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**APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION**

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

Lyon County Water District

(Name of Utility)

PO Box 489

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

Kuttawa, KY 42055

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

270-388-0271

(Telephone Number)

BASIC INFORMATION

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

Mathew Blane

(Name)

PO Box 489

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

Kuttawa, KY 42055

(Address - City, State, Zip)

270-388-0271

(Telephone Number)

blanemathewlcmd@gmail.com

(Email Address)

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

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

YES NO N/A

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

YES NO N/A

8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" Attachment.)**
9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, 2021.
10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." **(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)**
11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ 216,303 and total revenues from service rates of \$ 1,564,822. The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. **(Attach a completed "Revenue Requirement Calculation" Attachment.)**
12. As of the **date of the filing of this application**, Applicant had 2,751 customers.
13. A billing analysis of Applicant's current and proposed rates is attached to this application. **(Attach a completed "Billing Analysis" Attachment.)**
14. Applicant's depreciation schedule of utility plant in service is attached. **(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)**
15. a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.
- b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).
- c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.

YES NO N/A

- 16. a. Applicant is not required to file state and federal tax returns.
- b. Applicant is required to file state and federal tax returns.
- c. Applicant's most recent state and federal tax returns are attached to this Application.
(Attach a copy of returns.)
- 17. Approximately 0 (Insert dollar amount or percentage of total utility plant) of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions.
- 18. Applicant has attached a completed Statement of Disclosure of Related Party Transactions for each person who 807 KAR 5:076, §4(h) requires to complete such form.

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

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

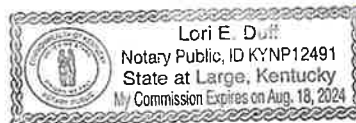
Signed *Mathew Blane*
 Officer of the Company/Authorized Representative
 Title Superintendent
 Date 11/6/2023

COMMONWEALTH OF KENTUCKY

COUNTY OF Lyon

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

Lori Duff
 Notary Public Lori Duff
 My commission expires: Aug 18, 2024



LIST OF ATTACHMENTS
(Indicate all documents submitted by checking box)

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

lyoncowater@gmail.com

From: Ariel Miller <ariel.miller@clearwatercky.com>
Sent: Monday, November 6, 2023 6:33 AM
To: Mathew Blane; lyoncowater@gmail.com
Subject: ARF Form 1 - Please sign and return
Attachments: ARF Form 1.pdf

Mat,

Can you please sign and return the attached PDF? I thought I'd already sent this to you but realized I hadn't. This is the last thing I need to make the filing to the Commission.

Thank you,

Ariel

LYON COUNTY WATER DISTRICT CUSTOMER NOTICE

Notice is hereby given that the Lyon County Water District expects to file an application with the Kentucky Public Service Commission on or about October 13, 2023, seeking approval of a proposed adjustment to its water and sewer rates. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates.

CURRENT AND PROPOSED MONTHLY RATES														
Lyon County Water District														
WATER DIVISION														
<u>CURRENT RATE SCHEDULE</u>						<u>PROPOSED RATE SCHEDULE</u>						<u>DIFFERENCE PERCENT</u>		
<u>5/8" x 3/4" Meters</u>						<u>5/8" x 3/4" Meters</u>								
First	2,000	gallons	\$	27.50	Minimum Bill	First	2,000	gallons	\$	31.90	Minimum Bill	\$	4.40	16.00%
Next	3,000	gallons		11.74	per 1,000 gallons	Next	3,000	gallons		13.62	per 1,000 gallons	\$	1.88	16.01%
Next	5,000	gallons		8.41	per 1,000 gallons	Next	5,000	gallons		9.76	per 1,000 gallons	\$	1.35	16.05%
Next	10,000	gallons		7.08	per 1,000 gallons	Next	10,000	gallons		8.22	per 1,000 gallons	\$	1.14	16.10%
Over	20,000	gallons		6.28	per 1,000 gallons	Over	20,000	gallons		7.29	per 1,000 gallons	\$	1.01	16.08%
<u>1" Meters</u>						<u>1" Meters</u>								
First	15,000	gallons	\$	130.16	Minimum Bill	First	15,000	gallons	\$	151.04	Minimum Bill	\$	20.88	16.04%
Next	5,000	gallons		7.08	per 1,000 gallons	Next	5,000	gallons		8.22	per 1,000 gallons	\$	1.14	16.10%
Over	20,000	gallons		6.28	per 1,000 gallons	Over	20,000	gallons		7.29	per 1,000 gallons	\$	1.01	16.08%
<u>1 1/2" Meters</u>						<u>2" Meters</u>								
First	25,000	gallons	\$	176.91	Minimum Bill	First	25,000	gallons	\$	205.29	Minimum Bill	\$	28.38	16.04%
Over	25,000	gallons		6.28	per 1,000 gallons	Over	25,000	gallons		7.29	per 1,000 gallons	\$	1.01	16.08%
<u>2" Meters</u>						<u>2" Meters</u>								
First	45,000	gallons	\$	318.42	Minimum Bill	First	45,000	gallons	\$	369.49	Minimum Bill	\$	51.07	16.04%
Over	45,000	gallons		6.28	per 1,000 gallons	Over	45,000	gallons		7.29	per 1,000 gallons	\$	1.01	16.08%

If the Public Service Commission approves the proposed water rates, then the monthly water bill for a customer using an average of 4,000 gallons per month will increase from \$50.98 to \$59.14. This is an increase of \$8.16 or 16.01%.

**CURRENT AND PROPOSED RATES
Lyon County Water District
SEWER DIVISION**

<u>CURRENT RATE SCHEDULE</u>				<u>PROPOSED RATE SCHEDULE</u>				<u>DIFFERENCE PERCENT</u>	
<u>All Customers</u>				<u>All Customers</u>					
First	2,000	gallons	\$ 15.00	First	2,000	gallons	\$ 31.30	\$ 16.30	108.67%
			Minimum Bill				Minimum Bill		
Over	2,000	gallons	5.30	Over	2,000	gallons	11.05	\$ 5.75	108.49%
			per 1,000 gallons				per 1,000 gallons		

If the Public Service Commission approves the proposed sewer rates, then the monthly water bill for a customer using an average of 4,000 gallons per month will increase from \$25.60 to \$53.40. This is an increase of \$27.80 or 108.59%.

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

Lyon County Water District has available for inspection at its office the application which it submitted to the Public Service Commission. A person may examine this application at the District's office located at 5464 US-62, Kuttawa, KY 42055. You may contact the office at 270-388-0271.

A person may also examine the application at the Public Service Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, 40601, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's website at <http://psc.ky.gov>. Comments regarding the application may be submitted to the Public Service Commission through its website or by mail to Public Service Commission, PO Box 615, Frankfort, Kentucky, 40602. You may contact the Public Service Commission at 502-564-3940.

A person may submit a timely written request for intervention to the Public Service Commission, PO Box 615, Frankfort, KY, 40602, establishing the grounds for the request including the status and interest of the party. If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the initial publication of this notice, the Public Service Commission may take final action on the application.

CURRENT AND PROPOSED MONTHLY RATES
Lyon County Water District
WATER DIVISION

<u>CURRENT RATE SCHEDULE</u>				<u>PROPOSED RATE SCHEDULE</u>				<u>DIFFERENCE PERCENT</u>	
<u>5/8" x 3/4" Meters</u>				<u>5/8" x 3/4" Meters</u>					
First	2,000	gallons	\$ 27.50 Minimum Bill	First	2,000	gallons	\$ 31.90 Minimum Bill	\$ 4.40	16.00%
Next	3,000	gallons	11.74 per 1,000 gallons	Next	3,000	gallons	13.62 per 1,000 gallons	\$ 1.88	16.01%
Next	5,000	gallons	8.41 per 1,000 gallons	Next	5,000	gallons	9.76 per 1,000 gallons	\$ 1.35	16.05%
Next	10,000	gallons	7.08 per 1,000 gallons	Next	10,000	gallons	8.22 per 1,000 gallons	\$ 1.14	16.10%
Over	20,000	gallons	6.28 per 1,000 gallons	Over	20,000	gallons	7.29 per 1,000 gallons	\$ 1.01	16.08%
<u>1" Meters</u>				<u>1" Meters</u>					
First	15,000	gallons	\$ 130.16 Minimum Bill	First	15,000	gallons	\$ 151.04 Minimum Bill	\$ 20.88	16.04%
Next	5,000	gallons	7.08 per 1,000 gallons	Next	5,000	gallons	8.22 per 1,000 gallons	\$ 1.14	16.10%
Over	20,000	gallons	6.28 per 1,000 gallons	Over	20,000	gallons	7.29 per 1,000 gallons	\$ 1.01	16.08%
<u>1 1/2" Meters</u>				<u>2" Meters</u>					
First	25,000	gallons	\$ 176.91 Minimum Bill	First	25,000	gallons	\$ 205.29 Minimum Bill	\$ 28.38	16.04%
Over	25,000	gallons	6.28 per 1,000 gallons	Over	25,000	gallons	7.29 per 1,000 gallons	\$ 1.01	16.08%
<u>2" Meters</u>				<u>2" Meters</u>					
First	45,000	gallons	\$ 318.42 Minimum Bill	First	45,000	gallons	\$ 369.49 Minimum Bill	\$ 51.07	16.04%
Over	45,000	gallons	6.28 per 1,000 gallons	Over	45,000	gallons	7.29 per 1,000 gallons	\$ 1.01	16.08%

CURRENT AND PROPOSED RATES
Lyon County Water District
SEWER DIVISION

<u>CURRENT RATE SCHEDULE</u>	<u>PROPOSED RATE SCHEDULE</u>	<u>DIFFERENCE PERCENT</u>
<u>All Customers</u>	<u>All Customers</u>	
First 2,000 gallons \$ 15.00 Minimum Bill	First 2,000 gallons \$ 31.30 Minimum Bill	\$ 16.30 108.67%
Over 2,000 gallons 5.30 per 1,000 gallons	Over 2,000 gallons 11.05 per 1,000 gallons	\$ 5.75 108.49%

SCHEDULE OF ADJUSTED OPERATIONS
Lyon County Water District
Water Division

	<u>Annual Report</u>	<u>Audit Adjustments</u>	<u>Adjusted Test Year</u>	<u>Pro Forma Adjustments</u>	<u>Ref.</u>	<u>Pro Forma</u>
<u>Operating Revenues</u>						
Metered Sales to Retail Customers	\$ 1,290,190		\$ 1,290,190	\$ 86,804	(A)	
				(28,475)	(B)	\$ 1,348,519
Other Water Revenues:						
Forfeited Discounts	-		-	16,966	(B)	16,966
Misc. Service Revenue	-		-	11,509	(B)	11,509
Other Water Revenue						-
Total Operating Revenues	<u>1,290,190</u>		<u>1,290,190</u>	<u>86,804</u>		<u>1,376,994</u>
<u>Operating Expenses</u>						
Operation and Maintenance						
Salaries and Wages - Employees	127,947		127,947	41,862	(C)	
				(3,684)	(D)	166,125
Salaries and Wages - Officers	12,600		12,600	5,400		
				(273)	(D)	17,727
Employee Pensions and Benefits	52,930	3,276				
		(34,244)	21,962	(10,691)	(C)	
				34,244	(E)	
				(1,219)	(D)	44,296
Purchased Water	421,655		421,655	(30,482)	(F)	391,173
Purchased Power			-			-
Chemicals			-			-
Materials and Supplies	103,327		103,327			103,327
Contractual Services	113,333		113,333	61,392	(G)	174,725
Insurance - General Liability & Other	20,515		20,515	(513)	(D)	20,002
Insurance - Workers Comp	3,119		3,119			3,119
Bad Debt			-			-
Miscellaneous Expenses	80,602		80,602			80,602
Total Operation and Mnt. Expenses	<u>936,028</u>	<u>(30,968)</u>	<u>905,060</u>	<u>54,175</u>		<u>1,001,097</u>
Depreciation Expense	312,725		312,725	(90,578)	(H)	222,147
	2,491		2,491	12,990	(C)	
Amortization	-		-	6,045	(G)	
Taxes Other Than Income				(282)	(D)	21,244
Total Operating Expenses	<u>1,251,244</u>	<u>(30,968)</u>	<u>1,220,276</u>	<u>(23,413)</u>		<u>1,244,488</u>
Net Utility Operating Income	<u>\$ 38,946</u>	<u>\$ 30,968</u>	<u>\$ 69,914</u>	<u>\$ 110,217</u>		<u>\$ 132,506</u>

SCHEDULE OF ADJUSTED OPERATIONS
Lyon County Water District
Sewer Division

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Pro Forma</u>
<u>Operating Revenues</u>				
Total Sewer Sales	\$ 23,683	(152)	(A)	\$ 23,531
Other Sewer Revenues				-
Forfeited Discounts				-
Total Operating Revenues	<u>23,683</u>	<u>(152)</u>		<u>23,531</u>
<u>Operating Expenses</u>				
Operation Expenses				
Management Fee				-
Collection - Labor, Materials and Expenses				-
Maintenance Expenses				
Maintenance of Collection Sewer System				-
Miscellaneous Supplies and Expenses				
Pumping System	20,917			20,917
Customer Account Expenses				
Forfeited Discounts				-
Flat Rate Inspections				-
Uncollectable Accounts				-
Administrative and General Expenses				
Salaries		3,957	(D)	3,957
Office Supplies and Other Expenses				-
Outside Services Employed				-
Insurance		513	(D)	513
Employee Pensions and Benefits		1,219	(D)	1,219
Transportation Expense				-
Miscellaneous General Expenses				-
Total Sewer Operation and Mnt. Expenses	<u>20,917</u>	<u>5,689</u>		<u>26,606</u>
Depreciation Expense		16,528	(H)	16,528
Taxes Other Than Income		282	(D)	282
Total Operating Expenses	<u>20,917</u>	<u>22,499</u>		<u>43,416</u>
Net Utility Operating Income	<u>\$ 2,766</u>	<u>\$ (22,651)</u>		<u>\$ (19,885)</u>

REFERENCES

- A. The Current Billing Analysis results in pro forma water sales revenue of \$1,348,519 and pro forma sewer sales revenue of \$23,531. This reflects a full year at the retail rates that were effective in 2021 and indicates an increase to water sales of \$86,804 and a reduction to sewer sales of \$152 are required.
- B. Other Water Revenues of \$28,475 were reclassified from Metered Sales to the proper accounts.
- C. Since 2021, there have been increases in wage rate and changes in personnel. These changes result in pro forma annual wage increases of \$41,862. Pro Forma Payroll Taxes totaled \$12,990. An adjustment of \$10,691 to Employee Pensions and Benefits was made to reduce payroll taxes and reclassify them to the proper account, Taxes Other Than Income.
- D. Allocation adjustments totaling \$5,971 were removed from the Water Division and increased to the Sewer Division.
- E. An increase to Employee Pensions and Benefits of \$34,244 was necessary to reverse the journal entries made by Lyon County Water District's auditor for GASB 68 and 75.
- F. Lyon County Water District's total water loss for 2021 was 22.23 percent. A reduction of \$30,482 to Purchased Power is necessary to align with Commission precedent.
- G. During 2023, United Systems contacted Lyon County Water District and informed its staff that upgrades would be necessary to continue utilizing their billing software. The cost to install the upgrade was \$30,224, with additional monthly fees of \$5,116. With a five year amortization of the installation costs and the annual fees, an increase to Contractual Services is necessary of \$61,392.
- H. The PSC requires adjustments to a water utility's depreciation expense when asset lives fall outside the ranges recommended by NARUC in its publication titled "Depreciation Practices for Small Utilities" and by Commission on Rural Water in its publication titled "Average Service Lifetimes, Major Systems Components – Wastewater Systems". Therefore, adjustments are included to bring asset lives to the midpoint of the recommended ranges resulting in a decrease in depreciation expense of \$90,578 for the water division and an increase of \$16,528 for the sewer system, as shown in Table A.
- I. The annual debt service payments for the District's loans are shown in Table B. The five-year average of these payments is added in the revenue requirement calculation.
- J. The amount shown in Table B for coverage on long term debt is required by the Authority's loan documents. This is included in the revenue requirement as Additional Working Capital.

