fixed at such rate or rates (and it is represented that the Schedule set forth in Exhibit C hereto so qualifies), as shall be at least adequate to make the payments at the times and in the amounts set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project not less frequently than the Service Charge Payment period set forth in the Project Specifics, and shall be remitted to the Authority by the

Governmental Agency with a report showing collections and any delinquencies. A report of all collections and delinquencies shall be made at least semi-annually on or before each Payment Date identified in the Schedule of Payments.

Section 5.5. Covenant to Establish Maintenance and Replacement Reserve. The Governmental Agency shall establish a special account identified as a "Maintenance and Replacement Reserve". The Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to the amount set forth in the Project Specifics at the times set forth in the Project Specifics. Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the unbudgeted costs of replacing worn or obsolete portions of the Project.

Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspections. The Governmental Agency hereby irrevocably covenants and agrees with the Authority:

(A) That, as aforesaid, it will at all times impose, prescribe, charge and collect the Service Charges set forth in Exhibit C as shall result in net revenues to the Governmental Agency at least adequate to provide for the payments to the Authority required by this Assistance Agreement, to provide for the operation of the System and to make the required deposits to the Maintenance and Replacement Reserve.

(B) That it will furnish to the Authority and the Cabinet not less than annually reports of the operations and income and revenues of the System, and will permit authorized agents of the Authority to inspect all records, accounts and data of the System at all reasonable times.

(C) That it will collect, account for and promptly remit to the Authority those specific revenues, funds, income and proceeds derived from Service Charges incident to this Assistance Agreement.

(D) That it will notify the Authority in writing of its intention to issue bonds or notes payable from the revenues of the System not less than thirty (30) days prior to the sale of said obligations. It further covenants that it will not issue any notes, bonds or other obligations payable from the revenues of the System, if the pledge of the revenues of the System to the repayment of such obligations is to rank on a parity with, or superior to, the pledge of the revenues of the System for the repayment of the Loan granted under this Assistance Agreement, unless the Governmental Agency has secured the consent of the Authority not less than fifteen (15) days prior to the issuance of such obligations.

Section 5.7. Segregation of Funds. The Governmental Agency shall at all times account for the income and revenues of the System and distinguish same from all other revenues, moneys and funds of the Governmental Agency, if any.

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

Section 6.1. Further Assurance. At any time and all times the Governmental Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the Governmental Agency may hereafter become bound to pledge or assign.

Section 6.2. Completion of Project. The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project in accordance with the plans, designs and specifications prepared by the Engineers for the Governmental Agency.

Section 6.3. Establishment of Completion Date. The completion date for the Project shall be evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Governmental Agency stating that, except for amounts retained by the Authority for costs of the Project not then due and payable, (i) the Construction has been completed and all labor, services, materials, supplies, machinery and equipment used in such Construction have been paid for, (ii) all other facilities necessary in connection with the Project have been acquired, constructed, equipped and installed and all costs and expenses incurred in connection therewith have been paid, (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped and installed to his satisfaction.

Section 6.4. Commitment to Operate. The Governmental Agency hereby covenants and agrees to commence operation of the Project immediately on completion of construction and not to discontinue operations or dispose of such Project without the approval of the Authority.

Section 6.5. Continue to Operate. The Governmental Agency hereby covenants and agrees to continuously operate and maintain the Project in accordance with applicable provisions of federal and state law and to maintain adequate records relating to said operation; said records to be made available to the Authority upon its request at all reasonable times.

Section 6.6. Tax Covenant. In the event the Authority issues Bonds which are intended to be excludable from gross income for federal income tax purposes to provide the funds for the Loan, the Governmental Agency shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion and shall take such actions as may be directed by the Authority in order to accomplish the foregoing. The Governmental Agency shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business, (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business, (iii) any management agreement for the operation of the System or (iv) any federal guarantee of its obligations hereunder without the prior written consent of the Authority. The Governmental Agency will not acquire or pledge any obligations which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 6.7. Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in accordance with the "Uniform System of

Accounts" established by the Commonwealth, in which complete and accurate entries shall be made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within ninety (90) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

Section 6.9. General Compliance With All Duties. The Governmental Agency shall faithfully and punctually perform all duties with reference to the Project and the System required by the Constitution and laws of the Commonwealth, and by the terms and provisions of this Assistance Agreement and any other Debt Obligations.

Section 6.10. General. The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of the Act, the Federal Act and this Assistance Agreement in accordance with the terms of such provisions including the Additional Covenants and Agreements, if any, set forth in Exhibit G hereto.

Section 6.11. Further Covenants under the Federal Agreement. The Governmental Agency shall comply with all further requirements or conditions which may arise from time to time in order to assure compliance with the Federal Act, and with the agreements of the Authority set forth in the Federal Agreement, including but not limited to the following:

(A) The Governmental Agency shall provide all information requested of it by the Authority or the Cabinet so that (i) the Grants Information Control System, referred to in the Federal Agreement, can be maintained, (ii) the accounting and auditing procedures required by the Federal Act can be maintained and (iii) the Authority can furnish the information required of it under the Federal Agreement.

(B) Qualified operating personnel, properly certified by the Cabinet, shall be retained by the Governmental Agency to operate the Project during the entire term of this Assistance Agreement. An approved plan of operating and an operations and maintenance manual for the Project shall be provided by the Governmental Agency to the Cabinet and the Authority. The Project shall be operated and maintained in an efficient and effective manner.

(C) All residents in the service area of the Project must be offered the same opportunity to become users of the Project regardless of race, creed, color, or level of income.

(D) The Governmental Agency shall comply with provisions contained in the following federal regulations, orders, acts and circulars and the following statutes and regulations of the Commonwealth.

(1) Federal Cross-Cutters

Environmental Authorities

- (a) Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- (b) Clean Air Act, Pub. L. 84-159, as amended
- (c) Coastal Barrier Resources Act, Pub. L. 97-348
- (d) Coastal Zone Management Act, Pub. L. 93-583, as amended
- (e) Endangered Species Act, Pub. L. 93-205, as amended
- (f) Environmental Justice, Executive Order 12898
- (g) Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- (h) Protection of Wetlands, Executive Order 11990
- (i) Farmland Protection Policy Act, Pub. L. 97-98
- (j) Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- (k) National Historic Preservation Act of 1966, PL 89-665, as amended
- (l) Safe Drinking Water Act, Pub. L. 93-523, as amended
- (m) Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

- (a) Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372
- (b) Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.
- (c) Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended
- (d) Debarment and Suspension, Executive Order 12549

Social Policy Authorities

- (a) Age Discrimination Act of 1975, Pub. L. 94-135
- (b) Title VI of the Civil Rights Act of 1964, Pub. L. 88-352
- (c) Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
- (d) Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)
- (e) Equal Employment Opportunity, Executive Order 11246
- (f) Women's and Minority Business Enterprise, Executive Orders 11625, 12138, and 12432

(g) Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590

(2) States:

(a) KRS 224

(b) KRS 224A.1115 Federally Assisted Drinking Water Revolving Fund

(c) KRS Chapter 337, Labor Laws

(d) 401 KAR Chapter 5

Section 6.12. Continuing Disclosure Obligation. The Governmental Agency covenants and agrees that notwithstanding any other provision of this Assistance Agreement to the contrary, upon written notice from the Authority that the Schedule of Payments provides ten percent (10%) or more of the debt service requirements on an issue of the Authority's Bonds and that compliance by the Governmental Agency with the requirements of Securities and Exchange Commission Rule 15c2-12, as amended (the "SEC Rule") is required in connection with the Authority's Bonds, the Governmental Agency shall provide to the Authority such information as may be required by the Rule, within the time periods set out in such notice by the Authority, to enable the Authority to establish to the satisfaction of prospective purchasers of the Authority's Bonds that the requirements of the SEC Rule will be satisfied in connection with the issuance of the Authority's Bonds. The Governmental Agency further understands and agrees that the Authority shall act as the Governmental Agency's disclosure agent for purposes of compliance with the SEC Rule and that upon a failure by the Governmental Agency to provide the information required to be provided under the SEC Rule within the time frame specified in such notice, the Authority and/or the beneficial owners and holders of the Authority's Bonds shall be specifically granted the right of enforcing the provisions of this Section 6.12 by an action in mandamus, for specific performance, or similar remedy to compel performance.

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

Section 7.1. Maintain System. The Governmental Agency agrees that during the entire term of this Assistance Agreement, it will keep the Project, including all appurtenances thereto, and the equipment and machinery therein, in good and sound repair and good operating condition at its own cost so that the completed Project will continue to provide the services for which the System is designed.

Section 7.2. Additions and Improvements. The Governmental Agency shall have the privilege of making additions, modifications and improvements to the sites of the Project, and to the Project itself from time to time provided that said additions, modifications and improvements do not impair the operation or objectives of the Project. The Cost of such additions, modifications and improvements shall be paid by the Governmental Agency, and the same shall be the property of the Governmental Agency and shall be included under the terms of this Assistance Agreement as part of the site of the Project, or the Project, as the case may be. Nothing herein contained shall be construed as precluding the Authority and the Governmental Agency from entering into one or more supplementary Assistance Agreements providing for an additional Loan or Loans in respect of additional Projects undertaken by the Governmental Agency.

Section 7.3. System Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not, without the prior written consent of the Authority, which consent shall not be unreasonably withheld, sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the System or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 7.4. Compliance with State and Federal Standards. The Governmental Agency agrees that it will at all times provide operation and maintenance of the Project to comply with the water quality standards, if any, established by any state or federal agency. The Governmental Agency agrees that qualified operating personnel properly certified by the Commonwealth will be retained to operate the Project during the entire term of this Assistance Agreement.

Section 7.5. Access to Records. The Governmental Agency agrees that it will permit the Authority and any state or federal agency and their respective agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the Project at any reasonable time following completion of construction of the Project, and commencement of operations thereof.

Section 7.6. Covenant to Insure - Casualty. The Governmental Agency agrees to insure the Project facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

Section 7.7. Authority as Named Insured. Any insurance policy issued pursuant to Section 7.5 hereof, shall be so written or endorsed as to make losses, if any, payable to the Governmental Agency and to the Authority, as their interests may appear.

Section 7.8. Covenant to Insure - Liability. The Governmental Agency agrees that it will carry public liability insurance with reference to the Project with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal injury, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

Section 7.9. Covenant Regarding Worker's Compensation. Throughout the entire term of this Assistance Agreement, the Governmental Agency shall maintain worker's compensation coverage, or cause the same to be maintained.

Section 7.10. Application of Casualty Insurance Proceeds. If, prior to the completion of the term of this Assistance Agreement, the Project shall be damaged or partially or totally destroyed by fire, windstorm or other casualty, there shall be no abatement or reduction in the amount payable by the Governmental Agency pursuant to the terms of this Assistance Agreement and the Governmental Agency will (1) promptly repair, rebuild or restore the Project damaged or destroyed; and (2) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Governmental Agency necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Governmental Agency, and shall be promptly applied as herein provided.

Section 7.11. Eminent Domain. In the event that title to, or the temporary use of, the Project, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, there shall be no abatement or reduction in the minimum amounts payable by the Governmental Agency to the Authority pursuant to the terms of this Assistance Agreement, and any and all net proceeds received from any award made in such eminent domain proceedings shall be paid to and held by the Governmental Agency in a separate condemnation award account and shall be applied by the Governmental Agency in either or both of the following ways, as shall be determined by the Governmental Agency in its sole discretion:

(A) The restoration of the improvements located on the Project sites to substantially the same condition as prior to the exercise of said power of eminent domain; or

(B) The acquisition of additional property, if necessary, and the acquisition of additional facilities by construction or otherwise, equivalent to the Project facilities, which property and facilities shall be deemed to be a part of the Project sites and a part of the Project facilities and to be substituted for Project facilities so taken by eminent domain, without the payment of any amount other than herein provided, to the same extent as if such property and facilities were specifically described herein.