Table A
DEPRECIATION EXPENSE ADJUSTMENTS
Lyon County Water District

<u>Asset</u>	<u>Date in Service</u>	<u>Original Cost *</u>	<u>Reported Life</u>	<u>Depr. Exp.</u>	<u>Proforma Life</u>	<u>Depr. Exp.</u>	<u>Depreciation Expense Adjustment</u>
<u>WATER DIVISION</u>							
<u>General Plant</u>							
Structures & Improvements	various	107,976	varies	5,251	37.5	2,879	(2,372)
Communication & Computer Eqmt.	08/27/12	56,598	15	3,773	10.0	5,660	1,887
Office Furniture & Equipment	various	214,779	varies	24,441	22.5	9,546	(14,895)
Power Operated Equipment	various	92,468	varies	6,377	12.5	7,397	1,020
Tools, Shop, & Garage Equipment					17.5		
Tank Repairs & Painting					15.0		
<u>Source of Supply Plant</u>							
Collecting & Impounding Reservoirs					62.5		
Supply Mains					62.5		
<u>Pumping Plant</u>							
Structures & Improvements					37.5		
Telemetry					10.0		
Pumping Equipment					20.0		
<u>Transmission & Distribution Plant</u>							
Hydrants	various		varies		50.0	-	-
Transmission & Distribution Mains	various	11,213,184	varies	262,007	62.5	179,411	(82,596)
Meter Installations	various		varies		45.0	-	-
Meter Change-outs					15.0		
Pump Equipment					20.0		
Tank Fence	07/30/13	7,669	10	767	37.5	205	(562)
Services	various		varies		40.0	-	-
Reservoirs & Tanks	various	64,267	varies		45.0		
Tank Painting & Repairs					15.0		
<u>Transportation Equipment</u>							
Entire Group	various	55,000	5	917	7.0	7,857	6,940
<u>Water Treatment Plant</u>							
Structures and Improvements					62.5		
Water Treatment Equipment					27.5		
TOTALS - WATER SYSTEM		\$ 11,811,941		\$ 303,533		\$ 212,955	(90,578)

<u>SEWER DIVISION</u>							
<u>Sewer Lines</u>							
Collection Sewers - Force	various	867,725	40	21,693	52.5	16,528	-5,165
TOTALS - SEWER SYSTEM		867,725		21,693		16,528	(5,165)

* Includes only costs associated with assets that contributed to depreciation expense in the test year.

Table B
DEBT SERVICE SCHEDULE
Lyon County Water District
CY 2022 - 2027

<u>Water Division</u>	<u>CY 2023</u>		<u>CY 2024</u>		<u>CY 2025</u>		<u>CY 2026</u>		<u>CY 2027</u>		<u>TOTALS</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
Regions - Series 2013C	\$ 50,000	\$ 33,728	50,000	31,327	55,000	28,945	55,000	26,924	60,000	25,095	\$ 416,019
USDA RD - Series 2016	50,000	31,229	51,500	30,277	53,000	29,297	54,500	28,347	56,000	27,397	411,547
KIA	89,935	35,873	91,743	33,839	93,587	31,754	95,456	29,648	97,387	27,490	626,712
											-
											-
											-
											-
Totals	\$189,935	\$100,830	\$193,243	\$ 95,443	\$201,587	\$ 89,996	\$204,956	\$ 84,919	\$213,387	\$ 79,982	\$ 1,454,278
Average Annual Principal & Interest - Water											\$ 290,856
Average Annual Debt Service Coverage											\$ 58,171

REVENUE REQUIREMENTS - WATER DIVISION

Pro Forma Operating Expenses	\$ 1,244,488
Plus: Avg. Annual Principal and Interest Payments	290,856
Additional Working Capital	<u>58,171</u>
Total Revenue Requirement	1,593,515
Less: Other Operating Revenue	(28,475)
Interest Income	<u>(218)</u>
Revenue Required From Water Sales	1,564,822
Less: Revenue from Sales at Present Rates	<u>(1,348,519)</u>
Required Revenue Increase	\$ 216,303
Percent Increase	16.04%

REVENUE REQUIREMENTS - SEWER DIVISION

Pro Forma Operating Expenses	\$ 43,416
Divide: 88% Operating Ratio	0.88
Total Revenue Requirement	<u>49,336</u>
Less: Other Operating Revenue	-
Interest & Investment Income	(261)
Revenue Required From Sewer Sales	<u>49,075</u>
Less: Revenue from Sales at Present Rates	(23,531)
Required Revenue Increase	\$ 25,544
Percent Increase	108.56%

CURRENT BILLING ANALYSIS - CURRENT USAGE & EXISTING RATES
Lyon County Water District - Water Division

SUMMARY

	No. of Bills	Gallons Sold	Revenue	
5/8" X 3/4" Meters	32,592	82,776,000	\$ 1,278,570	
3/4" Meters	-	-	\$ -	
1" Meters	103	1,185,400	16,280	
1 1/2" Meters	75	2,275,900	19,809	
2" Meters	69	5,041,000	42,078	
Fire Hydrant	-	-	-	
Totals	32,839	91,278,300	\$ 1,356,738	
Less Billing Adjustments			\$ (8,219)	
Net Total			\$ 1,348,519	
Less PSC Annual Report			#####	
SAO Adjustment			\$ 86,804	-6.9%

5/8" x 3/4" METERS

	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 3,000	NEXT 5,000	NEXT 10,000	ALL OVER 20,000	TOTAL
FIRST	2,000	18,665	13,168,500	13,168,500	-	-	-	-	13,168,500
NEXT	3,000	10,477	33,496,600	20,954,000	12,542,600	-	-	-	33,496,600
NEXT	5,000	2,686	17,796,200	5,372,000	8,058,000	4,366,200	-	-	17,796,200
NEXT	10,000	523	7,082,900	1,046,000	1,569,000	2,615,000	1,852,900	-	7,082,900
ALL OVER	20,000	241	11,231,800	482,000	723,000	1,205,000	2,410,000	6,411,800	11,231,800
TOTAL		32,592	82,776,000	41,022,500	22,892,600	8,186,200	4,262,900	6,411,800	82,776,000

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	41,022,500	\$ 27.50	\$ 896,280
NEXT	3,000	22,892,600	\$ 11.00	251,819
NEXT	5,000	8,186,200	\$ 7.88	64,507
NEXT	10,000	4,262,900	\$ 6.63	28,263
ALL OVER	20,000	6,411,800	\$ 5.88	37,701
TOTAL	32,592	82,776,000		\$ 1,278,570

3/4" METERS

	USAGE	BILLS	GALLONS	FIRST 4,000	NEXT 1,000	NEXT 5,000	NEXT 10,000	ALL OVER 20,000	TOTAL
FIRST	4,000	0	-	-	-	-	-	-	-
NEXT	1,000	0	-	-	-	-	-	-	-
NEXT	5,000	0	-	-	-	-	-	-	-
NEXT	10,000	0	-	-	-	-	-	-	-
ALL OVER	20,000	0	-	-	-	-	-	-	-
TOTAL		-	-	-	-	-	-	-	-

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	4,000	-	\$ 26.54	\$ -
NEXT	1,000	-	\$ 6.11	-
NEXT	5,000	-	\$ 4.71	-
NEXT	10,000	-	\$ 3.31	-

ALL OVER	20,000	-	\$	2.96	-
TOTAL	-	-		\$	-

1" METERS

	USAGE	BILLS	GALLONS	FIRST 15,000	NEXT 5,000	ALL OVER 20,000	TOTAL
FIRST	15,000	76	336,900	336,900	-	-	336,900
NEXT	5,000	9	154,800	135,000	19,800	-	154,800
ALL OVER	20,000	18	693,700	270,000	90,000	333,700	693,700
		103	1,185,400	741,900	109,800	333,700	1,185,400

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	15,000	103	741,900	\$ 130.16 \$ 13,406
NEXT	5,000		109,800	\$ 7.08 777
ALL OVER	20,000		333,700	\$ 6.28 2,096
TOTAL	103	1,185,400		\$ 16,280

1 1/2" METERS

	USAGE	BILLS	GALLONS	FIRST 25,000	ALL OVER 25,000	TOTAL
FIRST	25,000	44	459,300	459,300	-	459,300
ALL OVER	25,000	31	1,816,600	775,000	1,041,600	1,816,600
		75	2,275,900	1,234,300	1,041,600	2,275,900

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	25,000	75	1,234,300	\$ 176.91 \$ 13,268
ALL OVER	25,000		1,041,600	\$ 6.28 6,541
TOTAL	75	2,275,900		\$ 19,809

2" METERS

	USAGE	BILLS	GALLONS	FIRST 45,000	ALL OVER 45,000	TOTAL
FIRST	45,000	39	489,200	489,200	-	489,200
ALL OVER	45,000	30	4,551,800	1,350,000	3,201,800	4,551,800
		69	5,041,000	1,839,200	3,201,800	5,041,000

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	45,000	69	1,839,200 \$ 318.42	\$ 21,971
ALL OVER	45,000		3,201,800 \$ 6.28	20,107
TOTAL	69	5,041,000		\$ 42,078

FIRE HYDRANT

	USAGE	BILLS	GALLONS	FIRST 45,000	ALL OVER 45,000	TOTAL
FIRST	45,000	0	-	-	-	-
ALL OVER	45,000	0	-	-	-	-
		-	-	-	-	-

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	45,000	-	- \$ 165.75	\$ -
ALL OVER	45,000	-	- \$ 5.58	-
TOTAL	-	-		\$ -

SUMMARY

	No. of Bills	Gallons Sold	Revenue
5/8" X 3/4" Meters	32,592	82,776,000	\$ 1,513,162
3/4" Meters	-	-	\$ -
1" Meters	103	1,185,400	18,892
1 1/2" Meters	75	2,275,900	22,990
2" Meters	69	5,041,000	48,836
Fire Hydrant	-	-	-
Totals	32,839	91,278,300	\$ 1,603,881
Less Billing Adjustments			\$ (8,219)
Net Total			\$ 1,595,662
Less Revenue Requirement			#####
Over/Under			\$ 30,840

5/8" x 3/4" METERS

	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 3,000	NEXT 5,000	NEXT 10,000	ALL OVER 20,000	TOTAL
FIRST	2,000	18,665	13,168,500	13,168,500	-	-	-	-	13,168,500
NEXT	3,000	10,477	33,496,600	20,954,000	12,542,600	-	-	-	33,496,600
NEXT	5,000	2,686	17,796,200	5,372,000	8,058,000	4,366,200	-	-	17,796,200
NEXT	10,000	523	7,082,900	1,046,000	1,569,000	2,615,000	1,852,900	-	7,082,900
ALL OVER	20,000	241	11,231,800	482,000	723,000	1,205,000	2,410,000	6,411,800	11,231,800
TOTAL		32,592	82,776,000	41,022,500	22,892,600	8,186,200	4,262,900	6,411,800	82,776,000

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	32,592	\$ 31.90	\$ 1,039,685
NEXT	3,000	22,892,600	\$ 13.62	311,797
NEXT	5,000	8,186,200	\$ 9.76	79,897
NEXT	10,000	4,262,900	\$ 8.22	35,041
ALL OVER	20,000	6,411,800	\$ 7.29	46,742
TOTAL	32,592	82,776,000		\$ 1,513,162

3/4" METERS

	USAGE	BILLS	GALLONS	FIRST 4,000	NEXT 1,000	NEXT 5,000	NEXT 10,000	ALL OVER 20,000	TOTAL
FIRST	4,000	0	-	-	-	-	-	-	-
NEXT	1,000	0	-	-	-	-	-	-	-
NEXT	5,000	0	-	-	-	-	-	-	-
NEXT	10,000	0	-	-	-	-	-	-	-
ALL OVER	20,000	0	-	-	-	-	-	-	-
TOTAL		-	-	-	-	-	-	-	-

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	4,000	-		\$ -
NEXT	1,000	-		-
NEXT	5,000	-		-
NEXT	10,000	-		-
ALL OVER	20,000	-		-
TOTAL	-	-		\$ -

1" METERS

	USAGE	BILLS	GALLONS	FIRST 15,000	NEXT 5,000	ALL OVER 20,000	TOTAL
FIRST	15,000	76	336,900	336,900	-	-	336,900
NEXT	5,000	9	154,800	135,000	19,800	-	154,800
ALL OVER	20,000	18	693,700	270,000	90,000	333,700	693,700
		103	1,185,400	741,900	109,800	333,700	1,185,400

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	15,000	103	\$ 151.04	\$ 15,557
NEXT	5,000		\$ 8.22	903
ALL OVER	20,000	333,700	\$ 7.29	2,433
TOTAL	103	1,185,400		\$ 18,892

1 1/2" METERS

	USAGE	BILLS	GALLONS	FIRST 25,000	ALL OVER 25,000	TOTAL
FIRST	25,000	44	459,300	459,300	-	459,300
ALL OVER	25,000	31	1,816,600	775,000	1,041,600	1,816,600
		75	2,275,900	1,234,300	1,041,600	2,275,900

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	25,000	75	\$ 205.29	\$ 15,397
ALL OVER	25,000	1,041,600	\$ 7.29	7,593
TOTAL	75	2,275,900		\$ 22,990

2" METERS

	USAGE	BILLS	GALLONS	FIRST 45,000	ALL OVER 45,000	TOTAL
FIRST	45,000	39	489,200	489,200	-	489,200
ALL OVER	45,000	30	4,551,800	1,350,000	3,201,800	4,551,800
		69	5,041,000	1,839,200	3,201,800	5,041,000

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	45,000	69	\$ 369.49	\$ 25,495
ALL OVER	45,000	3,201,800	\$ 7.29	23,341
TOTAL	69	5,041,000		\$ 48,836

FIRE HYDRANT

	USAGE	BILLS	GALLONS	FIRST 45,000	ALL OVER 45,000	TOTAL
FIRST	45,000	0	-	-	-	-
ALL OVER	45,000	0	-	-	-	-
		-	-	-	-	-

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	45,000	-		\$ -
ALL OVER	45,000	-		-
TOTAL	-	-		\$ -

CURRENT BILLING ANALYSIS - CURRENT USAGE & EXISTING RATES
Lyon County Water District - Sewer Division

SUMMARY

	No. of Bills	Gallons Sold	Revenue	
All Sewer Customers	759	3,200,100	\$ 23,531	
		Total	\$ 23,531	
		Less Billing Adjustments	\$ -	
		Net Total	\$ 23,531	
		Less PSC Annual Report	\$ (23,683)	
		SAO Adjustment	\$ (152)	-0.6%

All Sewer Customers

	USAGE	BILLS	GALLONS	FIRST 2,000	ALL OVER 2,000	TOTAL
FIRST	2,000	506	402,400	402,400	-	402,400
ALL OVER	2,000	253	2,797,700	506,000	2,291,700	2,797,700
		759	3,200,100	908,400	2,291,700	3,200,100

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	759	908,400 \$ 15.00	\$ 11,385
ALL OVER	2,000		2,291,700 5.30	12,146
TOTAL	759	3,200,100		\$ 23,531

PROPOSED BILLING ANALYSIS - CURRENT USAGE & PROPOSED RATES
Lyon County Water District - Sewer Division

SUMMARY

	No. of Bills	Gallons Sold	Revenue	
All Sewer Customers	759	3,200,100	\$ 49,080	
		Total	\$ 49,080	
		Less Billing Adjustments	\$ -	
		Net Total	\$ 49,080	
		Less Revenue Requirement	\$ (49,075)	
		Difference	\$ 5	0.0%

All Sewer Customers

	USAGE	BILLS	GALLONS	FIRST 2,000	ALL OVER 2,000	TOTAL
FIRST	2,000	506	402,400	402,400	-	402,400
ALL OVER	2,000	253	2,797,700	506,000	2,291,700	2,797,700
		759	3,200,100	908,400	2,291,700	3,200,100

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	759	908,400 \$ 31.30	\$ 23,757
ALL OVER	2,000		2,291,700 11.05000	25,323
TOTAL	759	3,200,100		\$ 49,080

Tax Asset Detail 1/01/21 - 12/31/21

FYE: 12/31/2021

Asset	d t	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: 101.01 Land												
1		Land	1/01/89	2,003.34	0.00	0.00	0.00	0.00	0.00	2,003.34	Land	0.00
2		Land - Odel Walker	2/15/95	2,665.00	0.00	0.00	0.00	0.00	0.00	2,665.00	Land	0.00
3		Land - Survey O. Walker	1/01/96	250.00	0.00	0.00	0.00	0.00	0.00	250.00	Land	0.00
4		Land - Office	1/02/97	16,271.98	0.00	0.00	0.00	0.00	0.00	16,271.98	Land	0.00
120		Land - behind office	1/16/04	100,582.00	0.00	0.00	0.00	0.00	0.00	100,582.00	Land	0.00
		101.01 Land		<u>121,772.32</u>	<u>0.00c</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>121,772.32</u>		
Group: 101.02 Equipment												
5		Filing Cabinet	1/01/80	104.95	0.00	0.00	104.95	0.00	104.95	0.00	S/L	5.00
9		Computer	9/01/95	10,581.00	0.00	0.00	10,581.00	0.00	10,581.00	0.00	S/L	8.00
10		[7] Filing Cabinets	12/01/95	455.00	0.00	0.00	455.00	0.00	455.00	0.00	S/L	10.00
11		[8] Chairs	1/15/96	340.00	0.00	0.00	340.00	0.00	340.00	0.00	S/L	10.00
12		Table	1/15/96	120.82	0.00	0.00	120.82	0.00	120.82	0.00	S/L	10.00
18		Fax	8/11/97	295.00	0.00	0.00	295.00	0.00	295.00	0.00	S/L	5.00
19		Cash Register	8/11/97	223.48	0.00	0.00	223.48	0.00	223.48	0.00	S/L	10.00
116		Fax	1/15/03	249.00	0.00	0.00	249.00	0.00	249.00	0.00	S/L	5.00
118		Air Compressor	7/01/03	6,500.00	0.00	0.00	6,500.00	0.00	6,500.00	0.00	S/L	10.00
127		HP Compaq dx 2000	2/01/06	1,901.00	0.00	0.00	1,901.00	0.00	1,901.00	0.00	S/L	5.00
133		Aqua scope - locating leaks	7/01/07	1,844.00	0.00	0.00	1,659.56	122.93	1,782.49	61.51	S/L	15.00
134		Meter Tester	9/01/07	1,284.00	0.00	0.00	1,284.00	0.00	1,284.00	0.00	S/L	10.00
141		Piercing Tool - Ditch Witch	6/15/09	4,400.00	0.00	0.00	4,400.00	0.00	4,400.00	0.00	S/L	10.00
147		United System Computer	10/01/10	3,125.00	0.00	0.00	3,125.00	0.00	3,125.00	0.00	S/L	3.00
151		Case Backhoe-Loader	6/30/12	72,489.94	0.00	0.00	61,616.42	7,248.99	68,865.41	3,624.53	S/L	10.00
153		Itron FC3000 Handheld Meter Read	12/28/12	6,138.95	0.00	0.00	6,138.95	0.00	6,138.95	0.00	S/L	5.00
154		Trailer	5/21/12	8,500.00	0.00	0.00	7,295.83	850.00	8,145.83	354.17	S/L	10.00
156		HP Compaq Computer System	9/30/13	1,669.80	0.00	0.00	1,669.80	0.00	1,669.80	0.00	S/L	5.00
158		Dell Optiplex Business PC	9/01/14	1,315.00	0.00	0.00	1,315.00	0.00	1,315.00	0.00	S/L	5.00
162		Kenworth Dump Truck	10/29/15	88,592.13	0.00	0.00	45,772.59	8,859.21	54,631.80	33,960.33	S/L	10.00
166		Kubota U35 Mini Excavator	5/10/18	42,079.94	0.00	0.00	22,442.64	8,415.99	30,858.63	11,221.31	S/L	5.00
167		Hydraulic Angle Blade (For Excava	5/10/18	2,075.18	0.00	0.00	1,106.77	415.04	1,521.81	553.37	S/L	5.00
168		18' Brooks Brothers Trailer	5/10/18	6,000.00	0.00	0.00	3,200.00	1,200.00	4,400.00	1,600.00	S/L	5.00
170		Computer	4/19/18	1,215.00	0.00	0.00	648.00	243.00	891.00	324.00	S/L	5.00
171		Leak Dectector	9/06/18	3,849.00	0.00	0.00	1,796.20	769.80	2,566.00	1,283.00	S/L	5.00
172		Pipe Locator	10/11/18	3,700.00	0.00	0.00	1,665.00	740.00	2,405.00	1,295.00	S/L	5.00
175		All in One Copier/Fax/Printer	3/21/19	5,278.00	0.00	0.00	1,847.30	1,055.60	2,902.90	2,375.10	S/L	5.00
176		Esteem Radios Bend of the Rivers I	6/30/19	9,695.40	0.00	0.00	1,454.31	969.54	2,423.85	7,271.55	S/L	10.00
177		Pump Station Pressure Transmitter	7/31/19	4,019.74	0.00	0.00	569.46	401.97	971.43	3,048.31	S/L	10.00
180		PC & Software for SCADA	9/17/20	4,753.42	0.00	0.00	237.67	950.68	1,188.35	3,565.07	S/L	5.00
181		Esteem 192M Radio for Jack Thomj	12/03/20	2,974.29	0.00	0.00	24.79	297.43	322.22	2,652.07	S/L	10.00
184		Boring Machine	4/15/21	11,478.06	0.00c	0.00	0.00	1,721.71	1,721.71	9,756.35	S/L	5.00
		101.02 Equipment		<u>307,247.10</u>	<u>0.00c</u>	<u>0.00</u>	<u>190,039.54</u>	<u>34,261.89</u>	<u>224,301.43</u>	<u>82,945.67</u>		
Group: 101.03 Distribution Ln #1												
26		Water line	1/01/78	545,226.85	0.00	0.00	545,226.85	0.00	545,226.85	0.00	S/L	40.00
27		Tap ons	6/30/79	1,500.00	0.00	0.00	1,500.00	0.00	1,500.00	0.00	S/L	40.00

Tax Asset Detail 1/01/21 - 12/31/21

FYE: 12/31/2021

Asset	d t	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: 101.03 Distribution Ln #1 (continued)												
28		Tap ons	6/30/80	3,500.00	0.00	0.00	3,500.00	0.00	3,500.00	0.00	S/L	39.00
29		Line Extension	2/01/81	10,648.95	0.00	0.00	10,648.95	0.00	10,648.95	0.00	S/L	35.00
30		Tap Ons	6/30/81	2,750.00	0.00	0.00	2,750.00	0.00	2,750.00	0.00	S/L	35.00
31		Extension - Denton	10/01/81	156.25	0.00	0.00	156.25	0.00	156.25	0.00	S/L	15.00
32		Extension - Mose Miller	10/31/81	1,184.68	0.00	0.00	1,184.68	0.00	1,184.68	0.00	S/L	15.00
33		Fire Hydrant	1/01/82	480.38	0.00	0.00	480.38	0.00	480.38	0.00	S/L	12.00
34		Extension - Bend of the Rivers	6/30/82	8,729.96	0.00	0.00	8,729.96	0.00	8,729.96	0.00	S/L	35.00
35		Tap Ons	6/30/82	1,500.00	0.00	0.00	1,500.00	0.00	1,500.00	0.00	S/L	35.00
36		Extension - Pleasant Hill	1/01/83	7,804.25	0.00	0.00	7,804.25	0.00	7,804.25	0.00	S/L	34.00
37		Tap Ons	1/01/83	2,250.00	0.00	0.00	2,250.00	0.00	2,250.00	0.00	S/L	34.00
38		Tap Ons	1/01/84	547.50	0.00	0.00	547.50	0.00	547.50	0.00	S/L	33.00
39		Tap Ons	1/01/84	3,250.00	0.00	0.00	3,250.00	0.00	3,250.00	0.00	S/L	33.00
40		Extension - Chs Ross	1/01/85	5,000.00	0.00	0.00	5,000.00	0.00	5,000.00	0.00	S/L	32.00
41		Tap Ons	6/30/86	1,750.00	0.00	0.00	1,750.00	0.00	1,750.00	0.00	S/L	31.00
42		Extension - Atherton/Dash	11/01/86	1,155.12	0.00	0.00	1,155.12	0.00	1,155.12	0.00	S/L	25.00
43		Hgwy 93 S, 94 N & Driftwood	6/30/93	95,865.64	0.00	0.00	65,907.92	2,396.64	68,304.56	27,561.08	S/L	40.00
44		Tap Ons	6/30/93	37,450.00	0.00	0.00	37,450.00	0.00	37,450.00	0.00	S/L	10.00
45		Extension - Green Briar	2/06/97	1,972.20	0.00	0.00	1,178.57	49.31	1,227.88	744.32	S/L	40.00
46		Extension - Franco	4/06/97	2,679.08	0.00	0.00	1,590.08	66.98	1,657.06	1,022.02	S/L	40.00
47		Extension - Cedar Lane	8/06/97	3,562.97	0.00	0.00	2,084.73	89.07	2,173.80	1,389.17	S/L	40.00
48		Extension - Finley	10/06/97	18,150.00	0.00	0.00	10,663.12	453.75	11,116.87	7,033.13	S/L	40.00
108		Champion Hills Subdivision	7/01/01	6,420.60	0.00	0.00	3,130.14	160.52	3,290.66	3,129.94	S/L	40.00
109		Dooms Chappell Line	7/01/01	8,117.40	0.00	0.00	3,957.33	202.94	4,160.27	3,957.13	S/L	40.00
113		Distribution Line	7/01/03	1,159,955.71	0.00	0.00	507,480.58	28,998.89	536,479.47	623,476.24	S/L	40.00
131		Tag Marcus Road	9/15/06	8,903.80	0.00	0.00	3,190.60	222.60	3,413.20	5,490.60	S/L	40.00
137		Iron Hill Line	10/01/08	293,774.97	0.00	0.00	89,968.53	7,344.37	97,312.90	196,462.07	S/L	40.00
149		Highway 295 Line	12/15/11	63,781.09	0.00	0.00	14,483.65	1,594.53	16,078.18	47,702.91	S/L	40.00
160		Water Consortium Project	1/01/14	184,405.07	0.00	0.00	32,270.91	4,610.13	36,881.04	147,524.03	S/L	40.00
164		2015 Meter Sets	12/31/15	12,200.00	0.00	0.00	1,525.00	305.00	1,830.00	10,370.00	S/L	40.00
165		2016 Meter Sets	12/31/16	13,174.92	0.00	0.00	1,317.48	329.37	1,646.85	11,528.07	S/L	40.00
169		2017 Meter Sets	12/31/17	25,240.38	0.00	0.00	1,893.03	631.01	2,524.04	22,716.34	S/L	40.00
173		2018 Meter Sets (31)	12/31/18	23,802.73	0.00	0.00	1,190.14	595.07	1,785.21	22,017.52	S/L	40.00
178		2019 New Meter Sets (26)	12/31/19	21,475.83	0.00	0.00	536.90	536.90	1,073.80	20,402.03	S/L	40.00
182		2020 Meter Sets (32)	12/31/20	21,845.76	0.00	0.00	0.00	546.14	546.14	21,299.62	S/L	40.00
185		2021 Meter Sets (51)	12/31/21	34,816.68	0.00c	0.00	0.00	0.00	0.00	34,816.68	S/L	40.00
101.03 Distribution Ln #1				<u>2,635,028.77</u>	<u>0.00c</u>	<u>0.00</u>	<u>1,377,252.65</u>	<u>49,133.22</u>	<u>1,426,385.87</u>	<u>1,208,642.90</u>		

Group: 101.04 Distribution Ln #2

49		Water line	6/01/79	15,202.60	0.00	0.00	15,202.60	0.00	15,202.60	0.00	S/L	40.00
50		Lamasco Line	6/30/87	936,539.00	0.00	0.00	784,349.96	23,413.48	807,763.44	128,775.56	S/L	40.00
51		Tap Ons	12/31/87	10,200.00	0.00	0.00	8,633.58	261.54	8,895.12	1,304.88	S/L	39.00
52		Tap Ons	6/30/89	9,250.00	0.00	0.00	9,250.00	0.00	9,250.00	0.00	S/L	7.00
53		Elkhorn Tavern Road	6/30/89	69,104.63	0.00	0.00	54,421.37	1,727.62	56,148.99	12,955.64	S/L	40.00
54		Gray Farm Road	6/30/90	28,454.34	0.00	0.00	21,695.06	711.36	22,406.42	6,047.92	S/L	40.00
55		Tap Ons	6/30/90	7,400.00	0.00	0.00	7,400.00	0.00	7,400.00	0.00	S/L	7.00
56		Moyer - Travis Line	10/01/90	17,174.06	0.00	0.00	12,986.51	429.35	13,415.86	3,758.20	S/L	40.00
57		Rolling Mills	3/30/91	201,448.26	0.00	0.00	149,826.93	5,036.21	154,863.14	46,585.12	S/L	40.00