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section 7.11, shall be paid to the Governmental Agency upon delivery to the Authority of a certificate signed by an authorized officer of the Governmental Agency to the effect that the Governmental Agency has

complied with either subparagraph (A) or (B), or both, of this Section, and written approval of such certificate by an authorized officer of the Authority. In no event will the Governmental Agency voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Project or any part thereof without the written consent of the Authority.

Section 7.12. Flood Insurance. All structures located in flood prone areas shall be covered by flood insurance carried by the Governmental Agency for an amount equal to the total Project cost excluding the cost of land and any uninsurable improvements, or for the maximum limit available under the National Flood Insurance Act of 1968, as amended, whichever is less, for the entire useful life of the Project.



KENTUCKY INFRASTRUCTURE AUTHORITY

Ernie Fletcher
Governor

Capital Center Complex
1004 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
(502) 573-0260
(502) 573-0157 (fax)
kia.ky.gov

Tim Thomas
Executive Director

August 13, 2007

Bobby Burgess, Chairman
Bullock Fen Water District
P.O. Box 188
Crittenden, KY 41030

1998 LWS&E

RE: Bullock Pen Water District, KIA Drinking Water State Revolving Fund Loan F02-11
300,000 Gallon Elevated Storage Tank, Violet Road Water Main Replacement, Sherman-
Newton Road Water Main Replacement, & Stephenson Mill Road Water Main
Replacement

Dear Mr. Burgess:

Attached for your review and signature is the Exhibit F to the Assistance Agreement (dated November 1, 2003) for the above mentioned project. All eligible funds have been drawn and the total amount is \$1,210,604.00. This exhibit shows acknowledgement of the loan repayment schedule from which the district is retiring its debt.

The total amount of \$1,210,604.00 stated above was the balance of the loan prior to repayment (starting December 1, 2004). As of today, the principal balance due on the loan is \$1,073,987.08.

The execution of this document will complete the Assistance Agreement documentation requirements of the Kentucky Infrastructure Authority.

Please sign all four copies and return three to the Authority as soon as possible. A copy should be retained for your records. Please call (502) 573-0260 with any questions.

Sincerely,

Chris Whitaker
Financial Analyst

Attachments

FUND F
EXHIBIT F
F02-11
TO ASSISTANCE AGREEMENT BETWEEN
BULLOCK PEN WATER DISTRICT
("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

TOTAL LOAN TO BE REPAYED BY
BULLOCK PEN WATER DISTRICT (F02-11)
KENTUCKY INFRASTRUCTURE AUTHORITY \$1,210,604.00
PRINCIPAL AND INTEREST PAYABLE
ON EACH JUNE AND DECEMBER

IT IS UNDERSTOOD AND AGREED BY THE PARTIES TO THIS ASSISTANCE AGREEMENT THAT THIS EXHIBIT F IS AN INTEGRAL PART OF THE ASSISTANCE AGREEMENT BETWEEN THE GOVERNMENTAL AGENCY AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

IN WITNESS WHEREOF, THE PARTIES HAVE CAUSED THIS EXHIBIT F TO ASSISTANCE AGREEMENT TO BE EXECUTED BY THEIR RESPECTIVE DULY AUTHORIZED OFFICERS AS OF THE DATE OF SAID ASSISTANCE AGREEMENT.

KENTUCKY INFRASTRUCTURE AUTHORITY

BY Maureen Poe

TITLE Secretary

BULLOCK PEN WATER DISTRICT

BY Bobby Ferguson

TITLE Chairman

ATTEST:

Paula Mason

TITLE Office Manager

DATE 8-16-07

KENTUCKY INFRASTRUCTURE AUTHORITY

LOAN #F07-09

DWSRF #3

KENTUCKY INFRASTRUCTURE AUTHORITY
 REPAYMENT SCHEDULE
 LOAN #F07-09
 BULLOCK PEN, CITY OF
 FINAL

3.00% Rate \$73,295.61 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
								\$2,192,700.00		
06/01/11	\$40,405.11	\$32,604.58	3.0000%	\$73,009.69	\$2,740.88	\$0.00	\$75,750.57	\$2,152,294.89	\$0.00	\$0.00
12/01/11	\$41,011.19	\$32,284.42	3.0000%	\$73,295.61	\$2,690.37	\$0.00	\$75,985.98	\$2,111,283.70	\$10,964.00	\$10,964.00
06/01/12	\$41,626.35	\$31,669.26	3.0000%	\$73,295.61	\$2,639.10	\$0.00	\$75,934.71	\$2,069,657.35	\$0.00	\$10,964.00
12/01/12	\$42,250.75	\$31,044.86	3.0000%	\$73,295.61	\$2,587.07	\$0.00	\$75,882.68	\$2,027,406.60	\$10,964.00	\$21,928.00
06/01/13	\$42,884.51	\$30,411.10	3.0000%	\$73,295.61	\$2,534.26	\$0.00	\$75,829.87	\$1,984,522.09	\$0.00	\$21,928.00
12/01/13	\$43,527.78	\$29,767.83	3.0000%	\$73,295.61	\$2,480.65	\$0.00	\$75,776.26	\$1,940,994.31	\$10,964.00	\$32,892.00
06/01/14	\$44,180.70	\$29,114.91	3.0000%	\$73,295.61	\$2,426.24	\$0.00	\$75,721.85	\$1,896,813.61	\$0.00	\$32,892.00
12/01/14	\$44,843.41	\$28,452.20	3.0000%	\$73,295.61	\$2,371.02	\$0.00	\$75,666.63	\$1,851,970.20	\$10,964.00	\$43,856.00
06/01/15	\$45,516.06	\$27,779.55	3.0000%	\$73,295.61	\$2,314.96	\$0.00	\$75,610.57	\$1,806,454.14	\$0.00	\$43,856.00
12/01/15	\$46,198.80	\$27,096.81	3.0000%	\$73,295.61	\$2,258.07	\$0.00	\$75,553.68	\$1,760,255.34	\$10,964.00	\$54,820.00
06/01/16	\$46,891.78	\$26,403.83	3.0000%	\$73,295.61	\$2,200.32	\$0.00	\$75,495.93	\$1,713,363.56	\$0.00	\$54,820.00
12/01/16	\$47,595.16	\$25,700.45	3.0000%	\$73,295.61	\$2,141.70	\$0.00	\$75,437.31	\$1,665,768.40	\$10,964.00	\$65,784.00
06/01/17	\$48,309.08	\$24,986.53	3.0000%	\$73,295.61	\$2,082.21	\$0.00	\$75,377.82	\$1,617,459.32	\$0.00	\$65,784.00
12/01/17	\$49,033.72	\$24,261.89	3.0000%	\$73,295.61	\$2,021.82	\$0.00	\$75,317.43	\$1,568,425.60	\$10,964.00	\$76,748.00
06/01/18	\$49,769.23	\$23,526.38	3.0000%	\$73,295.61	\$1,960.53	\$0.00	\$75,256.14	\$1,518,656.37	\$0.00	\$76,748.00
12/01/18	\$50,515.76	\$22,779.85	3.0000%	\$73,295.61	\$1,898.32	\$0.00	\$75,193.93	\$1,468,140.61	\$10,964.00	\$87,712.00
06/01/19	\$51,273.50	\$22,022.11	3.0000%	\$73,295.61	\$1,835.18	\$0.00	\$75,130.79	\$1,416,867.11	\$0.00	\$87,712.00
12/01/19	\$52,042.60	\$21,253.01	3.0000%	\$73,295.61	\$1,771.08	\$0.00	\$75,066.69	\$1,364,824.51	\$10,964.00	\$98,676.00
06/01/20	\$52,823.24	\$20,472.37	3.0000%	\$73,295.61	\$1,706.03	\$0.00	\$75,001.64	\$1,312,001.27	\$0.00	\$98,676.00
12/01/20	\$53,615.59	\$19,680.02	3.0000%	\$73,295.61	\$1,640.00	\$0.00	\$74,935.61	\$1,258,385.68	\$10,964.00	\$109,640.00
06/01/21	\$54,419.82	\$18,875.79	3.0000%	\$73,295.61	\$1,572.98	\$0.00	\$74,868.59	\$1,203,965.86	\$0.00	\$109,640.00
12/01/21	\$55,236.12	\$18,059.49	3.0000%	\$73,295.61	\$1,504.96	\$0.00	\$74,800.57	\$1,148,729.74	\$0.00	\$109,640.00
06/01/22	\$56,064.66	\$17,230.95	3.0000%	\$73,295.61	\$1,435.91	\$0.00	\$74,731.52	\$1,092,665.08	\$0.00	\$109,640.00
12/01/22	\$56,905.63	\$16,389.98	3.0000%	\$73,295.61	\$1,365.83	\$0.00	\$74,661.44	\$1,035,759.45	\$0.00	\$109,640.00
06/01/23	\$57,759.22	\$15,536.39	3.0000%	\$73,295.61	\$1,294.70	\$0.00	\$74,590.31	\$978,000.23	\$0.00	\$109,640.00
12/01/23	\$58,625.61	\$14,670.00	3.0000%	\$73,295.61	\$1,222.50	\$0.00	\$74,518.11	\$919,374.62	\$0.00	\$109,640.00
06/01/24	\$59,504.99	\$13,790.62	3.0000%	\$73,295.61	\$1,149.22	\$0.00	\$74,444.83	\$859,869.63	\$0.00	\$109,640.00
12/01/24	\$60,397.57	\$12,898.04	3.0000%	\$73,295.61	\$1,074.84	\$0.00	\$74,370.45	\$799,472.06	\$0.00	\$109,640.00
06/01/25	\$61,303.53	\$11,992.08	3.0000%	\$73,295.61	\$999.34	\$0.00	\$74,294.95	\$738,168.53	\$0.00	\$109,640.00
12/01/25	\$62,223.08	\$11,072.53	3.0000%	\$73,295.61	\$922.71	\$0.00	\$74,218.32	\$675,945.45	\$0.00	\$109,640.00
06/01/26	\$63,156.43	\$10,139.18	3.0000%	\$73,295.61	\$844.93	\$0.00	\$74,140.54	\$612,789.02	\$0.00	\$109,640.00
12/01/26	\$64,103.77	\$9,191.84	3.0000%	\$73,295.61	\$765.99	\$0.00	\$74,061.60	\$548,685.25	\$0.00	\$109,640.00
06/01/27	\$65,065.33	\$8,230.28	3.0000%	\$73,295.61	\$685.86	\$0.00	\$73,981.47	\$483,619.92	\$0.00	\$109,640.00
12/01/27	\$66,041.31	\$7,254.30	3.0000%	\$73,295.61	\$604.52	\$0.00	\$73,900.13	\$417,578.61	\$0.00	\$109,640.00
06/01/28	\$67,031.93	\$6,263.68	3.0000%	\$73,295.61	\$521.97	\$0.00	\$73,817.58	\$350,546.68	\$0.00	\$109,640.00
12/01/28	\$68,037.41	\$5,258.20	3.0000%	\$73,295.61	\$438.18	\$0.00	\$73,733.79	\$282,509.27	\$0.00	\$109,640.00
06/01/29	\$69,057.97	\$4,237.64	3.0000%	\$73,295.61	\$353.14	\$0.00	\$73,648.75	\$213,451.30	\$0.00	\$109,640.00
12/01/29	\$70,093.84	\$3,201.77	3.0000%	\$73,295.61	\$266.81	\$0.00	\$73,562.42	\$143,357.46	\$0.00	\$109,640.00
06/01/30	\$71,145.25	\$2,150.36	3.0000%	\$73,295.61	\$179.20	\$0.00	\$73,474.81	\$72,212.21	\$0.00	\$109,640.00
12/01/30	\$72,212.21	\$1,083.40	3.0000%	\$73,295.61	\$90.27	\$0.00	\$73,385.88	\$0.00	\$0.00	\$109,640.00
Totals	\$2,192,700.00	\$738,838.48		\$2,931,538.48	\$61,593.67	\$0.00	\$2,993,132.15		\$109,640.00	



KENTUCKY INFRASTRUCTURE AUTHORITY

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

Steven L. Beshear
Governor

John E. Covington III
Executive Director

March 1, 2011

Mr. Bobby Burgess, Chairman
Bullock Pen Water District
PO Box 188
Crittenden, KY 41030

RE: Bullock Pen Water District – Water Line Replacement
KIA Drinking Water State Revolving Fund Loan F07-09

Dear Chairman Burgess:

Attached for your review and signature is the Exhibit F to the Assistance Agreement (dated December 1, 2008) for the above-mentioned project. All eligible funds have been drawn and the total amount is \$2,192,700. This exhibit shows acknowledgement of the loan repayment schedule from which the district is retiring its debt.