Tax Asset Detail 1/01/21 - 12/31/21

FYE: 12/31/2021

Asset	d t	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: 101.04 Distribution Ln #2 (continued)												
58		KY State Garage	6/30/91	32,655.28	0.00	0.00	24,082.54	816.38	24,898.92	7,756.36	S/L	40.00
59		Tap Ons	6/30/91	21,550.00	0.00	0.00	21,550.00	0.00	21,550.00	0.00	S/L	7.00
60		Harlan Banister Line	9/30/91	15,311.50	0.00	0.00	11,194.83	382.79	11,577.62	3,733.88	S/L	40.00
61		Water Line	6/30/92	291,840.79	0.00	0.00	207,937.33	7,296.02	215,233.35	76,607.44	S/L	40.00
62		US 93 S [Fiscal Court Note]	1/01/94	21,277.86	0.00	0.00	14,362.65	531.95	14,894.60	6,383.26	S/L	40.00
63		Tap Ons	6/01/94	14,350.00	0.00	0.00	14,350.00	0.00	14,350.00	0.00	S/L	10.00
64		Extension	6/01/94	27,854.44	0.00	0.00	18,513.64	696.36	19,210.00	8,644.44	S/L	40.00
65		Extensions	6/01/95	10,724.67	0.00	0.00	6,860.20	268.12	7,128.32	3,596.35	S/L	40.00
66		Molloy Line	1/01/96	2,079.51	0.00	0.00	1,299.75	51.99	1,351.74	727.77	S/L	40.00
67		Faulkner/Denny Line	6/30/96	1,100.67	0.00	0.00	674.39	27.52	701.91	398.76	S/L	40.00
68		Haney/Forsythe Road	6/30/96	2,234.65	0.00	0.00	1,369.12	55.87	1,424.99	809.66	S/L	40.00
69		Mitchell Road	6/30/96	5,551.00	0.00	0.00	3,400.87	138.78	3,539.65	2,011.35	S/L	40.00
70		Hgwy 1272	6/30/96	6,130.80	0.00	0.00	3,755.95	153.27	3,909.22	2,221.58	S/L	40.00
71		Project W95-02	1/01/97	159,471.38	0.00	0.00	95,682.72	3,986.78	99,669.50	59,801.88	S/L	40.00
72		Project W95-01	6/06/97	1,158,738.97	0.00	0.00	682,862.24	28,968.47	711,830.71	446,908.26	S/L	40.00
73		Travis Road	9/01/97	12,833.80	0.00	0.00	7,486.79	320.85	7,807.64	5,026.16	S/L	40.00
74		Office Valve	9/01/97	500.00	0.00	0.00	500.00	0.00	500.00	0.00	S/L	10.00
75		Extensions	9/30/97	16,151.88	0.00	0.00	9,390.29	403.80	9,794.09	6,357.79	S/L	40.00
76		Project W96-01	11/19/97	518,333.75	0.00	0.00	299,568.42	12,958.34	312,526.76	205,806.99	S/L	40.00
77		Frank Daniels	1/10/98	1,783.29	0.00	0.00	1,024.24	44.58	1,068.82	714.47	S/L	40.00
78		Parkersville Road	6/01/98	11,998.00	0.00	0.00	6,774.76	299.95	7,074.71	4,923.29	S/L	40.00
79		Circle crest drive	7/01/98	2,988.54	0.00	0.00	1,681.28	74.71	1,755.99	1,232.55	S/L	40.00
80		Extensions	7/01/98	3,270.30	0.00	0.00	1,839.93	81.76	1,921.69	1,348.61	S/L	40.00
81		Herron Road	10/01/98	1,003.64	0.00	0.00	558.30	25.09	583.39	420.25	S/L	40.00
82		11,500' Water line	11/01/98	23,000.00	0.00	0.00	12,746.10	575.00	13,321.10	9,678.90	S/L	40.00
91		Marshall Road 660" of 4"	2/01/99	2,871.13	0.00	0.00	1,573.18	71.78	1,644.96	1,226.17	S/L	40.00
92		Eddy Bay 500" of 4"	2/01/99	2,665.15	0.00	0.00	1,460.31	66.63	1,526.94	1,138.21	S/L	40.00
93		Hgwy 778 1200' of 6"	3/01/99	5,959.00	0.00	0.00	3,252.73	148.98	3,401.71	2,557.29	S/L	40.00
94		Circle Crest 1100' of 6"	3/01/99	4,924.00	0.00	0.00	2,687.68	123.10	2,810.78	2,113.22	S/L	40.00
95		Pleasant Valley 2400' of 4"	4/01/99	8,049.95	0.00	0.00	4,377.19	201.25	4,578.44	3,471.51	S/L	40.00
96		Estes Road 1600' of 3"	4/01/99	4,635.00	0.00	0.00	2,520.39	115.88	2,636.27	1,998.73	S/L	40.00
97		Chandler Road 3000' of 3"	4/01/99	8,439.75	0.00	0.00	4,589.04	210.99	4,800.03	3,639.72	S/L	40.00
100		Lowery Line	4/04/00	8,000.00	0.00	0.00	4,150.00	200.00	4,350.00	3,650.00	S/L	40.00
101		Jim Smith installed line	12/01/00	8,283.80	0.00	0.00	4,159.26	207.10	4,366.36	3,917.44	S/L	40.00
102		Red Rock Road	3/01/00	2,120.00	0.00	0.00	1,104.17	53.00	1,157.17	962.83	S/L	40.00
103		Wynn Road	4/01/00	5,450.00	0.00	0.00	2,827.19	136.25	2,963.44	2,486.56	S/L	40.00
104		Dianne Road	4/01/00	6,300.00	0.00	0.00	3,268.13	157.50	3,425.63	2,874.37	S/L	40.00
105		Cook Road	5/01/00	9,000.00	0.00	0.00	4,650.00	225.00	4,875.00	4,125.00	S/L	40.00
106		Scott Road	9/01/00	4,500.00	0.00	0.00	2,287.50	112.50	2,400.00	2,100.00	S/L	40.00
107		Pipe for 2000 extensions	7/01/00	36,989.38	0.00	0.00	18,956.96	924.73	19,881.69	17,107.69	S/L	40.00
110		Parkersville Road	7/01/02	3,954.96	0.00	0.00	1,829.10	98.87	1,927.97	2,026.99	S/L	40.00
111		Developer line	7/01/02	3,334.00	0.00	0.00	1,541.98	83.35	1,625.33	1,708.67	S/L	40.00
112		Eddyville Shores - Reducer	7/01/02	6,799.10	0.00	0.00	3,144.63	169.98	3,314.61	3,484.49	S/L	40.00
122		Kelly Road line	10/01/05	6,671.25	0.00	0.00	2,543.40	166.78	2,710.18	3,961.07	S/L	40.00
123		Dycasburg Road line	4/01/05	10,169.59	0.00	0.00	4,004.28	254.24	4,258.52	5,911.07	S/L	40.00
124		Williams line	4/01/05	10,362.22	0.00	0.00	4,080.19	259.06	4,339.25	6,022.97	S/L	40.00
125		Brasher Road line	3/01/05	7,504.45	0.00	0.00	2,970.49	187.61	3,158.10	4,346.35	S/L	40.00
136		Extension Parkview, Heath & Lane	3/31/07	13,872.20	0.00	0.00	4,768.63	346.81	5,115.44	8,756.76	S/L	40.00
142		Jennifer Lane	7/31/10	8,512.50	0.00	0.00	2,216.77	212.81	2,429.58	6,082.92	S/L	40.00

Tax Asset Detail 1/01/21 - 12/31/21

FYE: 12/31/2021

Asset	d t	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: 101.04 Distribution Ln #2 (continued)												
174		Project 2	3/05/18	4,716,834.88	0.00	0.00	334,109.13	117,920.87	452,030.00	4,264,804.88	S/L	40.00
		101.04 Distribution Ln #2		<u>8,563,709.92</u>	<u>0.00c</u>	<u>0.00</u>	<u>2,936,304.68</u>	<u>212,393.01</u>	<u>3,148,697.69</u>	<u>5,415,012.23</u>		
Group: 101.05 Lake Barkley Line												
83		Lake Barkley Line	7/30/86	149,765.00	0.00	0.00	149,765.00	0.00	149,765.00	0.00	S/L	30.00
179		Lake Barkley Line Extension	3/05/20	14,444.83	0.00	0.00	401.25	481.49	882.74	13,562.09	S/L	30.00
		101.05 Lake Barkley Line		<u>164,209.83</u>	<u>0.00c</u>	<u>0.00</u>	<u>150,166.25</u>	<u>481.49</u>	<u>150,647.74</u>	<u>13,562.09</u>		
Group: 101.06 Water Tanks												
84		Tank # 1	6/30/87	110,341.66	0.00	0.00	110,341.66	0.00	110,341.66	0.00	S/L	25.00
85		100,000 Gal Tank	7/31/96	248,097.97	0.00	0.00	242,349.72	5,748.25	248,097.97	0.00	S/L	25.00
152		SCADA	8/27/12	56,598.21	0.00	0.00	31,443.42	3,773.21	35,216.63	21,381.58	S/L	15.00
157		Chain Link Fencing	7/30/13	7,669.03	0.00	0.00	5,687.84	766.90	6,454.74	1,214.29	S/L	10.00
		101.06 Water Tanks		<u>422,706.87</u>	<u>0.00c</u>	<u>0.00</u>	<u>389,822.64</u>	<u>10,288.36</u>	<u>400,111.00</u>	<u>22,595.87</u>		
Group: 101.08 Building												
86		Office Building	11/13/97	56,581.94	0.00	0.00	32,724.55	1,414.55	34,139.10	22,442.84	S/L	40.00
87		Cabinets	11/13/97	3,630.50	0.00	0.00	3,630.50	0.00	3,630.50	0.00	S/L	15.00
88		Carpet	11/13/97	1,336.50	0.00	0.00	1,336.50	0.00	1,336.50	0.00	S/L	8.00
89		Shelving	3/15/98	550.00	0.00	0.00	550.00	0.00	550.00	0.00	S/L	15.00
90		Electrical wiring	4/01/98	2,100.00	0.00	0.00	2,100.00	0.00	2,100.00	0.00	S/L	20.00
130		Kitchen Cabinets	4/15/06	2,247.33	0.00	0.00	2,209.85	37.48	2,247.33	0.00	S/L	15.00
140		Pump House 2 Hgwy 730	1/05/09	3,880.00	0.00	0.00	1,862.40	155.20	2,017.60	1,862.40	S/L	25.00
150		Equipment shed	12/15/11	3,650.00	0.00	0.00	2,210.25	243.33	2,453.58	1,196.42	S/L	15.00
		101.08 Building		<u>73,976.27</u>	<u>0.00c</u>	<u>0.00</u>	<u>46,624.05</u>	<u>1,850.56</u>	<u>48,474.61</u>	<u>25,501.66</u>		
Group: 101.09 Vehicles												
132		2007 F150 Pickup #1	6/15/07	16,944.30	0.00	0.00	16,944.30	0.00	16,944.30	0.00	S/L	8.00
138		Ford Ranger Pickup	4/01/08	11,956.00	0.00	0.00	11,956.00	0.00	11,956.00	0.00	S/L	5.00
143		Lights for PU #1	11/01/10	1,325.00	0.00	0.00	1,325.00	0.00	1,325.00	0.00	S/L	8.00
144		Lights for PU #2	11/01/10	1,325.00	0.00	0.00	1,325.00	0.00	1,325.00	0.00	S/L	8.00
145		2010Ford F150 #2	3/31/10	22,579.00	0.00	0.00	22,579.00	0.00	22,579.00	0.00	S/L	8.00
161		2015 Ford Service Truck	9/09/15	32,999.87	0.00	0.00	32,999.87	0.00	32,999.87	0.00	S/L	5.00
183		2019 Dodge Ram 2500	12/15/21	55,000.00	0.00c	0.00	0.00	916.67	916.67	54,083.33	S/L	5.00
		101.09 Vehicles		<u>142,129.17</u>	<u>0.00c</u>	<u>0.00</u>	<u>87,129.17</u>	<u>916.67</u>	<u>88,045.84</u>	<u>54,083.33</u>		
Group: 101.10 Improvements												
163		Paving	11/02/15	34,000.00	0.00	0.00	17,566.67	3,400.00	20,966.67	13,033.33	S/L	10.00

Tax Asset Detail 1/01/21 - 12/31/21

FYE: 12/31/2021

Asset	d t	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: 101.10 Improvements (continued)												
		101.10 Improvements		<u>34,000.00</u>	<u>0.00</u> ^c	<u>0.00</u>	<u>17,566.67</u>	<u>3,400.00</u>	<u>20,966.67</u>	<u>13,033.33</u>		
Group: 101.12 Sewer Line												
139		Sewer Line	4/01/09	584,922.38	0.00	0.00	171,820.95	14,623.06	186,444.01	398,478.37	S/L	40.00
146		Sewer Extension	7/31/10	80,689.04	0.00	0.00	21,012.81	2,017.23	23,030.04	57,659.00	S/L	40.00
159		Sewer Line Extention	1/01/14	202,113.45	0.00	0.00	35,369.88	5,052.84	40,422.72	161,690.73	S/L	40.00
		101.12 Sewer Line		<u>867,724.87</u>	<u>0.00</u> ^c	<u>0.00</u>	<u>228,203.64</u>	<u>21,693.13</u>	<u>249,896.77</u>	<u>617,828.10</u>		
		Grand Total		<u>13,332,505.12</u>	<u>0.00</u> ^c	<u>0.00</u>	<u>5,423,109.29</u>	<u>334,418.33</u>	<u>5,757,527.62</u>	<u>7,574,977.50</u>		

LOAN AGREEMENT

By and Between

KENTUCKY RURAL WATER FINANCE CORPORATION

and

LYON COUNTY WATER DISTRICT
Borrower

dated June 1, 2016

LOAN AGREEMENT

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Signatures

Exhibit A	Application for Interim Financing
Exhibit B	Requisition Form
Exhibit C	Loan Note
Exhibit D	Resolution
Exhibit E	Opinion of Counsel to Borrower
Exhibit F	Opinion of Bond Counsel
Exhibit G	RD Commitment Letter

LOAN AGREEMENT

This Loan Agreement made and entered into as of June 1, 2016 (the "Loan Agreement") by and between the Kentucky Rural Water Finance Corporation, a non-profit corporation and instrumentality of various entities of the Commonwealth of Kentucky (the "Corporation") and the Lyon County Water District (the "Borrower"):

WITNESSETH

WHEREAS, the Corporation has established its Public Projects Construction Financing Program (the "Program") to offer interim financing to governmental entities for construction of public projects for the purpose of providing a centralized source of interim construction financing and to reduce interest costs financing expenses of such governmental entities; and

WHEREAS, the Corporation has issued its Public Projects Construction Notes, Series D, (the "Notes") pursuant to a Trust Indenture dated as of November 1, 2011 (the "Indenture") between the Corporation and Regions Bank, trustee (the "Trustee"), to finance the Program and to make Loans to governmental agencies for construction of their projects; and

WHEREAS, the Borrower has obtained a commitment for Permanent Financing for its Project as hereinafter defined, from the United States Department of Agriculture, acting through Rural Development ("RD"); and

WHEREAS, the Borrower has determined that it is necessary and desirable to acquire, construct, and finance the Project, and the Corporation has determined that the Project is a project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Corporation; and

WHEREAS, pursuant to this Loan Agreement the Borrower will proceed with the construction of the Project; and

WHEREAS, pursuant to this Loan Agreement the Borrower will irrevocably assign to the Trustee, for the benefit of the Corporation, all right, title and interest in and to monies to be received pursuant to the Permanent Financing, which monies will be used by the Trustee to pay principal of and interest on the Notes; and

WHEREAS, the Corporation is willing to cooperate with the Borrower in making available the Loan to be applied to the construction of the Project upon the conditions hereinafter enumerated and the covenants by the Borrower herein contained; and

WHEREAS, the Corporation and the Borrower have determined to enter into this Loan Agreement to set forth their respective duties, rights, covenants, and obligations with respect to the construction and financing of the Project and the repayment of the Loan;

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

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Except as set forth below, all of the capitalized terms utilized in this Loan Agreement will have the same definitions and meaning as ascribed to them in the Indenture. Terms defined in the Indenture and applicable to all borrowers under the Program shall when used in this Loan Agreement relate solely to the Borrower, who is a party hereto, unless otherwise expressly stated.

"*Act*" shall mean Chapter 58 of the Kentucky Revised Statutes, as amended.

"*Application*" shall mean an application in substantially the form attached hereto as Exhibit A.

"*Authorized Officer*" shall mean with respect to the Issuer, its President, Vice-President, Treasurer, Secretary or Assistant Secretary, and any other of its members, officers, agents, or employees duly authorized by resolution of the Issuer to perform the act or sign the document in question; and with respect to any Borrower, its Chairman, Vice Chairman and Secretary, and any other of its members, officers, agents, or employees duly authorized by resolution of the Issuer to perform the act or sign the document in question.

"*Borrower's Account*" shall mean the separate accounts within the Program Fund under the Indenture, established for the Borrower's Project and Loan.

"*Business Day*" means any day other than a Saturday, a Sunday, or a day on which banking institutions in the Commonwealth of Kentucky or the State of New York or the Office of the Trustee is closed as authorized or obligated by law or administrative order or a day on which the New York Stock Exchange is closed.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended, and shall include the Regulations of the United States Department of the Treasury promulgated thereunder.

"*Commitment Letter*" means the RD Commitment Letter evidencing the approval by RD of Permanent Financing for the Project.

"*Commonwealth*" or "*State*" shall mean the Commonwealth of Kentucky.

"*Corporation*" shall mean the Kentucky Rural Water Finance Corporation, a non-profit corporation and an instrumentality of the Borrower and other governmental entities.

"*Costs*" or "*Project Costs*" shall mean the costs of the Project as approved by RD including interest during the construction of the Project.

"*Engineers*" means the firm of consulting engineers employed by the Borrower in connection with the Project, as identified in the Application.

"*Immediate Notice*" shall mean notice given by telephone, telecopy, telegraph or other electronic means, promptly confirming in writing in accordance with the requirements of the Indenture.

"*Indenture*" shall mean the Trust Indenture dated as of November 1, 2011, between the Corporation and the Trustee, as supplemented and amended from time to time.

"*Interest Rate*" shall mean 2.60% per annum accruing from the date of this Loan Agreement to the Maturity Date.

"*Interest Payment Date*" shall mean the first day of each May and November beginning on the date specified by the Corporation.

"*Investment Earnings*" shall mean interest earned on amounts on deposit in the Borrower's Account established for the Borrower.

"*Loan*" shall mean the loan effected pursuant to this Loan Agreement.

"*Loan Agreement*" shall mean this agreement made and entered into by and between the Borrower and the Corporation, providing for a Loan to the Borrower by the Corporation, and for the repayment thereof to the Corporation by the Borrower.

"*Loan Note*" shall mean the notes of the Borrower to the Corporation dated as of their respective dates assigned to the Trustee representing the loan obligations of the Borrower set forth in this Loan Agreement.

"*Loan Payment Date*" shall mean the earlier of (i) the Business Day following the Borrower's receipt of the proceeds of the Permanent Financing or (ii) the Maturity Date.

"*Loan Payments*" shall mean all payments required to be made to the Corporation by the Borrower under this Loan Agreement.

"*Maturity Date*" shall mean May 1, 2017.

"*Note*" or "*Notes*" shall mean any of the Corporation's Public Projects Construction Notes, Series D, issued from time to time in one or more series.

"*Permanent Financing*" shall mean bonds issued by the Borrower and delivered to RD as purchaser.

"*Person*" shall mean any individual, firm, partnership, association, corporation or governmental entity.

"*Project*" shall mean the Project described in the Application.

"*Remarketing Agent*" shall mean the remarketing agent appointed under the Indenture.

"*RD*" means the United States Department of Agriculture acting through Rural Development or its successors or assigns.

"*Requisition for Funds*" shall mean the form attached hereto as Exhibit B to be utilized by the Borrower in obtaining disbursements of the Loan from the Trustee.

"*System*" shall mean the utility system owned and operated by the Borrower of which the Project shall become a part.

"*Trustee*" shall mean Regions Bank, Nashville, Tennessee, and its successor or successors, and any other corporation acting at any time as Trustee under the Indenture.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of Corporation. The Corporation represents and warrants for the benefit of the Borrower as follows:

(a) The Corporation is a non-profit corporation and an instrumentality of the Borrower and other governmental entities, has all necessary power and authority to enter into, and perform its obligations under, this Loan Agreement, and has duly authorized the execution and delivery of this Loan Agreement.

(b) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing.

(c) To the knowledge of the Corporation, there is no litigation or proceeding pending or threatened against the Corporation or any other person affecting the right of the Corporation to execute or deliver this Loan Agreement or to comply with its obligations under this Loan Agreement. Neither the execution and delivery of this Loan Agreement by the Corporation, nor compliance by the Corporation with its obligations under this Loan Agreement, require the approval of any regulatory body, or any other entity, which approval has not been obtained.

(d) The authorization, execution and delivery of this Loan Agreement and all actions of the Corporation with respect thereto, are in compliance with the Act and any regulations issued thereunder.

Section 2.2. Representations and Warranties of Borrower. The Borrower hereby represents and warrants for the benefit of the Corporation as follows:

(a) The Borrower is a duly organized and validly existing governmental agency, as described in the Act, with full power to own its properties, conduct its affairs, enter into this Loan Agreement and consummate the transactions contemplated hereby.

(b) The negotiation, execution and delivery of this Loan Agreement and the consummation of the transactions contemplated hereby have all been duly authorized by requisite action of the governing body of the Borrower.

(c) This Loan Agreement and the Loan Note has been duly executed and delivered by the Borrower and are valid and binding obligations of the Borrower enforceable in accordance with their terms, except to the extent that the enforceability thereof may be limited by equitable principles and

by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

(d) There is no litigation of any nature pending or threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Borrower or its governing body to make payments under this Loan Agreement or to construct the Project, or to challenge in any manner the authority of the Borrower or its governing body to take any of the actions which have been taken in the authorization or delivery of this Loan Agreement or the construction of the Project, or in any way contesting or affecting the validity of this Loan Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Borrower of this Loan Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Borrower, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Loan Agreement.

(e) The authorization and delivery of this Loan Agreement and the consummation of the transactions contemplated hereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation or other document or law affecting the Borrower or its governing body.

(f) Attached hereto as Exhibit D is a true, accurate and complete copy of the resolution or ordinance of the governing body of the Borrower approving and authorizing the execution and delivery of this Loan Agreement. Such resolution or ordinance was duly enacted or adopted at a meeting of the governing body of the Borrower at which a quorum was present and acting throughout; such resolution or ordinance is in full force and effect and has not been superseded, altered, amended or repealed as of the date hereof; and the meeting at which the resolution or ordinance was duly enacted or adopted was held in full compliance with Sections 61.805 to 61.850 of the Kentucky Revised Statutes.

(g) The Borrower has all licenses, permits and other governmental approvals required to own, occupy, operate and maintain the Project, and to enter into this Loan Agreement; is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Project; and has full right, power and authority to perform the acts and things as provided for in this Loan Agreement.

Section 2.3. Representations, Warranties and Covenants Concerning Permanent Financing. The Borrower represents, warrants and covenants as follows:

(a) The Borrower has (i) received all approvals of RD required in connection with the construction of the Project, and (ii) received a commitment for Permanent Financing of its Project with presently obligated funds to be paid on or before the Maturity Date.

The Borrower acknowledges and agrees that, in making this Loan, the Corporation has relied upon the receipt of the Permanent Financing commitment from RD.

(b) The Borrower is not in breach of or in default under any of the provisions of the loan documents or any instruments, proceedings or other documentation authorizing the issuance of or securing the payment of the Permanent Financing (the "Permanent Financing Documents").

(c) The execution and delivery of the Permanent Financing Documents and the compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the Borrower a breach of or default under any contract, agreement, instrument, indenture or proceedings or any law, regulation, court order or consent decree to which the Borrower is now subject.

(d) The Permanent Financing Documents have been duly authorized, executed and delivered by the Borrower and are valid and binding obligations of the Borrower.

(e) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body known to be pending or threatened against the Borrower in any way contesting or affecting any authority for the issuance of or the validity of the Permanent Financing or the Permanent Financing Documents or in any way adversely affecting the transactions contemplated thereby.

(f) The Borrower will comply in all respects with the terms and provisions of the Permanent Financing Documents.

(g) The Borrower will promptly remit, in accordance with the provisions of the Permanent Financing Documents, each disbursement from its Borrower's Account to the person or persons to whom payment is then due and owing.

(h) The Borrower will not unilaterally terminate, or enter into any agreement to terminate, any of the Permanent Financing Documents and will give to the Corporation and the Trustee prompt written notice, appropriately documented, of any material amendment to or modification of any of the Permanent Financing Documents.

ARTICLE III

CORPORATION'S AGREEMENT TO MAKE LOAN; TERMS

Section 3.1. Determination of Eligibility. The Corporation has determined that the Borrower's Project is a project eligible for Program financing.

Section 3.2. Loan Amount; Loan Payments and Prepayments; Disbursement of Funds. The principal amount of the Loan shall be \$1,900,000 (the "Loan Amount"). Principal shall be paid in full on or before the Loan Payment Date.

The principal amount of the Loan may be prepaid on any date upon 30 days prior written notice to the Corporation and the Trustee in accordance with the following schedule: (i) if the Loan is prepaid prior to December 31, 2016, a 1.00% prepayment premium may be assessed; (ii) if the Loan is prepaid on January 1, 2017 through February 28, 2017, a 0.50% prepayment premium may be assessed; and (iii) if the Loan is prepaid on and after March 1, 2017, no prepayment premium will be assessed. The Corporation reserves the right to waive any and all prepayment premiums.

The Loan shall bear interest from the date of this Loan Agreement at the Interest Rate and shall accrue on the outstanding principal amount of the Loan. The principal of and interest on the Loan shall be payable solely on the Loan Payment Date or upon earlier prepayment. The Loan shall be evidenced by the execution by the Borrower of the Loan Note and delivery and assignment by the Corporation thereof to the Trustee. The Loan Note shall be in substantially the same form as that attached to this Loan Agreement as Exhibit C and made a part hereof.

The proceeds of the Loan shall be deposited in a Borrower's Account established for the Borrower. The Corporation shall cause the Trustee to disburse amounts from such Borrower's Account upon the submission by the Borrower of a Requisition for Funds in substantially the same form as Exhibit B hereto. Upon receipt of a properly submitted Requisition for Funds by no later than 12:00 pm Eastern time on Tuesday of any week, the Trustee shall disburse the amounts so requested on the following Thursday. The Corporation does not make any warranty, either express or implied, that the moneys which will be paid into the Borrower's Account and which, under the provisions of this Loan Agreement, will be available for payment of the cost of the Project, will be sufficient to pay all of the cost of the Project.

Payment of principal of the Loan shall be made at the principal corporate trust office of the Trustee on the Loan Payment Date, or upon earlier prepayment. In addition to the payment of principal of and interest on the Loan, the Borrower shall pay to the Corporation all of the expenses and fees, including any share of investment earnings required to be rebated to the United States of America pursuant to the Code, arising from the making of the Loan by the Corporation to the Borrower. The Borrower shall receive a credit against its payment of principal hereunder in an amount equal to (i) amounts remaining in its Borrower's Account on the date the Loan is paid in full and (ii) Investment Earnings.

Section 3.3. Rebate to Borrower. Within ninety (90) days following the payment in full of the Notes of the Corporation issued under the Indenture, the Corporation shall rebate or cause to be rebated to the Borrower a portion of the monies remaining in the accounts held by the Trustee under the Indenture after repayment of or provision for repayment of all necessary fees, costs and expenses of the Trustee and the Administrative Costs of the Program (the "Rebate Amount"), on the following basis:

(a) All interest paid on the Loans of the Program provided that if the remaining Rebate Amount is not sufficient to rebate all interest paid on all Loans of the Program, the rebate will be equal to the remaining Rebate Amount multiplied by a ratio whose numerator is the Borrower's Loan Amount and whose denominator is the total Loan Amounts of all Program Loans.

Section 3.4. Covenant Regarding Permanent Financing. The Borrower does hereby separately covenant that if for any reason RD fails to provide the Permanent Financing by accepting delivery thereof on or before the Maturity Date, the Borrower shall continue to pay interest on the Loan at the rate set forth in Section 3.2 from amounts in its Borrower's Account or its own funds, as determined by the Corporation, and if RD has not purchased the Permanent Financing by the Maturity Date, the Borrower shall pay the Loan in full on such date. Such payment shall be effected from the proceeds of other temporary or Permanent Financing or other borrowing of whatever nature or from any other legally available funds of the Borrower.

The Borrower will give to the Corporation and the Trustee prompt written notice, appropriately documented, of any modification, suspension, termination, annulment or other change in status of the RD commitment for Permanent Financing. In such event the Corporation shall provide express written instructions to the Trustee specifically detailing to the Trustee the manner in which the duties of the Trustee under the Indenture will change as a result of such modification, suspension, annulment or other change.

Section 3.5. Conversion to RD Multiple Advance Loan. This Loan Agreement and the Loan Note may be assigned to RD in the event that the Notes cannot be remarketed, or the Notes are required to be called for redemption, as described in the Indenture. In such event, the Corporation or its designee will notify the Borrower that this Loan Agreement and the Loan Note will be assigned to RD, and the effective date of such assignment, which notification shall be not less than 14 days prior to the assignment date. On or before such assignment date, RD will cause the full amount of the Borrower's Loan Payment (as of such assignment date) to be wired to the Borrower's construction fund, and the Borrower agrees that it will immediately wire such funds to the Trustee, as directed by the Corporation. On such assignment date, and without further action of the Borrower, the Corporation or RD, the Corporation shall be deemed to have assigned to RD, and RD shall be deemed to have assumed, the Corporation's rights under the Loan Note (and this Loan Agreement shall be of no further force or effect). Thereafter, the Loan Note shall bear interest at the then-applicable RD multiple-advance rate in effect for the Borrower.

ARTICLE IV

ASSIGNMENT AND GENERAL COVENANTS OF BORROWER

Section 4.1. Repayment of Loan. The Borrower hereby agrees to pay the principal of and interest on the Loan, as and when due. The obligations of the Borrower to repay the Loan and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach by the Corporation or the Trustee of any obligation to the Borrower, whether hereunder or otherwise, or as a result of the failure of the Borrower to complete the acquisition, construction, improving and equipping of the Project, the failure of RD to provide Permanent Financing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Corporation or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement.

Section 4.2. Security for Repayment of Loan. (a) The Loan and the Loan Note shall be repaid from, and repayment of the Loan and the Loan Note shall be secured by the proceeds of the Permanent Financing. In the event that Permanent Financing is not available on the Loan Payment Date, or insufficient to repay the Loan in full, this Loan and the Loan Note shall be payable from and be secured by a pledge of the revenues of the System, subject to the pledge thereof in favor of any prior lien bonds.

(b) The Borrower does hereby irrevocably assign and pledge to the Corporation and its successors or assigns, for the benefit of the owners of all Notes issued under the Indenture, all right, title and interest of the Borrower in and to the proceeds of the Permanent Financing and all monies to be received from RD, as applicable, pursuant to RD's expressed intention to provide Permanent Financing for the Project. The Borrower acknowledges and agrees that the Corporation pursuant to the Indenture has assigned and pledged to the Trustee for the benefit and security of the owners of the Notes all of its rights under the provisions of this Loan Agreement and the Loan Note. Accordingly, this Loan Agreement shall not be terminated, modified or changed by the Corporation or the Borrower except with the consent of the Trustee in the manner and subject to the conditions permitted by the terms and provisions of the Indenture.