The execution of this document will complete the Assistance Agreement documentation requirements of the Kentucky Infrastructure Authority. **Please sign all four copies and return three to the Authority as soon as possible.** A copy should be retained for your records. Please call (502) 573-0260 with any questions.

Sincerely,

A handwritten signature in cursive script that reads "Kasi L. White".

Kasi L. White
Financial Analyst

Attachments

FUND F
EXHIBIT F
F07-09
TO ASSISTANCE AGREEMENT BETWEEN
BULLOCK PEN WATER DISTRICT
("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

TOTAL LOAN TO BE REPAID BY
BULLOCK PEN WATER DISTRICT (F07-09)
KENTUCKY INFRASTRUCTURE AUTHORITY \$2,192,700
PRINCIPAL AND INTEREST PAYABLE
ON EACH JUNE AND DECEMBER

IT IS UNDERSTOOD AND AGREED BY THE PARTIES TO THIS ASSISTANCE AGREEMENT THAT THIS EXHIBIT F IS AN INTEGRAL PART OF THE ASSISTANCE AGREEMENT BETWEEN THE GOVERNMENTAL AGENCY AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

IN WITNESS WHEREOF, THE PARTIES HAVE CAUSED THIS EXHIBIT F TO ASSISTANCE AGREEMENT TO BE EXECUTED BY THEIR RESPECTIVE DULY AUTHORIZED OFFICERS AS OF THE DATE OF SAID ASSISTANCE AGREEMENT.

KENTUCKY INFRASTRUCTURE AUTHORITY

BY Sandy Williams

TITLE Secretary

BULLOCK PEN WATER DISTRICT

BY Bobby Bungen

TITLE Chairman

ATTEST:

D. Johnson

TITLE office manager

DATE 3-4-11

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BULLOCK PEN WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO CONSTRUCT)	
PROPOSED WATERWORKS IMPROVEMENT)	CASE NO.
PROJECT AND FOR APPROVAL OF PROPOSED)	2008-00170
PLAN OF FINANCING, INCREASE IN RATES,)	
NONRECURRING CHARGES, AND TARIFF)	
REVISIONS)	

ORDER

On July 7, 2008, Bullock Pen Water District ("Bullock Pen") applied for a Certificate of Public Convenience and Necessity ("Certificate") to construct a \$2,614,600 *waterworks improvement project*, for authority to enter into a loan agreement with the Kentucky Infrastructure Authority ("KIA") for \$2,434,600, for authority to increase its water rates, for authority to increase certain nonrecurring charges, and for approval of the completely revised, comprehensive tariff. Because of filing deficiencies, the Commission did not accept the application for filing until February 18, 2009. On April 15, 2009, the Commission granted the Certificate and authorized the proposed KIA loan.

Commission Staff, having performed a limited financial review of Bullock Pen's operations, has prepared the attached report containing its findings and recommendations regarding the proposed water rates, nonrecurring charges, and tariff revisions. All parties should review the report carefully and submit any written

comments about Staff's findings and recommendations or requests for a hearing or an informal conference no later than 14 days from the date of this Order.

IT IS THEREFORE ORDERED that:

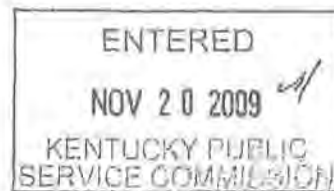
1. All parties shall have 14 days from the date of this Order to submit to the Commission written comments, if any, regarding the attached Staff Report and to request a hearing or an informal conference in this matter.

2. Any party requesting a hearing in this matter shall state in its request its objections to the findings set forth in the Staff Report and provide a brief summary of testimony that it would present at hearing.

3. A party's failure to object to a finding or recommendation contained in the Staff Report within 14 days of the date of this Order shall be deemed as agreement with that finding or recommendation.

4. If no request for a hearing or an informal conference is received within 14 days of the date of this Order, this case shall stand submitted to the Commission for decision.

By the Commission



ATTEST:



Executive Director

STAFF REPORT
ON
BULLOCK PEN WATER DISTRICT
CASE NO. 2008-00170

Bullock Pen Water District ("Bullock Pen") applied for a Certificate of Public Convenience and Necessity ("Certificate"), for authority to enter into a loan agreement with the Kentucky Infrastructure Authority ("KIA"), for authority to increase its water rates, for authority to increase certain nonrecurring charges, and for approval of the completely revised, comprehensive tariff. In its April 15, 2009 Order, the Commission granted Bullock Pen's Certificate and authorized the KIA loan. This Staff Report addresses the issues of the proposed increase in water rates, proposed increases to the nonrecurring charges, and the proposed tariff revisions.

In order to evaluate the requested increase, Commission Staff performed a limited financial review of Bullock Pen's test-period operations. In its July 7, 2008 application, Bullock Pen proposed to use the calendar year 2007 as the test period.¹ Given that the application was not considered filed until February 18, 2009, Staff used as the test period in this proceeding the most current financial information available, the calendar year ending December 31, 2008.

The scope of Staff's review was limited to obtaining information as to whether the test-period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed.

¹ Application, Exhibit 9, Financial Statements for the Years Ended December 31, 2007 and 2006.

Mark Frost and Jason Green of the Commission's Division of Financial Analysis performed the limited review. This report summarizes Staff's findings and recommendations. Mr. Green calculated the pro forma revenue adjustment using the 2008 billing analysis supplied by Bullock Pen. He is also responsible for the calculation of the rates that Bullock Pen could justify, and the proposed increases to the nonrecurring charges. Mr. Frost is responsible for pro forma surcharge calculations, all pro forma expense adjustments, and the revenue requirement determination.

The comparison of Bullock Pen's actual and pro forma operations is attached hereto as Appendix A.² Based upon the recommendations and findings of Staff's limited review of the operating revenues and expenses reported in the 2008 Annual Report and Bullock Pen's responses to Staff's information requests, Bullock Pen's pro forma operating statement appears as set forth in Appendix B. The discussions of Staff's proposed pro forma adjustments are shown in Appendix C.

As of December 31, 2008, Bullock Pen reported that it had 16 long-term debt issuances outstanding. In this proceeding, the Commission has authorized Bullock Pen to obtain a new KIA loan to fund the Phase 6 construction project. Using the amortization schedules³ for the outstanding debt and calculating the annual debt service for the new KIA loan, Staff arrives at its three-year average debt service payment of \$738,352 as shown in Table 1 below.

² Bullock Pen's Response to the Commission Staff's Second Information Request, Item 3(a).

³ Id., Item 18(b).

Series	2009	2010	2011	Totals 2009 - 2011
RD, Series 1978	\$ 79,050	\$ 79,500	\$ 78,800	\$ 237,350
RD, Series 1982	7,550	7,350	7,150	22,050
KRW, Series 2001C	27,107	26,592	26,077	79,776
KRW, Series 2001C	25,508	24,993	24,993	75,494
KRW, Series 2001G	40,733	40,758	40,661	122,152
KRW, Series 2002B	45,697	45,675	45,581	136,953
KRW, Series 2004D	8,741	8,538	8,336	25,615
KRW, Series 2005B	19,699	19,371	19,044	58,114
KRW, Series 2005B	34,735	34,162	33,589	102,486
KIA, 1991 Loan #1	27,905	26,786	13,105	67,796
KIA, 1991 Loan #2	37,067	35,724	36,807	109,598
2002 KIA Loan (DWSRF #1)	25,169	25,169	25,169	75,507
KaCOLT, Cap. Lease #1	113,092	112,399	112,494	337,985
KaCOLT, Cap. Lease #2	26,798	26,833	26,817	80,448
Old Nat. Bank, Cap. Lease #1	60,457	60,457	60,457	181,371
Old Nat. Bank, Cap. Lease #2	27,817	27,817	6,954	62,588
KIA DWSRF Loan - Proposed	146,591	146,591	146,591	439,773
Totals	\$ 753,716	\$ 748,715	\$ 712,625	\$ 2,215,056
Divide by 3 Years				3
3 Year Average Debt Service				\$ 738,352

Using the potential 183 new customers that would be served by the Phase 6 construction project, Bullock Pen determined that its requested water rates would produce annual revenues of \$3,381,856.⁴ However, if only the 86 customers that have currently applied for service in the Phase 6 construction project area are used, Bullock Pen's requested water rates would produce annual revenues of \$3,335,148, an increase of \$632,596 or 23.4 percent over Staff's normalized revenue from rates of \$2,702,552.

As shown in Table 2 below, Staff's recommended pro forma operations, annual debt service of \$738,352, and the appropriate Debt Service Coverage ("DSC")⁵ result in

⁴ Id., Exhibit 25, Summary of Proposed Revenue.

⁵ A DSC of 1.2x for the Rural Development Bonds and a DSC of 1.1x for the remaining loans and capital leases.

a revenue requirement from rates of \$3,401,034, an increase of \$698,482 or 25.845 percent over Staff's normalized revenue from rates of \$2,702,552.

	Debt Service	Coverage	Requirement
Rural Development	\$ 86,467	x 0.2	= \$ 17,293
Loans & Capital Leases	\$ 651,885	x 0.1	= 65,189
Total Debt Service Coverage			\$ 82,482
Debt Service - Existing			591,761
Debt Service - Phase 6			146,591
Add: Pro Forma Operating Expenses			2,315,849
Depreciation & Amortization			544,416
Taxes Other Than Income			+ 55,196
Total Revenue Requirement			\$ 3,736,295
Less: Other Income & Deductions			- 134,756
Revenue Requirement from Operations			\$ 3,601,539
Less: Other Operating Revenues			- 200,505
Revenue Requirement from Water Sales			\$ 3,401,034
Less: Pro Forma Revenue - Water Sales			- 2,702,552
Requested/Recommended Increase			\$ 698,482
Percentage Increase			25.845%

Staff finds that Bullock Pen's requested revenue requirement of \$3,335,148 will produce a positive cash flow of \$561,011,⁶ and is sufficient for it to pay the pro forma "cash" expenses and meet the debt service requirements of the long-term debt issuances. Therefore, Staff recommends that the Commission allow Bullock Pen to increase its water rates to a level that will generate the requested revenue requirement of \$3,335,148. Should Bullock Pen desire water rates that will generate annual

⁶ Revenue Requirement - Water Sales	\$ 3,335,148
Add: Other Operating Revenues	200,505
Other Income & Deductions	+ 134,756
Total Revenue Requirement	\$ 3,670,409
Less: Operating Expenses	- 2,915,461
Net Operating Income	\$ 754,948
Add: Depreciation & Amortization	+ 544,416
Less: Debt Service	- 738,352
Net Cash Flow	\$ 561,012

revenues of \$3,401,034, a level of revenue that Staff finds reasonable, it should amend its application to request the rates set forth in Appendix E and provide documentary evidence to the Commission that it has published notice of those rates pursuant to 807 KAR 5:011, Section 8.