Section 4.3. Further Assurance. At any time and all times the Borrower shall, so far as it maybe 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 Borrower may hereafter become bound to pledge or assign.

Section 4.4. Completion of Project. The Borrower 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 Borrower so that the Permanent Financing can be delivered on or prior to the Maturity Date.

Section 4.5. Tax Covenant. The Borrower 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 Corporation in order to accomplish the foregoing. The Borrower 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 Project any system of which it is a part, or (iv) any federal guarantee of its obligations hereunder without the prior written consent of the Corporation. The Borrower will not acquire or pledge any obligations that would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 4.6. Accounts and Reports. The Borrower shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Project, which shall at all reasonable times be subject to the inspection of the Corporation.

Section 4.7. General. The Borrower 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 Borrower under the provisions of any agreements regarding the Permanent Financing and this Loan Agreement in accordance with the terms of such provisions.

Section 4.8. Designation of Authorized Officers. The Borrower hereby designates its Chairman, Vice Chairman and Secretary as its Authorized Officers for purposes of this Loan Agreement and the Indenture.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

Section 5.1. Events of Default Defined. The following will be "Events of Default" under this Loan Agreement and the term "Event of Default" or "Default" will mean, whenever it is used in this Loan Agreement, any one or more of the following events:

(a) Failure by the Borrower to pay any Loan payments at the times specified herein including the principal and interest due on the Loan Note.

(b) Failure by the Borrower to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied will have been given to the Borrower by the Corporation unless the Corporation agrees in writing to an extension of such time prior to its expiration provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until such failure is corrected.

(c) The dissolution or liquidation of the Borrower, or the voluntary initiation by the Borrower of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Borrower of any such proceeding which will remain undismissed for sixty (60) days, or the entry by the Borrower into an agreement of composition with creditors or the failure generally by the Borrower to pay its debts as they become due.

Section 5.2. Remedies on Default. Whenever any Event of Default referred to in Section 6.1 has occurred and is continuing, the Corporation may, without any further demand or notice, take one or any combination of the following remedial steps:

(a) Declare all payments due hereunder, as set forth in the Schedule of Payments to be immediately due and payable.

(b) Exercise all the rights and remedies of the Corporation set forth in the Act.

(c) Take whatever action at law or in equity appear necessary or desirable to enforce its rights under this Loan Agreement.

Section 5.3. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of Judicial proceedings to enforce the rights of the Corporation under this Loan Agreement, the Corporation shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Corporation may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

Section 5.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 5.5. Consent to Powers of Corporation Under Act and this Loan Agreement. The Borrower hereby acknowledges to the Corporation its understanding of the provisions of the Act and this Loan Agreement, vesting in the Corporation certain powers, rights and privileges in respect of the Project upon the occurrence of an Event of Default, and the Borrower hereby covenants and agrees that if the Corporation should in the future have recourse to said rights and powers, the Borrower shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Corporation in the due and prompt implementation of this Loan Agreement.

Section 5.6. Non-Waivers by Corporation. No failure by the Corporation or by any assignee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of any payment hereunder, in full or in part, during the continuance of such breach, shall constitute waiver of such breach or of such term. No waiver of any breach shall affect or alter this Loan Agreement or constitute a waiver of a then existing or subsequent breach.

Section 5.7. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto is in default under any of the provisions hereof and the nondefaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the nondefaulting party the fees of such attorneys and such other expenses so incurred by the nondefaulting party.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.1. Approval not to be Unreasonably Withheld. Any approval of the Corporation required by this Loan Agreement shall not be unreasonably withheld and shall be deemed to have been given on the thirtieth (30th) day following the submission of any matter requiring approval to the Corporation, unless disapproved in writing prior to such thirtieth (30th) day. Any provision of this Loan Agreement requiring the approval of the Corporation or the satisfaction or the evidence of satisfaction of the Corporation shall be interpreted as requiring action by an authorized officer of the Corporation granting, authorizing or expressing such approval or satisfaction, as the case may be, unless such provision expressly provides otherwise.

Section 6.2. Effective Date. This Loan Agreement shall become effective as of the date first set forth herein above and shall continue to full force and effect until the date the obligations of the Borrower pursuant to the provisions of this Loan Agreement have been fully satisfied.

Section 6.3. Binding Effect. This Loan Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Loan Agreement shall not be revocable by either of the parties, nor assignable by either parties without the written consent of the other party.

Section 6.4. Severability. In the event that any provision of this Loan Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 6.5. Execution in Counterparts. This Loan Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Section 6.6. Applicable Law. This Loan Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 6.7. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

Section 6.8. Notices. Any notices required hereunder shall be delivered in the manner and to the addresses set forth in the Indenture; provided that the Borrower's address shall be that listed on its Application.

Section 6.9. Discharge of Borrower's Obligations under the Loan Agreement. If, prior to an Interest Payment Date, the Borrower (a) deposits sufficient funds with the Trustee to pay the principal of and interest due hereunder to such Interest Payment Date (or such lesser amount as shall be identified by the Remarketing Agent); and (b) informs the Corporation, the Remarketing Agent and the Trustee of its intention to prepay its obligations hereunder on such Interest Payment Date; and if the Borrower shall also pay or cause to be paid all other sums payable hereunder by the Borrower with respect to this Loan Agreement, or make adequate provision therefor, then and in that case the indebtedness evidenced by this Loan Agreement and the Loan Note shall be discharged and satisfied and all covenants, agreements and obligations of the Borrower hereunder shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

Section 6.10. No Liability of Corporation's and Borrower's Officers. No recourse under or upon any obligation, covenant or agreement contained in this Agreement shall be had against any incorporator, member, director or officer, as such, past, present or future, of the Corporation or the Borrower, either directly or through the Corporation or the Borrower. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer is hereby expressly waived and released by the Borrower and the Corporation against the other's incorporators, members, directors or officers as a condition of and consideration for the execution of this Loan Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their respective duly authorized officers as of the day and year above written.

KENTUCKY RURAL WATER FINANCE CORPORATION

By _____

Title _____

LYON COUNTY WATER DISTRICT
Borrower

By Don Robertson
Chairman

EXHIBIT A

**KENTUCKY RURAL WATER FINANCE CORPORATION
PUBLIC PROJECTS INTERIM CONSTRUCTION FINANCING**

APPLICATION FOR INTERIM FINANCING FOR RD LOANS

Borrower:

Name: _____

Address: _____

Contact Person: _____

Telephone Number: _____ Fax Number: _____

Project Engineer:

Name: _____

Address: _____

Contact Person: _____

Telephone Number: _____ Fax Number: _____

RD District Loan Officer:

Name: _____

Address: _____

Telephone Number: _____ Fax Number: _____

Bond Counsel:

Name: _____

Address: _____

Contact Person: _____

Telephone Number: _____ Fax Number: _____

Brief Description of Project: _____

Date of RD Letter of Conditions: _____

Amount of Interim Financing Requested: _____

Estimated Date of Construction Commencement (RD Pre-Closing): _____

Estimated Date of Construction Completion: _____

Estimated Date of RD Final Closing: _____

Depository Bank for Construction Account:

Name: _____

Address: _____

Contact Person: _____

Telephone Number: _____ Fax Number: _____

Wire Instructions (if known): _____

Please return application and RD Letter of Conditions to:
Kentucky Rural Water Finance Corporation
3251 Spring Hollow Avenue
Bowling Green, Kentucky 42102-1424

EXHIBIT B

**REQUEST FOR PAYMENT WITH RESPECT TO
KENTUCKY RURAL WATER FINANCE CORPORATION
(PUBLIC PROJECTS CONSTRUCTION FINANCING PROGRAM)**

Request No. _____

Dated _____

To: Regions Bank
Corporate Trust Administration
150 Fourth Avenue North, Suite 900
Nashville, Tennessee 37219
Fax Number: (615) 770-4350

From: _____ ("Borrower")

Contact Person: _____

Address: _____

Phone: _____

Email: _____

Ladies and Gentlemen:

The above identified Borrower has entered into a Loan Agreement with the Kentucky Rural Water Finance Corporation (the "Corporation") for the acquisition and construction of facilities described in the Loan Agreement as the "Project."

Pursuant to the Loan Agreement, we hereby certify that we have incurred the following expenses in connection with the Project and that the Corporation's funding share of these expenses is in the amount so denoted in this request totaling \$ _____ and is set forth in Exhibit A attached hereto.

Respectfully submitted,

Borrower

By _____

Title _____

Certificate of Consulting Engineers as to
Payment Request

The undersigned, a duly qualified and licensed Engineer hereby certifies that he or she represents the Borrower submitting this request and that all expenses represented in this request were duly incurred for the Construction of the "Project," and that such expenses have not been the subject of any request for disbursement previously submitted.

Engineer/Consultant

Firm Name _____

By _____

Title _____

APPROVED:

USDA, Rural Development

By _____

Title _____

EXHIBIT C

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY

REVENUE BOND ANTICIPATION NOTE

Dated: _____ \$ _____

For value received, the _____ (the "Issuer"), acting by and through its _____ (the "Governing Body"), hereby acknowledges itself indebted to and promises to pay to the order of:

KENTUCKY RURAL WATER FINANCE CORPORATION

the principal sum of

_____ (\$ _____)

on the Loan Payment Date, with interest thereon payable on the Loan Payment Date (or prior prepayment) accruing from the date hereof at the Interest Rate (hereinafter defined); provided, however, that upon the assignment of this Note to the United States Department of Agriculture acting through Rural Development ("RD"), this Note shall immediately begin accruing interest at the interim financing loan rate then in effect for the Borrower, as published by RD. Capitalized terms not otherwise defined herein shall have the meaning ascribed in that certain Loan Agreement between the Borrower and the Payee, dated as of the date hereof. This Note may be prepaid without penalty on any Interest Payment Date, provided that, until this Note has been assigned to RD, the Borrower gives 30 days written notice thereof to the Corporation and the Trustee.

Both principal hereof and interest hereon are payable in lawful money of the United States of America by electronic fund transfer or by check or draft mailed to the registered owner at the address shown on the Borrower's registration book. Upon final payment, this Note shall be submitted to the Borrower for cancellation.

For the purpose of this Note, the terms set forth below shall be defined as follows:

"*Business Day*" means any day other than a Saturday, a Sunday, or a day on which banking institutions in the State of Kentucky or the State of New York or the Office of the Trustee is closed as authorized or obligated by law or administrative order or a day on which the New York Stock Exchange is closed.

"*Interest Rate*" shall mean _____% per annum accruing from the date hereof to the Maturity Date.

"Loan Payment Date" shall mean the earlier of (i) the Business Day following the Issuer's receipt of the proceeds of the Permanent Financing (as defined in the Loan Agreement by and between the Issuer and the Payee); or (ii) the Maturity Date.

"Maturity Date" shall mean _____.

This Note is a special obligation of the Issuer, payable solely from the proceeds of the sale of _____ Revenue Bonds, (the "Bonds"), authorized by the Issuer. RD has agreed to purchase said Bonds. The proceeds of the Bonds and the income and revenues to be derived from the operation of the _____ system of the Issuer (the "System") are hereby irrevocably pledged to the payment of this Note.

This Note is issued pursuant to Chapters 58 and _____ of the Kentucky Revised Statutes (collectively the "Act") and in anticipation of the issuance of the aforesaid Bonds and the receipt of the aforesaid revenues.

It is further certified that the undersigned is an Authorized Officer of the Issuer, duly authorized to execute this Note on behalf of said Issuer, and that this Note represents a liability of said Issuer only, payable out of the proceeds and revenues, hereinabove mentioned, and that the undersigned, by executing this Note, does not become personally and/or individually liable hereon as a personal or individual debt.

IN WITNESS WHEREOF, the Issuer has caused this Note to be executed by the Authorized Officer, on the date of this Note, which is _____, 20____.

By _____

Title _____

(Seal of Issuer)

EXHIBIT D

RESOLUTION _____

RESOLUTION OF THE _____ APPROVING AND
AUTHORIZING A LOAN AGREEMENT WITH THE KENTUCKY RURAL
WATER FINANCE CORPORATION

WHEREAS, the _____ ("Governing Authority") of
_____, ("Borrower") has previously determined that it is in the public interest to
acquire and construct certain facilities and improvements to the Borrower's _____
System (the "Project"); and

WHEREAS, the Borrower desires the Kentucky Rural Water Finance Corporation (the
"Corporation") to act as its agency and instrumentality for the purpose of providing monies to
construct the Project and has made an application to the Corporation therefore; and

WHEREAS, in order to obtain such monies, the Borrower is required to enter into a Loan
Agreement with the Corporation;

NOW, THEREFORE, BE IT RESOLVED by the Governing Authority of
_____, as follows:

Section 1. That the Governing Authority hereby requests to the Corporation to act as its
agency and instrumentality in obtaining interim financing and hereby approves and authorizes (i) the
Loan Agreement between the Borrower and the Corporation substantially in the form on file with
the Borrower for the purpose of providing the necessary financing to the Borrower for the Project
and the Loan Note from the Borrower to the Corporation in the amount not to exceed \$ _____
and (ii) any modifications, extensions or substitutions for the Loan Agreement and the Loan Note
in the event needed to refinance the obligations incurred by the Borrower thereunder.

Section 2. That any officer of the Borrower be and hereby is authorized, directed and
empowered to execute necessary documents or agreements, and to otherwise act on behalf of the
Borrower to effect such financing.

Section 3. That this resolution shall take effect at the earliest time provided by law.

Adopted on _____.

By _____

Title _____

Attest:

By _____

Title _____

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting _____ of _____; that the foregoing is a full, true and correct copy of a Resolution adopted by the Governing Authority of _____ at a meeting duly held on _____, 20__; that said official action appears as a matter of public record in the official records of the Governing Authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.823; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this _____ day of _____, 20__.

Title _____

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Borrower]

Kentucky Rural Water Finance Corporation
Bowling Green, Kentucky

Regions Bank
Nashville, Tennessee

Loan Agreement by and between Kentucky Rural Water Finance Corporation
and _____ dated as of _____

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to _____ (the "Borrower"). I am familiar with the organization and existence of the Borrower and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the project (the "Project") with respect to which the Loan Agreement (the "Loan Agreement") by and between the Kentucky Rural Water Finance Corporation ("Corporation") and the Borrower is being authorized, executed and delivered and the Loan Notes (the "Loan Note") from the Borrower to the Corporation is being authorized, and which may be executed and delivered.

I have reviewed the form of Loan Agreement, the Loan Note, the resolution or ordinance of the Borrower authorizing the execution and delivery of said Loan Agreement and Loan Note and the plans, designs and specifications prepared by the Engineers for the Borrower with respect to the Project.

Based upon my review I am of the opinion that:

(1) The Borrower is a duly organized and existing political subdivision or body politic of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

(2) The Loan Agreement and the Loan Note have been duly executed and delivered by the Borrower and is a valid and binding obligation of the Borrower enforceable in accordance with their terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency

or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors rights or remedies generally.

(3) The Borrower has all necessary power and authority to enter into, perform and consummate all transactions contemplated by the Loan Agreement and the Loan Note, and to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

(4) The execution and delivery of the Loan Agreement and the Loan Note and the performance by the Borrower of their obligations thereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, lease, note or other obligation or instrument, binding upon the Borrower, or any of its properties or assets. The Borrower has obtained each and every authorization, consent, permit, approval or license of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution, delivery or performance by the Borrower of the Loan Agreement and the Loan Note.

(5) To the best of my knowledge after due inquiry there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) the valid existence of the Borrower, (ii) the right or title of the members and officers of the Borrower to their respective positions, (iii) the authorization, execution, delivery or enforceability of the Loan Agreement, the Loan Note or the application of any monies or security therefor, (iv) the construction of the Project, or (v) that would have a material adverse impact on the ability of the Borrower to perform its obligations under the Loan Agreement or the Loan Note.

(6) None of the proceedings taken by the Borrower for the authorization, execution or delivery of the Loan Agreement or the Loan Note has or have been repealed, rescinded, or revoked.

(7) All proceedings and actions of the Borrower with respect to which the Loan Agreement or the Loan Note is to be delivered were had or taken at meetings properly convened and held in substantial compliance with the applicable provisions of Sections 61.805 to 61.850 of the Kentucky Revised Statutes.

Very truly yours,

EXHIBIT F

OPINION OF BOND COUNSEL

[Letterhead of Bond Counsel to Borrower]

[Date]

Loan Agreement by and between Kentucky Rural Water Finance Corporation
and _____ dated as of _____

We hereby certify that we have reviewed and are familiar with the proceedings of _____ (the "Governing Authority") of the _____ (the "Borrower"), in connection with the authorization, execution and delivery of a Loan Agreement between the Kentucky Rural Water Finance Corporation, (the "Corporation") and the Borrower, dated _____, 20____ (the "Loan Agreement") and the form of the Loan Notes from the Borrower to the Corporation (the "Loan Note") evidencing the loan in the amount not to exceed \$ _____ being issued by the Corporation to the Borrower pursuant to the Loan Agreement and the Loan Note to provide interim financing (the "Loan") for the construction of a project (the "Project") consisting of improvements to the _____ system of the Borrower (the "System"); and the proposed issuance of bonds by the Borrower in the amount of \$ _____, to be dated the date of the issuance thereof (the "Bonds") to repay the Loan and provide permanent financing for the Project.

Our examination of such proceedings included (a) the proceedings of the Governing Authority held on _____, 20____, adopting a resolution authorizing the Loan Agreement (the "Resolution") (b) the proceedings of the Governing Authority held on _____, 20____, adopting legislation authorizing the Bonds (the "Bond Legislation"); and (c) the proceedings of the Governing Authority held on _____, 20____, accepting the successful bid of the United States Department of Agriculture acting through Rural Development (the "RD") for the purchase of the Bond.

Based upon our examination of the aforesaid proceedings, we are of the opinion that the Borrower has a valid contract with the RD, in which the Borrower has agreed to sell and RD has agreed to purchase Bonds at par, and that the Bonds, when issued in accordance with the aforesaid proceedings, will be valid and legally binding upon the Borrower and will be secured by and payable from a pledge of the gross revenues of the System.

Based upon our review of such proceedings and applicable laws, it is our opinion that the Loan Agreement has been validly authorized, executed and delivered by and on behalf of the Borrower.

The rights and remedies of the Corporation under the Loan Agreement may be limited by any applicable bankruptcy, insolvency, reorganization, or similar laws, or judicial decisions affecting the

BOND RESOLUTION

LYON COUNTY WATER DISTRICT

AUTHORIZING

LYON COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2016

IN THE PRINCIPAL AMOUNT OF

\$1,900,000

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BOND RESOLUTION

RESOLUTION OF THE LYON COUNTY WATER DISTRICT AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$1,900,000 PRINCIPAL AMOUNT OF LYON COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2016 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

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

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

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

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

WHEREAS, the District desires and intends that the Current Bonds be subject to the vested rights and priorities in favor of the owners of the outstanding Prior Bonds, and

WHEREAS, the District has filed an Application with the Kentucky Public Service Commission for a Certificate of Public Convenience and Necessity, authorizing the construction of said extensions, additions and improvements, and

WHEREAS, the proceeds of the Current Bonds will be supplemented by other funds in the amount of approximately \$2,650,000, to provide the total cost of such construction,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Current Bonds" refers to the \$1,900,000 of Lyon County Water District Waterworks Revenue Bonds, Series 2016 authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the Lyon County Water District Waterworks Sinking Fund of 2016, created in Section 401 of this Resolution.

"Debt Reserve Fund" refers to the Lyon County Water District Waterworks Debt Reserve Fund, described in Section 402 of this Resolution.

"Depository Bank" refers to the bank, which shall be a member of the FDIC, which bank is Branch Banking and Trust, Eddyville, Kentucky, or its successor.

"District" refers to the Lyon County Water District of Lyon County, Kentucky.

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

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

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

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

"Funds" refers to the Construction Account, the Revenue Fund, the Prior Sinking Fund, the Current Sinking Fund, the Debt Reserve Fund and the Operation and Maintenance Fund.

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

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

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

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

"KACoLT Note" refers to the outstanding Kentucky Association of Counties Leasing Trust Note, dated December 16, 1991, in the original authorized principal amount of \$130,000.

"KIA Loan" refers to the Kentucky Infrastructure Authority loan to the District in the anticipated principal amount of \$2,000,000.

"KRWFC Note" refers to the outstanding Kentucky Rural Water Finance Corporation Note, dated March 27, 2013, in the original authorized principal amount of \$1,305,000.

"Local Counsel" refers to Marvin Lee Wilson, Esq., Eddyville, Kentucky, or any other attorney or firm of attorneys designated by the District.

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

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

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

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

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

"Prior Bonds" refers collectively to the KACoLT Note and the KRWFC Note.

"Prior Sinking Fund" refers to the Lyon County Water District Waterworks Sinking Fund, described in Section 401 of this Resolution.

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

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

"RD" refers to U.S. Department of Agriculture, acting through Rural Development.

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

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

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

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

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

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

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

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

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

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

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

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$4,550,000. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of \$1,900,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$4,550,000
Less:		
RD Grant	\$ 650,000	
KIA Loan	<u>2,000,000</u>	
Total Non-Bond Funds:		<u>(2,650,000)</u>
Balance to be financed by Current Bonds		\$1,900,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$1,900,000 principal amount of Lyon County Water District Waterworks Revenue Bonds, Series 2016.

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

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

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

Section 107. Current Bonds Shall be Payable Out of Gross Revenues. The Current Bonds, and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be secured by and payable out of the gross revenues of the System, after providing for all of the principal and interest requirements of the outstanding Prior Bonds.

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

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

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

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

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

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

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2026, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2026, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2025, at par plus accrued interest, without any prepayment penalty.

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

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

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

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$185,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed \$185,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

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

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

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

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

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

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

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

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

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

(4) Transfer of Capitalized Interest to Current Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$62,200) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Current Sinking Fund.

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

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

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

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

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

Section 302. Interim Financing Authorization.

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

The borrowing of up to the aggregate sum of \$1,900,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute the Note in the name and on

behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

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

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

The aggregate of the principal amount of all Notes shall not exceed \$1,900,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of \$1,900,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds and/or Grant Proceeds.

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

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

theretofore. The District further pledges the revenues of the System to the repayment of said interim financing, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

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

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

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

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

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

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

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

Current Bonds to be "arbitrage bonds"; and (2) the District will comply with all of the requirements of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute "arbitrage bonds" and that the interest on the Bonds shall be excludable from gross income for federal income tax purposes.

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

ARTICLE 4. FLOW OF FUNDS.

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

- (a) Lyon County Water District Waterworks Revenue Fund
- (b) Lyon County Water District Waterworks Sinking Fund
- (c) Lyon County Water District Waterworks Operation and Maintenance Fund

There is hereby created and established in this Resolution the (i) Lyon County Water District Waterworks Sinking Fund of 2016; and (ii) Lyon County Water District Waterworks Debt Reserve Fund.

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding subject to the right of the District to designate a different depository bank.

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

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

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

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

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

C. Current Sinking Fund. At or after the delivery of the Current Bonds, there shall be transferred from the Construction Account into the Current Sinking Fund an amount sufficient (currently estimated at \$62,200) to provide for capitalized interest on the Current Bonds during the construction of the Project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

After the monthly transfers required in the preceding paragraphs have been paid from the Revenue Fund, there shall next be transferred monthly from said Revenue Fund and deposited into the Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds, a sum equal to the total of the following:

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

The Current Sinking Fund is hereby pledged for the payment of the interest and the principal of the Current Bonds, but subject to the vested rights and priorities of the Prior Bonds.

D. Debt Reserve Fund. It is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least \$845 each month which shall be deposited into the Debt Reserve Fund until the balance therein reaches \$101,400.

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

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

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

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

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

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

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

Any investments will be a part of the respective Funds from which the proceeds invested are derived, and income from such investments will be credited to such respective Funds. All investments of funds derived from proceeds of the Outstanding Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

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

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

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

Section 403. Current Bonds are Subordinate to the Prior Bonds. It is hereby certified and declared that the Current Bonds shall be subordinate to the lien and pledge of the Prior Bonds on the gross revenues of the System.

ARTICLE 5. COVENANTS OF DISTRICT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds.

The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

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

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

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

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

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

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

(a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;

(b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

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

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

ARTICLE 7. DEFAULT AND CONSEQUENCES

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

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

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

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

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

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

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

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

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

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

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

Section 804. Approval and Acceptance of RD Grant Agreement. The RD has agreed to make a grant to the District in the amount of \$650,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

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

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

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

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

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

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

ARTICLE 9. SALE OF CURRENT BONDS

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

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

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

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

ARTICLE 10. CONCLUDING PROVISIONS

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

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

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

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

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

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

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

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

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

Adopted this January 28, 2016.

LYON COUNTY WATER DISTRICT



Chairman

(Seal of District)

Attest:



Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Lyon County Water District and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on January 28, 2016, as shown by the official records of said District in my custody and under my control.

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

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this January 28, 2016.



Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments

<u>Payment Due January 1</u>	<u>Principal Payment</u>	<u>Payment Due January 1</u>	<u>Principal Payment</u>
2018	\$44,500	2032	\$67,000
2019	45,500	2033	69,000
2020	47,000	2034	71,000
2021	48,500	2035	73,000
2022	50,000	2036	75,500
2023	51,500	2037	77,500
2024	53,000	2038	80,000
2025	54,500	2039	82,500
2026	56,000	2040	85,000
2027	58,000	2041	87,500
2028	59,500	2042	90,000
2029	61,500	2043	92,500
2030	63,000	2044	95,500
2031	65,000	2045	96,500

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

**UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
LYON COUNTY WATER DISTRICT
WATERWORKS REVENUE BONDS, SERIES 2016**

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

KNOW ALL PERSONS BY THESE PRESENTS:

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

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

_____ DOLLARS (\$ _____),

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

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

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

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

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

This Bond is issued subject to the vested rights and priorities in favor of the owners of the outstanding (i) Kentucky Association of Counties Leasing Trust Note, dated December 16, 1991 (the "KACoLT Note"); and (ii) Kentucky Rural Water Finance Corporation Note, dated March 27, 2013 (the "KRWFC Note"). Accordingly, this Bond, together with any bonds ranking on a parity herewith, is payable from and secured by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the KACoLT Note and the KRWFC Note.

This Bond has been issued in full compliance with the Current Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Lyon County Water District Waterworks Sinking Fund of 2016", created in the Current Bond Resolution.

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

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

This Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the Secretary of the District as the Bond

Registrar, with a written transfer duly acknowledged by the registered owner or its duly authorized attorney, which transfer shall be noted upon this Bond and upon the registration book of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2025, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

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

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

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

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

LYON COUNTY WATER DISTRICT

By _____
Chairman

Attest:

Secretary

(Seal of District)

EXHIBIT C

REQUISITION CERTIFICATE

Re: Lyon County Water District Waterworks Revenue Bonds, Series 2016, in the principal amount of \$1,900,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the Lyon County Water District (the "District").
2. That the named firms and/or persons set forth on Exhibit A attached hereto are now entitled to the aggregate sum of \$ _____, itemized as set forth in said Exhibit A and as per approved invoices attached hereto:
3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "Lyon County Water District Waterworks Construction Account".
4. That we hereby certify that we have carefully inspected the work and, as a result of our inspection and to the best of our knowledge and belief, the amounts shown in this Requisition Certificate are correct and the work has been performed in accordance with the agreements between the District and the parties requesting payment.

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

LYON COUNTY WATER DISTRICT

HDR, Inc.

By _____
Chairman

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

USDA, Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Approved on _____

Total _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

**CERTIFICATE OF EXECUTION, NO LITIGATION
AND OF OUTSTANDING BOND ISSUES**

Re: Lyon County Water District Waterworks Revenue Bonds, Series 2016, in the principal amount of \$1,900,000.

We, the undersigned Chairman and Secretary, do hereby certify that we are the officers of the Board of Commissioners (the "Commission") of the Lyon County Water District (the "District"), constituting the governing body of said District, in Lyon County, Kentucky.

1. That pursuant to all legal requirements, including the Bond Resolution duly adopted by said Commission, there have been heretofore lawfully authorized the negotiable "Lyon County Water District Waterworks Revenue Bonds, Series 2016" (the "Current Bonds"), in the principal amount of \$1,900,000, in the form of fully registered bonds, as such purchaser(s) may determine, bearing interest from the date thereof, which is the same date as the date of this Certificate.

2. That pursuant to the provisions of said Bond Resolution, the purchaser thereof, the United States Department of Agriculture, acting through Rural Development ("RD"), duly elected to take delivery of said Current Bonds in the form of a single fully registered bond, representing the total authorized issue of Current Bonds, in the principal amount of \$1,900,000, dated as of the date of this Certificate, which is the date of delivery of and payment for said Current Bonds, payable to the registered owner (initially RD), numbered R-1, bearing interest at the rate set forth in said Current Bonds. Interest on the Current Bonds is payable semiannually on January 1 and July 1, with principal installments being payable on January 1 in each of the respective years, 2018 through 2045, inclusive, as set out in the maturity schedule contained in said Bond Resolution.

3. That said Current Bond has been executed with the genuine signatures of the undersigned Chairman and Secretary, with the corporate seal (the "Seal") of the District duly affixed to said Current Bond by one of us who was then and is now duly authorized to affix said Seal to said Current Bond, and that at that time, a true impression of said Seal was duly affixed to this Certificate at the place indicated below.

4. That on the date of execution of this Certificate we were, and now are, the duly qualified and acting officials indicated in this Certificate, and that we were and now are duly authorized to execute the same.

5. That said Current Bonds are subject to the vested rights and priorities in favor of the owners of certain outstanding Bonds of the District listed as (i) Kentucky Association of Counties Leasing Trust Note, dated December 16, 1991, in the principal amount of \$130,000 (the "KaCOLT Note"); and (ii) Kentucky Rural Water Finance Corporation Note, dated March 27, 2013, in the original principal amount of \$1,305,000 (the "KRWFC Note"), issued pursuant to an Assistance Agreement dated March 27, 2013 (the "KRWFC Assistance Agreement") and the KACoLT Note, the KRWFC Note and the Current Bonds represent the only issues of bonds (the "Outstanding Bonds") or obligations of said District outstanding which by their terms are in any manner secured

by or payable from the revenues of the District's waterworks system (the "System") as of the date hereof.