Staff recommends that the Commission approve Bullock Pen's requested water rates, which are set forth in Appendix D. Staff states that the water rates contained in Appendix E will produce the recommended revenue requirement of \$3,401,034.

Bullock Pen requests the Commission to authorize it to increase certain nonrecurring charges to ensure that each nonrecurring charge reflects the actual cost of providing that service.⁷ Upon its review of Bullock Pen's cost justification for its nonrecurring charges, Staff finds the proposed charges, as set out in Appendix D, to be reasonable.

Bullock Pen is requesting the Commission to approve its completely revised, comprehensive tariff.⁸ Bullock Pen's proposed tariff revisions will be addressed in the final Order in this proceeding.

Bullock Pen also requests the Commission to authorize it to collect a monthly surcharge of \$25 per customer that receives water service in the Phase 6 construction area. Staff has determined that the Phase 6 surcharge should be \$15 per month as calculated in this report and, therefore, recommends that the Commission authorize a Phase 6 surcharge of that amount.

⁷ Application at 9.

⁸ Id. at 2.

On October 17, 2005, Bullock Pen entered into a Capital Lease agreement with the Daimler Chrysler Service North America, LLC to purchase a new truck for \$64,371.⁹ The capital lease has a five-year term and an interest rate of 4.940 percent per annum.¹⁰

In response to Staff's inquiry regarding prior Commission authorization of the Capital lease, Bullock Pen states, "It was and is the position of the District that PSC approval for the purchase of a truck such as that evidenced by the Daimler Chrysler financing was not necessary."¹¹ According to KRS 278.300(1), "No utility shall issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person until it has been authorized so to do by order of the commission." Commission approval is not required for debt which is payable in less than two years so long as it is not renewed for a period that exceeds in the aggregate, six years from the issuance date of the original debt.¹²

⁹ Bullock Pen's response to the Commission Staff's Third Information Request, Exhibit 38.

¹⁰ Id.

¹¹ Id., Item 2(a).

¹² KRS 278.300(8) states, "This section does not apply to notes issued by a utility, for proper purposes and not in violation of law, that are payable at periods of not more than two (2) years from the date thereof, or to like notes, payable at a period of not more than two (2) years from date thereof, that are issued to pay or refund in whole or in part any such notes, or to renewals of such notes from time to time, not exceeding in the aggregate six (6) years from the date of the issue of the original notes so renewed or refunded."

Given that the Capital lease is for a five-year term, it is Staff's belief that Bullock Pen was required to obtain prior Commission authorization. This is not the first instance in which Bullock Pen has violated the provisions of KRS 278.300. In its October 24, 2005 Accounting Inspection Report, Staff noted that Bullock Pen had obtained long-term debt without Commission authorization and advised Bullock Pen that in the future it "should request Commission approval for debt as required by KRS 278.300 or structure the loan so Commission approval is not required."¹³ In its response to the Inspection Report, Bullock Pen stated that "the District will have such financing approved by the Public Service Commission."¹⁴

In another instance in 2005, the KIA, on behalf of 27 water utilities, applied for retroactive authority to issue evidences of indebtedness.¹⁵ Bullock Pen was identified as one of the 27 water utilities that were involved in the KIA refinancing. In that proceeding, the Commission found that "KRS 278.300 makes no provision for the Commission to retroactively approve a utility's issuance of evidences of indebtedness."¹⁶ The Commission also stated:

The Commission places KIA and all of the utilities in question on notice that in the future they will be expected to fully comply with KRS 278.300 and to obtain Commission approval prior to the issuance of any securities or evidences of indebtedness. Their failure to meet their statutory

¹³ Bullock Pen's response to the Commission Staff's Third Information Request, Exhibit 46, "Commissions Staff's Accounting Inspection Report" at 4.

¹⁴ Id., Exhibit 47 at 3.

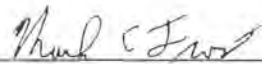
¹⁵ Case No. 2005-00058, Kentucky Infrastructure Authority's Joint Application on Behalf of Certain Water Districts for Authority to Borrow Funds to Refinance Certain Indebtedness to the Kentucky Infrastructure Authority (Ky. PSC Aug. 26, 2005).

¹⁶ Case No. 2005-00058 (Ky. PSC Aug. 26, 2005) at 4.

responsibilities will subject them to administrative sanctions. See KRS 278.990. We furthermore remind all of the water districts and their officers that they alone bear responsibility for obtaining the necessary approvals for the issuance of indebtedness and cannot abdicate their responsibility to another party – even if that party is a state agency.¹⁷

For the aforementioned reasons, Staff recommends that the Commission begin an investigation into Bullock Pen's alleged violation of KRS 278.300. Staff also recommends that the Commission include Bullock Pen's commissioners as parties to the investigation.

Signatures


Prepared by: Mark C. Frost
Financial Analyst, Water and Sewer
Revenue Requirements Branch
Division of Financial Analysis


Prepared by: Jason Green
Rate Analyst, Communications, Water
and Sewer Rate Design Branch
Division of Financial Analysis

¹⁷ Id. at 5.

APPENDIX A
 STAFF REPORT CASE NO. 2008-00170
 BULLOCK PEN'S REQUESTED
 PRO FORMA INCOME STATEMENT

	Test-Period Operations	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues:			
Revenues - Unmetered Water Sales	\$ 4,067	\$ 0	\$ 4,067
Revenues - Metered Water Sales	2,694,094	73,935	2,768,029
Revenues - Sales of Water	<u>\$ 2,698,161</u>	<u>\$ 73,935</u>	<u>\$ 2,772,096</u>
Other Operating Revenues:			
Forfeited Discounts	\$ 60,196	\$ 0	\$ 60,196
Miscellaneous Service Revenues	26,139	0	26,139
Surcharge Collections - Existing	0	0	0
Surcharge Collections - Phase 6	0	0	0
Total Other Operating Revenues	<u>\$ 86,335</u>	<u>\$ 0</u>	<u>\$ 86,335</u>
Total Operating Revenues	<u>\$ 2,784,496</u>	<u>\$ 73,935</u>	<u>\$ 2,858,431</u>
Operating Expenses:			
Operation & Maintenance:			
Salaries & Wages - Employees	\$ 741,478	\$ 0	\$ 741,478
Salaries & Wages - Officers	14,000	0	14,000
Employee Pension & Benefits	425,739	(76,322)	349,417
Purchased Water	870,317	0	870,317
Purchased Power	70,094	0	70,094
Chemicals	67,587	0	67,587
Materials & Supplies	101,680	0	101,680
Contractual Services - Eng.	13,506	0	13,506
Contractual Services - Accounting	38,862	0	38,862
Contractual Services - Legal	17,349	0	17,349
Contractual Services - Mgt	2,679	0	2,679
Contractual Services - Water Testing	20,555	0	20,555
Contractual Services - Other	53,923	0	53,923
Rental - Building/Real. Prop.	4,075	0	4,075
Rental - Equipment	7,538	0	7,538
Transportation	46,973	0	46,973
Insurance	54,009	(13,095)	40,914
Advertising	167	0	167
Bad Debt	9,076	0	9,076
Miscellaneous	410	0	410
Total Operation & Maintenance	<u>\$ 2,560,017</u>	<u>\$ (89,417)</u>	<u>\$ 2,470,600</u>
Depreciation	492,160	0	492,160
Amortization	6,801	0	6,801
Taxes Other Than Income:			
Public Service Com. Assessment	4,611	0	4,611
Payroll Taxes	54,167	0	54,167
Utility Operating Expenses	<u>\$ 3,117,756</u>	<u>\$ (89,417)</u>	<u>\$ 3,028,339</u>
Net Utility Operating Income	<u>\$ (333,260)</u>	<u>\$ 163,352</u>	<u>\$ (169,908)</u>
Other Income & Deductions:			
Revenues - Merch., Jobbing, Contract Work	114,174	0	114,174
Interest Income	20,582	0	20,582
Total Other Income & Deductions	<u>\$ 134,756</u>	<u>\$ 0</u>	<u>\$ 134,756</u>
Net Income Available for Debt Service	<u>\$ (198,504)</u>	<u>\$ 163,352</u>	<u>\$ (35,152)</u>

APPENDIX B
STAFF REPORT CASE NO. 2008-00170
STAFF'S RECOMMENDED
PRO FORMA INCOME STATEMENT

	Test-Period Operations	Pro Forma Adjustments	Adj. Ref	Pro Forma Operations
Operating Revenues:				
Revenues - Unmetered Water Sales	\$ 4,067	\$ 0		\$ 4,067
Revenues - Metered Water Sales	2,694,094	8,458	(a)	2,702,552
Revenues - Sales of Water	<u>\$ 2,698,161</u>	<u>\$ 8,458</u>		<u>\$ 2,706,619</u>
Other Operating Revenues:				
Forfeited Discounts	\$ 60,196	\$ 0		\$ 60,196
Miscellaneous Service Revenues	26,139	0		26,139
Surcharge Collections - Existing	0	81,230	(b)	81,230
Surcharge Collections - Phase 6	0	32,940	(c)	32,940
Total Other Operating Revenues	<u>\$ 86,335</u>	<u>\$ 114,170</u>		<u>\$ 200,505</u>
Total Operating Revenues	<u>\$ 2,784,496</u>	<u>\$ 122,628</u>		<u>\$ 2,907,124</u>
Operating Expenses:				
Operation & Maintenance:				
Salaries & Wages - Employees	\$ 741,478	\$ (125,391)	(d)	\$ 616,087
Salaries & Wages - Officers	14,000	0		14,000
Employee Pension & Benefits	425,739	(100,755)	(e)	324,984
Purchased Water	870,317	0		870,317
Purchased Power	70,094	0		70,094
Chemicals	67,587	0		67,587
Materials & Supplies	101,680	0		101,680
Contractual Services - Eng.	13,506	0		13,506
Contractual Services - Accounting	38,862	0		38,862
Contractual Services - Legal	17,349	(4,927)	(f)	12,422
Contractual Services - Mgt	2,679	0		2,679
Contractual Services - Water Testing	20,555	0		20,555
Contractual Services - Other	53,923	0		53,923
Rental - Building/Real. Prop.	4,075	0		4,075
Rental - Equipment	7,538	0		7,538
Transportation	46,973	0		46,973
Insurance	54,009	(13,095)	(g)	40,914
Advertising	167	0		167
Bad Debt	9,076	0		9,076
Miscellaneous	410	0		410
Total Operation & Maintenance	<u>\$ 2,560,017</u>	<u>\$ (244,168)</u>		<u>\$ 2,315,849</u>
Depreciation	492,160	45,455	(h)	537,615
Amortization	6,801	0		6,801
Taxes Other Than Income:				
Public Service Com. Assessment	4,611	0		4,611
Payroll Taxes	54,167	(3,582)	(i)	50,585
Utility Operating Expenses	<u>\$ 3,117,756</u>	<u>\$ (202,295)</u>		<u>\$ 2,915,461</u>
Net Utility Operating Income	<u>\$ (333,260)</u>	<u>\$ 324,922</u>		<u>\$ (8,338)</u>
Other Income & Deductions:				
Revenues - Merch., Jobbing, Contract Work	114,174	0		114,174
Interest Income	20,582	0		20,582
Total Other Income & Deductions	<u>\$ 134,756</u>	<u>\$ 0</u>		<u>\$ 134,756</u>
Net Income Available for Debt Service	<u>\$ (198,504)</u>	<u>\$ 324,922</u>		<u>\$ 126,418</u>

APPENDIX C
STAFF REPORT CASE NO. 2008-00170
STAFF'S PRO FORMA ADJUSTMENTS

a. Metered Water Sales. Bullock Pen proposes to increase its test-period revenue from metered water sales of \$2,694,094 by \$71,935 to reflect the 183 new customers that were projected to be added to the system when the Phase 6 construction project is completed.¹ However, as of August 5, 2009, only 86 residents had signed up for water service in the Phase 6 project area.² Applying the current tariffed rates to Bullock Pen's billing analysis and using only the 86 new Project 6 customers, Staff determined that the *pro forma* operating revenue from water sales should be increased by \$8,458 to a *pro forma* level of \$2,702,552.

b. Existing Surcharges. Bullock Pen currently has four construction surcharges listed in its tariff. In its August 27, 2009 filing, Bullock Pen provided the current number of customers in each construction surcharge area as of July 31, 2009. Using the current number of customers in each surcharge area and the tariffed surcharges, Staff calculates annual collections from existing surcharges of \$81,230 as shown in Table 1 below. Accordingly, Staff recommends that operating revenues be increased by that amount.

	Monthly	Current	Surcharge Collections	
	Surcharge	Customers	Monthly	Annual
Phase 5 Surcharge	\$ 10.00	259	\$ 3,108	\$ 31,080
Phase 7 Surcharge	\$ 12.52	53	\$ 636	7,963
Phase 8 Surcharge	\$ 11.46	202	\$ 2,424	27,779
Phase 10 Surcharge	\$ 10.72	112	\$ 1,344	14,408
Pro Forma Surcharge Collections				\$ 81,230

¹ Bullock Pen's response to the Commission Staff's Second Information Request, Item 3(a), Exhibit 24, *Projected Revenue from Customers Added by Phase 6 Construction*.

² Bullock Pen's response to the Commission Staff's Third Information Request, Item 1(a).

c. Phase 6 Construction Surcharge. Originally, Bullock Pen used an estimated customer count of 180 to show that the Phase 6 construction project would support a surcharge of \$33.75 per month.³ In its February 18, 2009 filing, Bullock Pen updated its Phase 6 surcharge calculations to reflect that 80 customers had actually signed up, which resulted in a revised surcharge of \$50.88 per month.⁴ However, Bullock Pen requests that, in lieu of the surcharges that it can justify, the Commission authorize the predetermined maximum surcharge of \$25.00 per month.⁵

Staff agrees with the Commission's previous assessment in that "the most appropriate means to recover the cost of a water main extension project is through the general rates."⁶ However, the Commission has previously authorized four construction surcharges that allow Bullock Pen to recover the financing cost of line extension projects from those customers who benefit from the project.⁷ Staff opines that Bullock

³ Application, Exhibit 6, Preliminary Engineering Report, Phase 6 - Surcharge Estimate (Preliminary).

⁴ Final Engineering Report, Phase 6 Surcharge Estimate.

⁵ Id.

⁶ Case No. 2005-00231, Application of the Bullock Pen Water District for a Certificate of Public Convenience and Necessity to Construct and Finance Improvement Projects and to Implement Surcharges to its Existing Rates Pursuant to KRS 278.020 and 278.300 (Ky. PSC Dec. 12, 2005) at 4.

⁷ See, e.g., Case No. 2002-00015, Application of the Bullock Pen Water District for a Certificate of Public Convenience and Necessity to Construct and Finance an Improvements Project and to Implement a Surcharge to Its Existing Rates Pursuant To KRS 278.020 and 278.300 (Ky. PSC Mar. 18, 2002); Case No. 2004-00339, Application of the Bullock Pen Water District for a Certificate of Public Convenience and Necessity to Construct and Finance an Improvements Project and to Implement a Surcharge to Its Existing Rates Pursuant to KRS 278.020 and 278.300 (Ky. PSC Feb. 14, 2005); Case No. 2005-00231 (Ky. PSC Dec. 12, 2005).

Pen has adequately demonstrated that a construction surcharge for the Phase 6 construction project is reasonable.

Bullock Pen conducted a "drive-by" count of the potential customers that could be served in the Phase 6 construction project area.⁸ This drive-by count indicated that there were 183 potential customers, but, as of August 1, 2009, only 86 residents had signed up for water service.⁹ Bullock Pen states that the historical trend is that, after construction begins in a project area, a significant number of additional sign-ups will occur.¹⁰ According to Bullock Pen, this trend should occur in the Phase 6 project area.¹¹ For this reason Staff is using the 183 potential customers to ensure that in the future Bullock Pen will not collect an amount greater than intended.

When developing the level of surcharges in those prior cases, the Commission considered the additional revenues that will be generated as a result of the new customers. Using estimated financial information, Bullock Pen determined that each new customer that will be served by the Phase 6 construction project will generate additional net operating income of approximately \$48.¹² In Case No. 2005-00231, the Commission determined that Bullock Pen's net operating income per customer was \$100.65 based upon the operating revenues and expenses reported for the calendar

⁸ Bullock Pen's Response to the Commission Staff Third Information Request, Item 1(a).

⁹ Id.

¹⁰ Id.

¹¹ Id.

¹² February 18, 2009, Supplemental Information Filing, Final Engineering Report, Phase 6 Surcharge Estimate.

year ended December 31, 2004.¹³ Using the pro forma operating revenues and expenses contained in this report, Staff determined that the net operating income per customer is \$70.¹⁴

Assuming that each of the potential 183 customers that will receive water service from the Phase 6 construction project will generate an additional annual net operating income of \$70, Staff has determined that the Phase 6 project surcharge should be \$15 per month, as shown in Table 2 below. Accordingly, Staff recommends Bullock Pen's operating revenues be increased by \$32,940,¹⁵ the annual surcharge collections.

Project Costs - Kenton County Customers Only	\$	863,511
Less: Tap-on Fees	-	183,000
Total Loan to Serve Kenton County Customers Only	\$	680,511
Annual Interest Rate		3.0%
Term		20
Annual Debt Service	\$	45,741
Operating Income Per Customer	\$	70.00
Multiplied by: Phase 6 - Kenton County Customers	x	183
Operating Income per Kenton County Cust.	\$	12,810
Total Annual Debt Service - Phase 6 Project	\$	45,741
Less: Operating Income per Kenton County Cust.	-	12,810
Annual Debt Service - Phase 6 Surcharge	\$	32,931
Divided by: No. Kenton County Customers	=	183
Annual Surcharge per Customer	\$	180
Divided by: 12 Months	÷	12
Monthly Surcharge - Phase 6 Project	\$	15

¹³ Case No. 2005-00231, Order of Dec. 12, 2005, at 5.

¹⁴ Annual Debt Service & Coverage	\$	820,834
Less: Annual Debt Service - Phase 6 Project		45,741
Existing Surcharge Collections		81,230
Non-operating Income		134,756
Other Operating Revenues	-	86,335
Net Operating Income - Water Rates	\$	472,772
Divided by: Total Customers	÷	6,781
Net Operating Income per Customer =	\$	70.00

¹⁵ \$15 (Phase 6 Surcharge) x 183 (Customers) x 12 (Months) = \$32,940.

d. Salaries and Wages - Employees. Bullock Pen reports a test-period level of salaries and wages - employees expense of \$741,478. Using Bullock Pen's current staff level and the hourly wages that became effective on July 1, 2008, Staff calculates a pro forma salaries and wages expense of \$616,087, as shown in Table 3 below. Accordingly, Staff recommends salaries and wages expense - employees be decreased by \$125,391 to reflect its pro forma level of \$616,087.

Employee Position	Hours Worked			Pro Forma Rates as of 7/01/08		Pro Forma Salaries & Wages
	Regular	Overtime	% Cap	Reg.	Over.	
Distribution	2,080.0	204.0	3.11%	\$ 23.29	\$ 34.94	\$ 53,842
Clerical	2,080.0	7.0	0.00%	\$ 13.22	\$ 19.83	27,637
Clerical	2,080.0	6.5	1.65%	\$ 16.07	\$ 24.11	33,027
Distribution	2,080.0	72.5	12.61%	\$ 24.89	\$ 37.34	47,611
Clerical	2,080.0	0.0	0.00%	\$ 10.00	\$ 15.00	20,800
Clerical	2,080.0	15.5	1.59%	\$ 18.52	\$ 27.78	38,334
Distribution	2,080.0	78.5	0.00%	\$ 14.45	\$ 21.68	31,758
Operator	2,080.0	61.5	0.00%	\$ 20.00	\$ 30.00	43,445
Distribution	2,080.0	64.5	9.09%	\$ 18.06	\$ 27.09	35,740
Asst Office Mgr	2,080.0	10.0	0.00%	\$ 63,866.43	N/A	63,866
Distribution	2,080.0	45.0	0.00%	\$ 14.75	\$ 22.13	31,676
Clerical	2,080.0	0.0	0.00%	\$ 10.00	\$ 15.00	20,800
Distribution	2,080.0	49.0	0.00%	\$ 23.03	\$ 34.55	49,595
Distribution	2,080.0	42.5	0.00%	\$ 10.00	\$ 15.00	21,438
Office Manager	2,080.0	0.0	0.00%	\$ -	N/A	0
Operator	2,080.0	67.5	0.00%	\$ 13.49	\$ 20.24	29,425
Asst Dist Mgr	2,080.0	0.0	4.08%	\$ 69,948.93	N/A	67,093
District Manager	2,080.0	0.0	0.00%	\$ -	N/A	0
Total						\$ 616,087

e. Employee Pensions and Benefits. Bullock Pen reports a test-period level of employee pensions and benefits expense of \$425,739. On July 1, 2009, the County Employees Retirement System employer contribution rate was increased to 16.16 percent.¹⁶ Using the current employee health insurance premiums and the employer

¹⁶ Bullock Pen's Response to the Commission Staff's Second Information Request, Exhibit 33.

retirement contribution rate of 16.16 percent, Staff calculates a pro forma level of employee pensions and benefits expense of \$324,984. Staff recommends that Bullock Pen's employee pensions and benefits expense be decreased by \$100,755 to reflect Staff's pro forma level.

f. Contractual Services - Legal. Bullock Pen reports a test-period level of contractual services - legal expense of \$17,349. In reviewing the invoices from Bullock Pen's attorney, Thomas R. Nienaber, Staff determined that \$4,927 of the legal fees were either for nonrecurring or capital projects. For this reason, Staff is reducing contractual services - legal expense by \$4,927 to eliminate those test-period legal fees from test-period operating expenses.

g. Insurance. Bullock Pen proposes to reduce its test-period insurance expense of \$54,009¹⁷ by \$13,095 for a pro forma level of \$40,914. "In September 2008, Bullock Pen advertised for bids from insurance carriers for the upcoming insurance coverage period."¹⁸ As a result of this bidding process, Bullock Pen awarded the insurance contract to the Chas Bilz Agency.¹⁹ Bullock Pen's proposed adjustment reflects the insurance premiums that became affective in 2009.

Staff opines that an adjustment to reflect the 2009 insurance premiums meets the rate-making criteria of being known and measurable. Accordingly, Staff

¹⁷ \$10,073 (Automobile) + \$16,321 (Liability) + \$6,739 (Other) + \$20,876 (Workers Compensation) = \$54,009.

¹⁸ Bullock Pen's Response to the Commission Staff's Second Information Request, Item 16.

¹⁹ Id.

recommends that the Commission accept Bullock Pen's proposed adjustment to reduce insurance expense by \$13,095.

h. Depreciation. Bullock Pen reports a test-period level of depreciation expense of \$492,160. Staff recommends that depreciation expense be increased by \$45,455 to reflect depreciating the cost to construct the Project 6 line extension over a 50-year depreciation life.

i. Payroll Taxes. Bullock Pen reports a test-period payroll tax expense of \$54,167. Using the pro forma payroll determined reasonable herein and the current "FICA" rate of 7.65 percent, Staff calculates a pro forma payroll tax expense of \$50,585, a decrease of \$3,582 below the reported level. Accordingly, Staff proposes to decrease payroll tax expense by \$3,582.