6. That no controversy or litigation is pending, prayed or threatened involving the creation, organization, existence or boundaries of said District, or the title of any of its officers to their respective positions, or the validity of the Current Bonds, or the power and authority of the District (1) to construct extensions, additions and improvements to its existing System; (2) to own and operate the System, including said extensions, additions and improvements as a revenue-producing undertaking; and (3) to provide and apply adequate revenues from the System for the full and prompt payment of the principal of and interest on the Outstanding Bonds and for the cost of operation and maintenance of the System, and that none of the proceedings or authority for the issuance of said Current Bonds has been repealed, revoked, rescinded, modified, changed or altered in any manner.

IN TESTIMONY WHEREOF, we have hereunto affixed our respective official signatures and the Seal of said District, this August 1, 2016.

LYON COUNTY WATER DISTRICT

By _____
Chairman

By _____
Secretary

(Seal of District)

CERTIFICATION OF ATTORNEY FOR DISTRICT

I, Marvin Lee Wilson, Esq., hereby certify that I am Local Counsel for the Lyon County Water District, that I have read the foregoing Certificate of Execution, No Litigation and of Outstanding Bond Issues, and that all of the facts stated therein are true to the best of my knowledge and belief.

Dated this August 1, 2016.

MARVIN LEE WILSON, ESQ.
Eddyville, Kentucky

ARBITRAGE CERTIFICATE

Re: Lyon County Water District Waterworks Revenue Bonds, Series 2016, in the principal amount of \$1,900,000.

1. General. (a) The undersigned is the Chairman of the Lyon County Water District (the "Issuer") of Lyon County, Kentucky.

(b) This Certificate is executed for the purpose of establishing the reasonable expectations of the Issuer as to future events regarding the Lyon County Water District Waterworks Revenue Bonds, Series 2016 (the "Bonds") in the principal amount of \$1,900,000 authorized pursuant to a Resolution (the "Bond Resolution") adopted by the Board of Commissioners of the Issuer in order that the Bonds are not "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

(c) The Issuer has not been notified of any listing or proposed listing of the Issuer by the Internal Revenue Service as an issuer that may not certify its bonds.

(d) The undersigned is one of the officers of the Issuer delegated with the responsibility of issuing and delivering the Bonds.

(e) To the best of the knowledge, information and belief of the undersigned, the expectations contained in this Certificate are reasonable.

(f) The facts and estimates in this Certificate are based on representations made by HDR, Inc., (the "Engineers") employed by the Issuer to prepare the plans and specifications and to supervise the construction of the Project defined in Section 2 hereof. The Issuer is not aware of any facts or circumstances that would cause it to question the accuracy of the representations made by the Engineers.

2. Purpose of the Bonds. (a) The Bonds are being issued for the purpose of providing funds (not otherwise provided) (i) for the permanent financing of the costs of extensions, additions and improvements (the "Project") to the existing waterworks system (the "System") of the Issuer, and (ii) for the costs of issuance of the Bonds.

(b) Upon the completion of the acquisition, renovation, construction and equipping of the Project, the Project will be owned and operated by the Issuer.

3. Sources and Disbursement of Funds. (a) The Bonds have been sold to USDA, Rural Development ("RD") at par (\$1,900,000). The Bonds will be delivered to RD on the date of this Certificate upon payment by RD of such purchase price with no accrued interest. Accordingly, the net amount received by the Issuer from the sale of the Bonds will be \$1,900,000 (the "Net Proceeds").

(b) The total funds available for the Project are derived from the following sources:

Bond Proceeds	\$1,900,000
RD Grant	650,000
KIA Loan	<u>2,000,000</u>
Total	\$4,550,000

(c) The Net Proceeds of the Bonds along with the other available moneys described above for the Project will be expended on the acquisition, construction, renovation, improvement and equipping of the Project and said moneys will be deposited in the Construction Fund (as defined in the Bond Resolution) for construction of the Project and for the payment of the costs of issuance of the Bonds.

(d) The Issuer has entered into a contract with a third party for the construction, renovation, improvements and equipping of the Project obligating an expenditure equal to or in excess of \$100,000.

(e) Such construction, improvement and equipping of the Project will proceed with due diligence to completion, presently expected to be December 31, 2016 and all of the approximately \$4,550,000 referred to above is expected to be expended prior to December 31, 2016.

4. The Bonds. The receipts and disbursements with respect to the Bonds, including issuance costs and accrued interest, are or will be detailed in Requisition Certificates signed by the Issuer and the Engineers.

5. Construction Fund. Amounts deposited in the Construction Fund and earnings with respect to such amounts will be expended for the payment of the balance of costs of the Project prior to the date of completion of the Project. Pending such expenditure, such monies will be invested without restriction as to yield.

6. Sinking Fund. Money deposited in the Sinking Fund will be used to pay the principal of and interest on the Bonds, and the Issuer reasonably expects that there will be no other funds that will be so used. The Sinking Fund is a fund that is used primarily to achieve a proper matching of revenues and debt service within each bond year. Money deposited in the Sinking Fund will be used within thirteen (13) months from the date of deposit for the payment of debt service on the outstanding Bonds and, except for an amount equal to not more than the greater of (a) one-twelfth (1/12) of debt service requirements of the Bonds for the then ensuing year; or (b) one year's earnings on the Sinking Fund, the Sinking Fund will be depleted annually through such application for current debt service requirements of the Bonds. Amounts held in the Sinking Fund will be invested without being limited as to the maximum permissible rate of investment return.

7. Operation and Maintenance Fund. The Bond Resolution ratifies and confirms the creation of an Operation and Maintenance Fund. The moneys in the Operation and Maintenance Fund may be used to pay certain expenses related to the operation and maintenance of the System. Amounts deposited in the Operation and Maintenance Fund will not be reasonably expected to pay the principal of and interest on the Bonds. Amounts held in the Operation and Maintenance Fund will be invested without being limited as to the maximum permissible rate of investment return.

8. Depreciation Fund. The Bond Resolution ratifies and confirms the creation of a Depreciation Fund. The moneys in the Depreciation Fund may be used to pay the costs of unusual or extraordinary maintenance, repairs and replacements to the System or of paying the cost of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service. Moneys on deposit in the Depreciation Fund may be used for the purpose of making payments of principal and interest on the Bonds, but such amounts will not be reasonably expected to pay the principal and interest on the Bonds. There will be no assurance that such amounts will be available to meet debt service on the Bonds if the Issuer encounters financial difficulty. Amounts held in the Depreciation Fund will be invested without being limited as to the maximum permissible rate of investment return.

9. No Replacement. No portion of the amounts received from the sale of the Bonds will be used as a substitute for other funds which were otherwise to be used to finance the Project, and which have been or will be used to acquire, directly or indirectly, obligations producing a yield in excess of the yield on the Bonds.

10. No Overissuance. Taking into account other available funds, the amount necessary to provide, or reimburse the Issuer, for payment of expenses of issuing and carrying the Bonds and financing the Project, equals or exceeds the Net Proceeds of the Bonds and income thereon.

11. No Other Obligations. No other governmental obligations have been or will be issued by the Issuer or any other entity (a) at substantially the same time as the Bonds (b) pursuant to a plan of financing common with that of the Bonds and (c) which either will be paid from substantially the same source of funds as the Bonds or will have substantially the same claim to be paid from substantially the same source of funds as the Bonds.

To the best of my knowledge and belief, there are no facts, estimates or circumstances other than those expressed herein that would materially affect the expectations herein expressed, and, to the best of my knowledge and belief, the Issuer's expectations are reasonable.

Dated August 1, 2016.

LYON COUNTY WATER DISTRICT

By _____
Chairman

**CERTIFICATE OF RECEIPT OF BOND PROCEEDS
AND BOND DELIVERY**

Re: Lyon County Water District Waterworks Revenue Bonds, Series 2016, in the principal amount of \$1,900,000.

The undersigned Chairman and Secretary of the Lyon County Water District (the "District") of Lyon County, Kentucky, for and on behalf of said District, do hereby acknowledge receipt of a wire transfer from the United States Department of Agriculture, acting through Rural Development ("RD"), in payment for the purchase and delivery of a certain single, fully registered Bond of said District, entitled "Lyon County Water District Waterworks Revenue Bonds, Series 2016" (the "Current Bonds"), in the face amount of \$1,900,000, numbered R-1, dated the same date as the date of this Certificate.

We certify that the proceeds of said wire transfer have been or will be applied to the extent necessary to liquidate interim financing borrowed in anticipation of the issuance of the Current Bonds, to pay the costs of a construction project consisting of extensions, additions and improvements to the existing waterworks system (the "System") of the District and to pay expenses and charges incident to the issuance and sale of the Current Bonds, and that the balance has been or will be deposited in the Lyon County Water District Waterworks Construction Account.

We further certify that the Current Bonds have been lawfully issued and sold by the District and delivered to the purchaser on the date hereof.

IN TESTIMONY WHEREOF, witness our official signatures and the corporate seal of said District on this August 1, 2016.

LYON COUNTY WATER DISTRICT

By _____
Chairman

(Seal of District)

Attest:

Secretary

CERTIFICATE OF ENGINEERS

Re: Lyon County Water District Waterworks Revenue Bonds, Series 2016, in the principal amount of \$1,900,000.

We, HDR, Inc., Lexington, Kentucky, hereby state that we are Engineers experienced in the field of waterworks engineering and of recognized reputation in said field, and that we have been duly employed by the Lyon County Water District (the "District"), in connection with the preparation of plans, designs and specifications for the construction of extensions, additions and improvements (the "Project") to the existing waterworks system (the "System") of the District, which Project is being financed by the issuance of the above referenced Bonds (the "Current Bonds"), supplemented by certain other funds.

We state that we have consulted with Marvin Lee Wilson, Esq., Eddyville, Kentucky (the "Local Counsel"), who has been employed by the District in connection with the Project, that we have examined (a) the attached "Final Title Opinion for waterworks Project" (the "Title Opinion"), signed by said Local Counsel, and the attached printed "Preliminary Title Opinion" (RD Form 1927-9), signed by said Local Counsel; (b) the separate "Opinion of Counsel Relative to Rights-of-way" (RD Form 442-22), signed by said Local Counsel; (c) the descriptions of the sites and easements referred to in said Title Opinion and in said RD Forms and (d) the right-of-way map specifically referred to in said Title Opinion, and we state further as follows:

1. That all of the sites of major structures and installations of the Project lie or will lie within the boundaries of the properties as to which the title of the District is certified in said Title Opinion and in said RD Forms, copies of which have been forwarded to us, and/or on the public rights-of-way for which a permit from the appropriate agency has been obtained.

2. That all of the remaining parts of the Project, including the proposed new water distribution lines and all other appurtenant facilities incident to the Project, have been, can and/or will be constructed, to the extent that such construction requires our approval (a) within the boundaries of the easements and rights-of-way established in said right-of-way map and/or (b) within the boundaries of the easements and rights-of-way which, according to the documents referred to above, have heretofore been obtained or contracted for by the District or can be obtained by the District by purchase or condemnation; or in the beds of highways, streets and alleys, or in other public ways duly dedicated to public use, and with respect to which the District has obtained the necessary permits and/or has the power and right to order said construction therein.

3. That the District has entered into contracts for the construction of the Project; that construction of the Project has proceeded with due diligence, and will continue to proceed hereafter to completion with due diligence; that construction of the Project will be completed within less than three years from said date of commencement of construction; and that it is reasonably anticipated that at least 95% of the funds available, i.e., spendable proceeds of the Current Bonds, together with proceeds of the aforesaid grants and other funds, will be expended on the costs of construction of the Project within less than three years from the date of delivery of the Current Bonds.

4. That we have conferred with said Local Council concerning the lines set out in said map and concerning the sites necessary for the Project and have satisfied ourselves that said Local Council has been informed by us and is aware of the need for obtaining (a) deeds of easement and/or rights-of-way as to all such easements and/or rights-of-way; and (b) deeds as to any and all sites deemed by us to be necessary in order to assure completion of the Project, as planned.

5. That we have also discussed with said Local Council our awareness of the need, if authorized by the District, to furnish said Local Council prompt and accurate information as to the legal descriptions of any and all easements, rights-of-way and/or sites, as may be necessary or required in connection with approved change-orders or other relocations which may be issued during the course of construction. We state that we will not knowingly approve construction of facilities of the Project on sites or in rights-of-way without first being assured by said Local Council that the appropriate legal title and/or legal right-of-way has been obtained.

6. That to the best of our knowledge, the Project has been and/or can be completed in accordance with the plans and specifications prepared and approved by us within the boundaries of the aforesaid sites, easements and/or rights-of-way, and, to the best of our knowledge, has been and/or can be completed in accordance with the construction contracts duly awarded by the District, at a cost which is within the funds made available to the District and by the District as set out above, based on the information available at this time and the projected final costs for the Project.

7. We certify that the prime Contractor from whom the District should obtain a statement as to all work performed by such Contractor being paid for in full according to its contract, at the time of delivery of the Current Bonds issued to finance the cost (not otherwise provided) of such Construction Project, is Twin States Utilities & Excavation, Inc., P.O. Box 14, Mt. Hermon, Kentucky 42157.

8. That in our opinion there are no structures in the one hundred (100) year flood plain in the Project.

IN TESTIMONY WHEREOF, witness our signature to the foregoing this August 1, 2016.

HDR, INC.
Consulting Engineers

By _____
Registered Professional
Engineer, State of Kentucky
No. _____

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Lyon County Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Don Robertson
(Print Name)

Don Robertson
(Signed)

Chairman
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Lyon

Subscribed and sworn to before me by Mathew Blane
(Name)

this 13th day of September, 2023.



NOTARY PUBLIC
State-at-Large

MATHEW AARON BLANE
NOTARY PUBLIC
STATE AT LARGE KENTUCKY
COMM. # KYNP67865
MY COMMISSION EXPIRES FEBRUARY 28, 2027

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Lyon County Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

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CHARLES MURPHY
(Print Name)

Charles Murphy
(Signed)

VICE-PRESIDENT
(Position/Office)

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COMMONWEALTH OF KENTUCKY

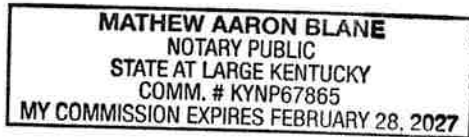
COUNTY OF Lyon

Subscribed and sworn to before me by Mathew Blane
(Name)

this 14th day of September, 20 23.



NOTARY PUBLIC
State-at-Large



**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Lyon County Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

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Chris SUTTON
(Print Name)


(Signed)

Sec/Treasurer
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Lyon

Subscribed and sworn to before me by Mathew Blane
(Name)

this 14th day of September, 20 23.

Mathew Blane
NOTARY PUBLIC
State-at-Large

MATHEW AARON BLANE
NOTARY PUBLIC
STATE AT LARGE KENTUCKY
COMM. # KYNP672
MY COMMISSION EXPIRES FEBRUARY 13, 2027


**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Lyon County Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

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Mathew Blane
(Print Name)


(Signed)

Superintendent
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Lyon

Subscribed and sworn to before me by Mathew Blane
(Name)

this 13 day of September, 2023.

Lori Duff
NOTARY PUBLIC
State-at-Large Lori Duff
Aug 18, 2024 KYNP 12491




**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Lyon County Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

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Erica Perkins
(Print Name)


(Signed)

Office manager
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Lyon

Subscribed and sworn to before me by Mathew Blane
(Name)

this 13th day of September, 2023.

Mathew Blane
NOTARY PUBLIC
State-at-Large

MATHEW AARON BLANE
NOTARY PUBLIC
STATE AT LARGE KENTUCKY
COMM. # KYNP67865
MY COMMISSION EXPIRES FEBRUARY 28, 2027