APPENDIX D
 STAFF REPORT CASE NO. 2008-00170
 RATES AND CHARGES
 BULLOCK PEN REQUESTED

RATES AND CHARGES

5/8" x 3/4" Meter:

First	2,000	gallons	\$ 23.75	Minimum bill
Next	3,000	gallons	\$ 6.92	per 1,000 gallons
Next	5,000	gallons	\$ 6.45	per 1,000 gallons
Next	10,000	gallons	\$ 6.32	per 1,000 gallons
All Over	20,000	gallons	\$ 5.55	per 1,000 gallons

1" Meter:

First	5,000	gallons	\$ 44.51	Minimum bill
Next	5,000	gallons	\$ 6.45	per 1,000 gallons
Next	10,000	gallons	\$ 6.32	per 1,000 gallons
All Over	20,000	gallons	\$ 5.55	per 1,000 gallons

1 1/2" Meter:

First	10,000	gallons	\$ 76.76	Minimum bill
Next	10,000	gallons	\$ 6.32	per 1,000 gallons
All Over	20,000	gallons	\$ 5.55	per 1,000 gallons

2" Meter:

First	20,000	gallons	\$ 139.96	Minimum bill
All Over	20,000	gallons	\$ 5.55	per 1,000 gallons

Bulk Loading Station \$ 6.17 per 1,000 gallons

Phase 6 Surcharge \$ 15.00¹

NONRECURRING CHARGES

Meter Reread	\$ 35.00
Meter Test	\$ 50.00
Reconnection	\$ 50.00
Service Call - Investigation	\$ 35.00
Meter Relocation	Actual Cost

¹ Bullock Pen proposed a surcharge of \$25.00 per month to be charged to those customers receiving service in the Phase 6 construction project area. In this report, Staff has determined that the Phase 6 surcharge should be \$15.00 per month.

APPENDIX E
 STAFF REPORT CASE NO. 2008-00170
 RATES AND CHARGES
 BULLOCK PEN COULD JUSTIFY

RATES AND CHARGES

5/8" x 3/4" Meter:

First	2,000	gallons	\$ 26.59	Minimum bill
Next	3,000	gallons	\$ 8.80	per 1,000 gallons
Next	5,000	gallons	\$ 7.96	per 1,000 gallons
Next	10,000	gallons	\$ 7.11	per 1,000 gallons
All Over	20,000	gallons	\$ 6.26	per 1,000 gallons

1" Meter:

First	5,000	gallons	\$ 52.99	Minimum bill
Next	5,000	gallons	\$ 7.96	per 1,000 gallons
Next	10,000	gallons	\$ 7.11	per 1,000 gallons
All Over	20,000	gallons	\$ 6.26	per 1,000 gallons

1 1/2" Meter:

First	10,000	gallons	\$ 92.79	Minimum bill
Next	10,000	gallons	\$ 7.11	per 1,000 gallons
All Over	20,000	gallons	\$ 6.26	per 1,000 gallons

2" Meter:

First	20,000	gallons	\$ 163.89	Minimum bill
All Over	20,000	gallons	\$ 6.26	per 1,000 gallons

Bulk Loading Station \$ 6.98 per 1,000 gallons

Phase 6 Surcharge \$ 15.00

NONRECURRING CHARGES

Meter Reread	\$ 35.00
Meter Test	\$ 50.00
Reconnection	\$ 50.00
Service Call - Investigation	\$ 35.00
Meter Relocation	Actual Cost

William Catlett
General Manager
Bullock Pen Water District
One Farrell Drive
P. O. Box 188
Chillicothe, KY 41030

Honorable Thomas R Nienaber
Attorney at Law
Berger, Cox & Nienaber
401 Madison Avenue
Covington, KY 41011



KENTUCKY INFRASTRUCTURE AUTHORITY

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

Steven L. Beshear
Governor

John E. Covington III
Executive Director

March 1, 2011

Mr. Bobby Burgess, Chairman
Bullock Pen Water District
PO Box 188
Crittenden, KY 41030

RE: Bullock Pen Water District – Water Line Replacement
KIA Drinking Water State Revolving Fund Loan F07-09

Dear Chairman Burgess:

Attached for your review and signature is the Exhibit F to the Assistance Agreement (dated December 1, 2008) for the above-mentioned project. All eligible funds have been drawn and the total amount is \$2,192,700. This exhibit shows acknowledgement of the loan repayment schedule from which the district is retiring its debt.

The execution of this document will complete the Assistance Agreement documentation requirements of the Kentucky Infrastructure Authority. **Please sign all four copies and return three to the Authority as soon as possible.** A copy should be retained for your records. Please call (502) 573-0260 with any questions.

Sincerely,

A handwritten signature in cursive script that reads "Kasi L. White".

Kasi L. White
Financial Analyst

Attachments

FUND F
EXHIBIT F
F07-09
TO ASSISTANCE AGREEMENT BETWEEN
BULLOCK PEN WATER DISTRICT
("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

TOTAL LOAN TO BE REPAYED BY
BULLOCK PEN WATER DISTRICT (F07-09)
KENTUCKY INFRASTRUCTURE AUTHORITY
PRINCIPAL AND INTEREST PAYABLE
ON EACH JUNE AND DECEMBER

\$2,192,700

IT IS UNDERSTOOD AND AGREED BY THE PARTIES TO THIS ASSISTANCE AGREEMENT THAT THIS EXHIBIT F IS AN INTEGRAL PART OF THE ASSISTANCE AGREEMENT BETWEEN THE GOVERNMENTAL AGENCY AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

IN WITNESS WHEREOF, THE PARTIES HAVE CAUSED THIS EXHIBIT F TO ASSISTANCE AGREEMENT TO BE EXECUTED BY THEIR RESPECTIVE DULY AUTHORIZED OFFICERS AS OF THE DATE OF SAID ASSISTANCE AGREEMENT.

KENTUCKY INFRASTRUCTURE AUTHORITY

BY Sandy Williams

TITLE Secretary

BULLOCK PEN WATER DISTRICT

BY Bobby Buzgen

TITLE Chairman

ATTEST:

[Signature]

TITLE office manager

DATE 3-4-11

KENTUCKY INFRASTRUCTURE AUTHORITY

LOAN #F11-05

DWSRF #4

PSC Approval - Case No. 2012-00354 - 9/13/2012
 KENTUCKY INFRASTRUCTURE AUTHORITY
 REPAYMENT SCHEDULE
 BULLOCK PEN WATER DISTRICT
 DRINKING WATER STATE REVOLVING FUND
 INTEREST RATE - 2.00%
 P & I CALCULATION-

DWSRF #4 - Phase 12
 500,000 Gallon Storage Tank

1,796,300.00

\$54,707.39 Semiannually \$109,414.78 Annually

Payment Date	Principal Due	Interest Due	Principal & Interest	Servicing Fee	Total Payment	Principal Balance
10/23/2014						1,796,300.00
12/1/2014	36,744.39	16,489.47	53,233.86	2,245.38	55,479.24	1,759,555.61
6/1/2015	37,111.83	17,595.56	54,707.39	2,199.44	56,906.83	1,722,443.78
12/1/2015	37,482.95	17,224.44	54,707.39	2,153.05	56,860.44	1,684,960.82
6/1/2016	37,857.78	16,849.61	54,707.39	2,106.20	56,813.59	1,647,103.04
12/1/2016	38,236.36	16,471.03	54,707.39	2,058.88	56,766.27	1,608,866.68
6/1/2017	38,618.72	16,088.67	54,707.39	2,011.08	56,718.47	1,570,247.96
12/1/2017	39,004.91	15,702.48	54,707.39	1,962.81	56,670.20	1,531,243.05
6/1/2018	39,394.96	15,312.43	54,707.39	1,914.05	56,621.44	1,491,848.09
12/1/2018	39,788.91	14,918.48	54,707.39	1,864.81	56,572.20	1,452,059.18
6/1/2019	40,186.80	14,520.59	54,707.39	1,815.07	56,522.46	1,411,872.38
12/1/2019	40,588.67	14,118.72	54,707.39	1,764.84	56,472.23	1,371,283.72
6/1/2020	40,994.55	13,712.84	54,707.39	1,714.10	56,421.49	1,330,289.16
12/1/2020	41,404.50	13,302.89	54,707.39	1,662.86	56,370.25	1,288,884.66
6/1/2021	41,818.54	12,888.85	54,707.39	1,611.11	56,318.50	1,247,066.12
12/1/2021	42,236.73	12,470.66	54,707.39	1,558.83	56,266.22	1,204,829.39
6/1/2022	42,659.10	12,048.29	54,707.39	1,506.04	56,213.43	1,162,170.30
12/1/2022	43,085.69	11,621.70	54,707.39	1,452.71	56,160.10	1,119,084.61
6/1/2023	43,516.54	11,190.85	54,707.39	1,398.86	56,106.25	1,075,568.07
12/1/2023	43,951.71	10,755.68	54,707.39	1,344.46	56,051.85	1,031,616.36
6/1/2024	44,391.23	10,316.16	54,707.39	1,289.52	55,996.91	987,225.13
12/1/2024	44,835.14	9,872.25	54,707.39	1,234.03	55,941.42	942,389.99
6/1/2025	45,283.49	9,423.90	54,707.39	1,177.99	55,885.38	897,106.50
12/1/2025	45,736.32	8,971.07	54,707.39	1,121.38	55,828.77	851,370.18
6/1/2026	46,193.69	8,513.70	54,707.39	1,064.21	55,771.60	805,176.49
12/1/2026	46,655.63	8,051.76	54,707.39	1,006.47	55,713.86	758,520.86
6/1/2027	47,122.18	7,585.21	54,707.39	948.15	55,655.54	711,398.68
12/1/2027	47,593.40	7,113.99	54,707.39	889.25	55,596.64	663,805.28
6/1/2028	48,069.34	6,638.05	54,707.39	829.76	55,537.15	615,735.94
12/1/2028	48,550.03	6,157.36	54,707.39	769.67	55,477.06	567,185.91
6/1/2029	49,035.53	5,671.86	54,707.39	708.98	55,416.37	518,150.38
12/1/2029	49,525.89	5,181.50	54,707.39	647.69	55,355.08	468,624.49
6/1/2030	50,021.15	4,686.24	54,707.39	585.78	55,293.17	418,603.35
12/1/2030	50,521.36	4,186.03	54,707.39	523.25	55,230.64	368,081.99
6/1/2031	51,026.57	3,680.82	54,707.39	460.10	55,167.49	317,055.42
12/1/2031	51,536.84	3,170.55	54,707.39	396.32	55,103.71	265,518.59
6/1/2032	52,052.20	2,655.19	54,707.39	331.90	55,039.29	213,466.38
12/1/2032	52,572.73	2,134.66	54,707.39	266.83	54,974.22	160,893.66
6/1/2033	53,098.45	1,608.94	54,707.39	201.12	54,908.51	107,795.20
12/1/2033	53,629.44	1,077.95	54,707.39	134.74	54,842.13	54,165.76
6/1/2034	54,165.76	541.63	54,707.39	67.71	54,775.10	0.00
Totals	1,796,300.00	390,522.07	2,186,822.07	48,999.45	2,235,821.52	

Initial Loan Values

Loan Amount:	\$1,796,300.00	Number of Payments:	40
Annual Interest Rate:	2.0000%	Periodic Payment:	\$48,719.18
Loan Date:	02/01/2014	1st Payment Due:	06/01/2014
Payment Frequency:	Semiannually	Last Payment Due:	12/01/2033
Total Interest Due:	\$386,007.42	Total All Payments:	\$2,182,307.42

Payment Schedule

#/Year	Date	Payment	Interest	Principal	Balance
Loan:	02/01/14				1,796,300.00
1/01	06/01/14	48,719.19	11,974.80	36,744.39	1,759,555.61
2/01	12/01/14	54,707.39	17,595.56	37,111.83	1,722,443.78
Y-T-D 2014	12/31/14	103,426.58	29,570.36	73,856.22	
Running	12/31/14	103,426.58	29,570.36	73,856.22	
3/02	06/01/15	54,707.39	17,224.44	37,482.95	1,684,960.83
4/02	12/01/15	54,707.39	16,849.61	37,857.78	1,647,103.05
Y-T-D 2015	12/31/15	109,414.78	34,074.05	75,340.73	
Running	12/31/15	212,841.36	63,644.41	149,196.95	
5/03	06/01/16	54,707.39	16,471.03	38,236.36	1,608,866.69
6/03	12/01/16	54,707.39	16,088.67	38,618.72	1,570,247.97
Y-T-D 2016	12/31/16	109,414.78	32,559.69	76,855.08	
Running	12/31/16	322,256.14	96,204.11	226,052.03	
7/04	06/01/17	54,707.39	15,702.48	39,004.91	1,531,243.06
8/04	12/01/17	54,707.39	15,312.43	39,394.96	1,491,848.10
Y-T-D 2017	12/31/17	109,414.78	31,014.91	78,399.87	
Running	12/31/17	431,670.92	127,219.02	304,451.90	
9/05	06/01/18	54,707.39	14,918.48	39,788.91	1,452,059.19
10/05	12/01/18	54,707.39	14,520.59	40,186.80	1,411,872.39
Y-T-D 2018	12/31/18	109,414.78	29,439.07	79,975.71	
Running	12/31/18	541,085.70	156,658.09	384,427.61	
11/06	06/01/19	54,707.39	14,118.72	40,588.67	1,371,283.72
12/06	12/01/19	54,707.39	13,712.84	40,994.55	1,330,289.17
Y-T-D 2019	12/31/19	109,414.78	27,831.55	81,583.22	
Running	12/31/19	650,500.48	184,489.65	466,010.83	
13/07	06/01/20	54,707.39	13,302.89	41,404.50	1,288,884.67
14/07	12/01/20	54,707.39	12,888.85	41,818.54	1,247,066.13
Y-T-D 2020	12/31/20	109,414.78	26,191.73	83,223.04	
Running	12/31/20	759,915.26	210,681.39	549,233.87	
15/08	06/01/21	54,707.39	12,470.66	42,236.73	1,204,829.40
16/08	12/01/21	54,707.39	12,048.29	42,659.10	1,162,170.30
Y-T-D 2021	12/31/21	109,414.78	24,518.95	84,895.83	
Running	12/31/21	869,330.04	235,200.34	634,129.70	
17/09	06/01/22	54,707.39	11,621.70	43,085.69	1,119,084.61
18/09	12/01/22	54,707.39	11,190.85	43,516.54	1,075,568.07
Y-T-D 2022	12/31/22	109,414.78	22,812.55	86,602.23	
Running	12/31/22	978,744.82	258,012.89	720,731.93	
19/10	06/01/23	54,707.39	10,755.68	43,951.71	1,031,616.36

20/10	12/01/23	54,707.39	10,316.16	44,391.23	987,225.13
Y-T-D 2023 Running	12/31/23 12/31/23	109,414.78 1,088,159.60	21,071.84 279,084.73	88,342.94 809,074.87	
21/11 22/11	06/01/24 12/01/24	54,707.39 54,707.39	9,872.25 9,423.90	44,835.14 45,283.49	942,389.99 897,106.50
Y-T-D 2024 Running	12/31/24 12/31/24	109,414.78 1,197,574.38	19,296.15 298,380.88	90,118.63 899,193.50	
23/12 24/12	06/01/25 12/01/25	54,707.39 54,707.39	8,971.07 8,513.70	45,736.32 46,193.69	851,370.18 805,176.49
Y-T-D 2025 Running	12/31/25 12/31/25	109,414.78 1,306,989.16	17,484.77 315,865.65	91,930.01 991,123.51	
25/13 26/13	06/01/26 12/01/26	54,707.39 54,707.39	8,051.76 7,585.21	46,655.63 47,122.18	758,520.86 711,398.68
Y-T-D 2026 Running	12/31/26 12/31/26	109,414.78 1,416,403.94	15,636.97 331,502.62	93,777.81 1,084,901.32	
27/14 28/14	06/01/27 12/01/27	54,707.39 54,707.39	7,113.99 6,638.05	47,593.40 48,069.34	663,805.28 615,735.94
Y-T-D 2027 Running	12/31/27 12/31/27	109,414.78 1,525,818.72	13,752.04 345,254.66	95,662.73 1,180,564.06	
29/15 30/15	06/01/28 12/01/28	54,707.39 54,707.39	6,157.36 5,671.86	48,550.03 49,035.53	567,185.91 518,150.38
Y-T-D 2028 Running	12/31/28 12/31/28	109,414.78 1,635,233.50	11,829.22 357,083.88	97,585.56 1,278,149.62	
31/16 32/16	06/01/29 12/01/29	54,707.39 54,707.39	5,181.50 4,686.24	49,525.89 50,021.15	468,624.49 418,603.34
Y-T-D 2029 Running	12/31/29 12/31/29	109,414.78 1,744,648.28	9,867.74 366,951.62	99,547.04 1,377,696.66	
33/17 34/17	06/01/30 12/01/30	54,707.39 54,707.39	4,186.03 3,680.82	50,521.36 51,026.57	368,081.98 317,055.41
Y-T-D 2030 Running	12/31/30 12/31/30	109,414.78 1,854,063.06	7,866.85 374,818.47	101,547.93 1,479,244.59	
35/18 36/18	06/01/31 12/01/31	54,707.39 54,707.39	3,170.55 2,655.19	51,536.84 52,052.20	265,518.57 213,466.37
Y-T-D 2031 Running	12/31/31 12/31/31	109,414.78 1,963,477.84	5,825.74 380,644.21	103,589.04 1,582,833.63	
37/19 38/19	06/01/32 12/01/32	54,707.39 54,707.39	2,134.66 1,608.94	52,572.73 53,098.45	160,893.64 107,795.19
Y-T-D 2032 Running	12/31/32 12/31/32	109,414.78 2,072,892.62	3,743.60 384,387.81	105,671.18 1,688,504.81	
39/20 40/20	06/01/33 12/01/33	54,707.39 54,707.41	1,077.95 541.66	53,629.44 54,165.75	54,165.75 0.00
Y-T-D 2033 Running	12/31/33 12/31/33	109,414.80 2,182,307.42	1,619.61 386,007.42	107,795.19 1,796,300.00	

This loan is using the normal amortizing method.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BULLOCK PEN WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO)	2012-00354
CONSTRUCT AND FINANCE A WATER TOWER)	
PROJECT)	

ORDER

Bullock Pen Water District ("Bullock Pen") has applied for a Certificate of Public Convenience and Necessity for a water system improvement project at an approximate total project cost of \$1,876,300 and for authority to execute an Assistance Agreement with Kentucky Infrastructure Authority ("KIA"). Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:

1. Bullock Pen, a water district organized pursuant to KRS Chapter 74, owns and operates water distribution facilities that serve approximately 6,680 customers in Boone, Gallatin, Grant, Kenton, and Pendleton counties in Kentucky.¹

2. Bullock Pen proposes to construct a 500,000-gallon elevated water storage tank in the southwest quadrant of Interstate 75 and Kentucky Highway 491, an above-ground prefabricated pump station and building, a generator, and 1.17 miles of eight-inch water mains to serve the water tank and related appurtenances.

3. The proposed project will improve the energy efficiency of Bullock Pen's operations, enable the water district to meet minimum water storage requirements, and improve water pressure in portions of Grant County.

¹ *Annual Report of Bullock Pen to the Public Service Commission for the [Calendar Year Ended December 31, 2011]* at 5, 27.

4. The estimated total cost of the proposed project, including construction cost, contingencies, engineering and inspection fees, is \$1,876,300.

5. CMW, Inc., of Lexington, Kentucky, prepared the plans and specifications for the proposed project.

6. The Division of Water of the Kentucky Energy and Environment Cabinet has approved the plans and specifications for the proposed project.

7. The proposed project will not compete or conflict with the facilities of other jurisdictional utilities operating in the same area.

8. The proposed project will not result in the wasteful duplication of utility facilities or excessive investment.

9. Bullock Pen proposes to enter an Assistance Agreement with KIA to borrow \$1,796,300 and to repay this amount over a 20-year term at an interest rate of 2.0 percent per annum.

10. Bullock Pen proposes to fund the remaining project cost with a \$30,000 contribution from Grant County Sanitary Sewer District and \$50,000 from internally generated funds.

11. The proposed project will not require an adjustment in Bullock Pen's rates for service.

12. The proposed Assistance Agreement with KIA is for lawful objects within Bullock Pen's corporate purpose, is necessary, appropriate for and consistent with the proper performance of Bullock Pen's service to the public, will not impair Bullock Pen's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Bullock Pen is granted a Certificate of Public Convenience and Necessity to proceed with the proposed water system improvement project as set forth in the plans and specifications of record herein.

2. Bullock Pen shall notify the Commission prior to performing any additional construction not expressly authorized by this Order.

3. Any deviation from the construction approved shall be undertaken only with the approval of the Commission.

4. Bullock Pen shall furnish documentation of the total costs of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

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

6. Bullock Pen shall require the construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky registration in civil, electrical, or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

7. Bullock Pen is authorized to enter the proposed Assistance Agreement with KIA to borrow from KIA an amount not to exceed \$1,796,300, which shall be repaid over a 20-year period at an interest rate of 2.0 percent per annum.

8. Within 30 days of executing its proposed Assistance Agreement with KIA, Bullock Pen shall file with the Commission an executed copy of the Assistance Agreement and all documents referenced in the Assistance Agreement.

9. Bullock Pen shall use the proceeds from the proposed Assistance Agreement with KIA only for the lawful purposes set forth in its Application.


10. Any documents filed pursuant to ordering paragraphs 4, 5, and 8 shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty or guarantee of the Commonwealth of Kentucky, or any agency thereof, of the evidences of indebtedness authorized herein.

By the Commission



ATTEST:



Executive Director



KENTUCKY INFRASTRUCTURE AUTHORITY

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

Steven L. Beshear
Governor

John E. Covington III
Executive Director

August 2, 2012

7010 1870 0003 5264 8913

Mr. Bobby Burgess, Chairman
Bullock Pen Water District
P.O. Box 188
Crittenden, KY 41030

KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F11-05) (10% INCREASE)

Dear Mr. Burgess:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On August 2, 2012, the Authority approved an increase of \$163,300 to your existing loan for the BPWD Grant County Improvements project subject to the conditions stated below. The revised total cost of the project shall not exceed \$1,876,300 of which the Authority loan shall provide \$1,796,300 of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Bullock Pen Water District upon satisfactory performance of the conditions set forth in this letter. You were previously granted an extension of time until October 21, 2012 to meet the conditions set forth in the original commitment letter and to enter into an Assistance Agreement. If the project does not meet the conditions by the new expiration date, no additional extensions will be considered and the commitment will be rescinded. Funds will be available for disbursement only after execution of the Assistance Agreement.

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

1. The Authority project loan shall not exceed \$1,796,300.



2. The loan shall bear interest at the rate of 2% per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The Authority loan funds must be expended within six months of the official date of initiation of operation.
9. Fund "F" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be preformed for the life of the loan.

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

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

Mr. Bobby Burgess
August 2, 2012
Page 4

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

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

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

1. The Borrower shall require all contractors to pay wages pursuant to applicable prevailing wage rates (federal or state) for all work relating to the subject Project. The Borrower shall, if applicable, comply with all Davis Bacon related monitoring and reporting.
2. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.
3. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.

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

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

Sincerely,



John E. Covington
Executive Director


Attachments


cc: Kerry Odle, CMW, Inc.
Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State Local Debt Office, DLG

Mr. Bobby Burgess
August 2, 2012
Page 5

Borrower File - Bullock Pen Water District - F11-05

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


Accepted


Date

AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND F11-05)

Borrower Information:

Name: Bulluck Pen Water District

Address: P.O. Box 139

City: Crittenden State: KY Zip: 41030

Telephone: 502-428-2112 Contact: Amy Johnson

Federal I.D. # 61-607292

Financial Institution Information:

Bank Name: Bank of Kentucky

Branch: Crittenden Phone No: 502-428-2500

City: Crittenden State: KY Zip: 41030

Transit / ABA No.: 04210211

Account Name: Bulluck Pen

Account Number: 0292567

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

Signature:  Date: 3-17-12

Name Printed: Amy Johnson Job Title: Office Manager

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

ATTACHMENT A

Bullock Pen Water District
F11-05

EXECUTIVE SUMMARY
KENTUCKY INFRASTRUCTURE AUTHORITY
FUND F, FEDERALLY ASSISTED DRINKING WATER
REVOLVING LOAN FUND

Reviewer: Sandy Williams
 Date: August 2, 2012
 KIA Loan Number: F11-05 Increase
 WRIS Number: WX21081304

BORROWER BULLOCK PEN WATER DISTRICT
 GRANT COUNTY

BRIEF DESCRIPTION

The Bullock Pen Water District is requesting an increase of \$163,300 in their Fund "F" loan that was previously approved on April 7, 2011. The increase is required due to bids being higher than the original estimate due to changes in foundation design of the tank (due to depth of rock), inclusion of a generator for a pump station, and increased labor costs from the original estimate. The amount of the increase falls within the approval authority of the Executive Director. The original project description is below.

This project is for the construction of a 500,000 gallon elevated water storage tank, pump station with variable frequency drive controller, the installation of .92 miles of new 8" PVC water line and the replacement of .46 miles of 3" and 4" water lines with 8" water lines. The tank will be constructed on the west side of Interstate 75 and will supplement water storage with a 200,000 gallon tank that is on the east side of I-75. The pump station will then pump water through the new lines to fill the existing Mt. Zion tank. The current path of feeding this tank, along with two other tanks, at times causes high pressure on the water lines in the Zion Station area. The new configuration will result in all tanks filling faster while reducing pressure.

PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund F Loan	\$1,796,300	Legal Expenses			\$10,000
Grant County Sanitary Sewer District	30,000	Planning			5,000
BPWD	50,000	Eng - Design	8.1%	6.8%	111,750
		Eng - Constr / Insp	5.0%	4.3%	69,827
		Eng - Other			19,754
		Construction			1,623,982
		Equipment			18,000
		Contingency			17,987
TOTAL	\$1,876,300	TOTAL			\$1,876,300

REPAYMENT	Rate	2.00%	Est. Annual Payment	\$113,906
	Term	20 years	1st Payment	6 Mo. after first draw

PROFESSIONAL SERVICES	Engineer	CMW, Inc.
	Bond Counsel	Peck, Shaffer, & Williams

PROJECT SCHEDULE	Bid Opening	July-12
	Construction Start	September-12
	Construction Stop	February-14

DEBT PER CUSTOMER	Existing	\$1,027
	Proposed	\$1,037

RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>
	Current	6,989	\$44.19 (for 4,000 gallons)
	Additional	0	\$44.19 (for 4,000 gallons)

REGIONAL COORDINATION This project is consistent with regional planning recommendations.

CASHFLOW	Cash Available for Debt Service	Debt Service	Income After Debt Service	Coverage Ratio
Audited 2007	545,351	749,012	(203,661)	0.7
Audited 2008	250,442	729,279	(478,837)	0.3
Audited 2009	508,560	714,732	(206,172)	0.7
Audited 2010	1,414,386	801,585	612,801	1.8
Estimated 2011	1,348,623	825,969	522,654	1.6
Projected 2012	1,288,892	799,745	489,147	1.6
Projected 2013	1,233,220	761,662	471,558	1.6
Projected 2014	1,198,286	800,351	397,935	1.5
Projected 2015	1,121,251	787,526	333,725	1.4

Reviewer: Sandy Williams
Date: August 2, 2012
Loan Number: F11-05 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND "F")
BULLOCK PEN WATER DISTRICT, GRANT COUNTY
PROJECT REVIEW
WX21081304**

I. PROJECT DESCRIPTION

The Bullock Pen Water District is requesting an increase of \$163,300 in their Fund "F" loan that was previously approved on April 7, 2011. The increase is required due to bids being higher than the original estimate due to changes in foundation design of the tank (due to depth of rock), inclusion of a generator for a pump station, and increased labor costs from the original estimate. The amount of the increase falls within the approval authority of the Executive Director. The original project description is below.

The Bullock Pen Water District (the "District") is requesting a \$1,633,000 Drinking Water SRF loan for the Grant County Improvements project. The project is for the construction of a 500,000 gallon elevated water storage tank, pump station with variable frequency drive controller, the installation of .92 miles of new 8" PVC water line and the replacement of .46 miles of 3" and 4" water lines with 8" water lines. The tank will be constructed on the west side of Interstate 75 and will supplement water storage with a 200,000 gallon tank that is on the east side of Interstate 75. The pump station will then pump water through the new lines to fill the existing Mt. Zion tank. The current path of feeding this tank, along with two other tanks, at times causes high pressure on the water lines in the Zion Station area. The new configuration will result in all tanks filling faster while reducing pressure.

The District serves areas of Grant, Boone, Kenton, Pendleton and Gallatin Counties. They purchase water from the Boone County Water District, Northern Kentucky Water District and the cities of Walton and Williamstown.

II. PROJECT BUDGET

	Original	Increase	Revised
Legal Expenses	\$ 10,000	\$ 0	\$ 10,000
Land, Easements	30,000	(30,000)	0
Engineering Fees	202,803	3,528	206,331
Construction	1,277,480	346,502	1,623,982
Contingency	127,717	(109,730)	17,987
Other	15,000	3,000	18,000
Total	\$ 1,663,000	\$ 213,300	\$ 1,876,300

III. PROJECT FUNDING

	Amount	%
Fund F Loan	\$ 1,796,300	96%
Grant County Sanitary Sewer District	30,000	2%
BPWD	50,000	3%
Total	\$ 1,876,300	100%

IV. KIA DEBT SERVICE

	Original	Increase	Revised
Construction Loan	\$ 1,633,000	\$ 163,300	\$ 1,796,300
Interest Rate	2.00%	2.00%	2.00%
Loan Term (Years)	20	20	20
Estimated Annual Debt Service	\$ 99,468	\$ 9,947	\$ 109,415
Administrative Fee (0.25%)	4,083	408	4,491
Total Estimated Annual Debt Service	\$ 103,550	\$ 10,356	\$ 113,906

V. PROJECT SCHEDULE

Bid Opening:	July 2012
Construction Start:	September 2012
Construction Stop:	February 2014

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	Current
Residential	6,623
Commercial	361
Industrial	5
Total	6,989

B) Rates

Water rates are subject to PSC jurisdiction. Rates were last increased in January 2010.

Rates Per 1,000 Gallons	
First 2,000 gallons (Minimum Bill)	\$26.59
Next 3,000 gallons (per 1000 gal)	8.80
Next 5,000 gallons (per 1000 gal)	7.96
Next 10,000 gallons (per 1000 gal)	7.11
All Over 20,000 gal, per 1000 gal)	6.26
Cost for 4,000 gallons	\$44.19
Affordability Index (Rate/MHI)	1.4%

Surcharges ranging from \$10 to \$15 per month also exist for five expansion areas within the district.

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2006-2010, the County's population was 24,604 with a Median Household Income (MHI) of \$42,475. The median household income for the Commonwealth is \$41,576. The project will qualify for a 2% interest rate because the District is a regional service provider. Requests for loan increases retain the terms of the original loan approval.

VIII. 2010 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project qualifies for \$120,000 in Green Project Reserve (GPR) funding under the category of Energy Efficiency.
- 2) Additional Subsidization - This project does not qualify for additional subsidization.

IX. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the District was obtained from audited financial statements for the years ended December 31, 2007 through 2010. Amounts for 2011 are estimated.

HISTORICAL

Revenues have increased 100% from \$2,986,801 in 2007 to \$4,152,883 in 2010 due to a combination of customer growth and rate increases. The District's customer base has increased approximately 20% from 5,559 in 6,989 since 2007. Additionally, rates were increased 44.5% at the beginning of 2010. Customer growth has been driven by expansion projects that were funded with a mix of new debt and grant funding.

Purchased water costs have increased 26% while operating expenses have fluctuated but increased 2% for the same period. Revenues did not keep pace with expense increases in 2007 through 2009 resulting in a decrease in the debt coverage ratio to below 1.0 for each year. With the rate increase at the beginning of 2010 the debt coverage ratio improved from .7 to 1.7 in 2010.

The current ratio improved to 6.0 in 2010 and has remained above 2.0 in all prior years. Debt to equity remained relatively constant in the .5 to .6 range. The District's financial position reflects adequate capacity to assume the additional debt.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase by 2% annually for customer growth from existing capacity
- 2) Purchased water cost and operating expenses will increase by 5% annually.
- 3) A replacement reserve of \$4,500 will be funded annually for ten years. Total replacement reserve on KIA loans will be \$60,964 in 2011 and decline to \$15,464 in 2014.

Based on the above assumptions, the District will meet the required cash flow with a debt coverage ratio of 1.5 in 2014.

REPLACEMENT RESERVE

The annual replacement cost is \$4,500. This amount should be added to the replacement account each December 1 until the balance reaches \$45,000 and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
1978 Rural Development Bonds	\$ 456,000	Jan-18
1982 Rural Development Bonds	63,000	Jan-22
2001C KRWFC Bonds - Surcharge	305,000	Jan-27
2001C KRWFC Bonds - Phase 5	275,000	Jan-27
2001C KRWFC Bonds - Refinancing	380,000	Jan-21
2001G KRWFC Bonds - Dry Ridge Tank	277,000	Jan-18
2004D KRWFC Bonds - Phase 7	62,000	Jan-19
2005B KRWFC Bonds - Phase 8	461,000	Jan-31
2005B KRWFC Bonds - Phase 10	260,000	Jan-31
1991 KIA Fund C Loan (C89-05)	12,500	Jun-11
1993 KIA Fund C Loan (C91-13)	85,000	Jun-13
2002 KIA Fund F Loan (F01-06)	240,739	Jun-22
2003 KIA Fund F Loan (F02-11)	894,970	Jun-24
2009 KIA Fund F Loan (F07-09)	2,147,316	Jun-30
2004 Forcht Bank Line of Credit (\$300,000)	0	Not specified
Forcht Bank Note Payable	30,030	Jun-12
Forcht Bank Note Payable	15,299	Oct-12
Software Solutions Note Payable	17,587	May-13
Capital Lease - Grant County Fiscal Court	1,020,000	Feb-19
2003 Old National Bank Capital Lease	173,751	Feb-14
2004 Old National Bank Capital Lease	4,614	Mar-11
Total	<u>\$ 7,180,806</u>	

XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
Water Line Extension Phase 11 (2008)	KIA	50,000	Grant
Water Line Extension Phase 11 (2006)	KIA	750,000	Grant
Water Line Extension Phase 11 (2008)	EPA	200,000	Grant

XII. CONTACTS

Applicant

Name Bullock Pen Water District
Address P.O. Box 188
Crittenden, KY 41030
County Grant
Contact Bobby Burgess
Phone (859) 428-2112
Email BullockPen@fuse.net

Engineer / Applicant Contact

Name Kerry Odle
Firm CMW, Inc.
Address 400 East Vine Street, Suite 400
Lexington, KY 40507
Phone (859) 254-6623
Email kodle@cmwaec.com

XIII. RECOMMENDATIONS

KIA staff recommends approval of the loan increase with the standard conditions.