



KENTUCKY INFRASTRUCTURE AUTHORITY

Andy Beshear
Governor

100 Airport Road
Frankfort, Kentucky 40601
(502) 573-0260
kia.ky.gov

Sandy Williams
Executive Director

March 3, 2023

Mr. Sean Smith, General Manager
Garrard County Water Association
315 Lexington St
Lancaster, KY 40444

KENTUCKY INFRASTRUCTURE AUTHORITY INFRASTRUCTURE REVOLVING LOAN FUND CONDITIONAL COMMITMENT LETTER (B23-005)

Dear Mr. Smith,

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On March 2, 2023, the Authority approved your loan for the GCWA Water System Improvements project subject to the conditions stated in Attachment A to this letter. The total cost of the project shall not exceed \$4,674,304, without prior authorization of the Authority, of which the Authority loan shall provide \$1,400,000 of the funding. Other anticipated funding for the project is reflected in Attachment B. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment B incorporated herein by reference fully describes the project.

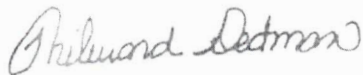
An Assistance Agreement will be executed between the Authority and the Garrard County Water Association upon satisfactory performance of the conditions set forth in Attachment A. You must meet the conditions set forth in Attachment A and enter into an Assistance Agreement by March 2, 2024 (twelve months from the date of this letter). A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

TEAM
KENTUCKY™

An Equal Opportunity Employer M/F/D

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

Sincerely,



Milward Dedman
Deputy Executive Director

Attachments

cc: Karyn Leverenz, BGADD
Ryan Carr, Kentucky Engineering Group

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Complete the attached "Authorization for Electronic Deposit of Vendor Payment Form" and the "ACH Debit Authorization Form" **and return to the US Bank address at the bottom of each form**. Also included are the "Legal Counsel Certification Letter" sample and the "Statement of Approval of Projections of Revenue and Expenses" for you to complete at the appropriate time. These forms and an SRF loan checklist guide can be found in Attachment C of this letter.

Accepted

Date

ATTACHMENT A

Conditions

Garrard County Water Association B23-005

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

1. The Authority project loan shall not exceed \$1,400,000.
2. The loan shall bear interest at the rate of 2.25% per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period not to exceed 20 years from the date of the last draw of funds.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1, or December 1, immediately succeeding the date of the initial draw of funds, provided that if such June 1, or December 1, shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1, or December 1, which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid. KIA requires the use of Automated Clearing House (ACH) debits for payment of all balances due on the loan. This will ensure that payments are credited timely to your account without the risk of incurring late payment fees. If the due date falls on a weekend or holiday your account will be debited on the next business day. Please complete and return the authorization form in Attachment C of this letter to U.S. Bank for processing.
5. Full principal payments will commence on June 1, or December 1, immediately succeeding the date of the last draw of funds, provided that if such June 1, or December 1, shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1, or December 1, which is at least six months from the date of the last draw of funds. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will only be disbursed after execution of the Assistance Agreement as project costs are incurred.

8. The Authority loan funds must be expended within six months of the official date of initiation of operation.
9. The Authority requires that an annual financial audit be provided for the life of the loan.
10. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.
11. The borrower must maintain a 1.1 debt coverage ratio throughout the life of the KIA loan. All borrowers are subject to at least an annual financial review for compliance.

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

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. The Borrower must provide certification from their legal counsel stating that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable state and local procurement laws.
3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment B description shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding, or any new funding sources not reflected in Attachment B shall be immediately reported and may cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.

5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The Committee meets monthly. Any special conditions listed in Attachment B must be satisfied before the project is presented before the Committee.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. Based on the final "as bid" project budget, the borrower must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by your consultant engineer.
8. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Authority.
9. The Borrower must provide documentation of Clearinghouse Endorsement and Clearinghouse Comments.
10. The Borrower must complete and return the "Authorization for Electronic Deposit of Borrower Payment" form in Attachment C of this letter to U.S. Bank.
11. The Borrower will implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
12. The Borrower will provide Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). The recipient shall provide the Authority a digital copy (pdf) of the record drawings from the project within three months of construction completion.

ATTACHMENT B

Executive Summary and Credit Analysis

Garrard County Water Association
B23-005

EXECUTIVE SUMMARY
KENTUCKY INFRASTRUCTURE AUTHORITY
FUND B, INFRASTRUCTURE
REVOLVING LOAN FUND

Reviewer John Brady
Date March 2, 2023
KIA Loan Number B23-005
WRIS Number WX21079026

BORROWER GARRARD COUNTY WATER ASSOCIATION
GARRARD COUNTY

BRIEF DESCRIPTION

The Garrard County Water Association (GCWA) is requesting a Fund B loan in the amount of \$1,400,000 for the GCWA Water System Improvements project. Components of the project include rehabbing existing water lines, replacing a water storage tank, and constructing water lines to extend to new customers. Approximately 25,000 linear feet of problematic 8" transmission main will be repaired and the new lines being constructed will provide service to seventeen new customers. A new 50,000 gallon water tank will replace the current 10,500 gallon tank. The project will help to improve the overall service from a water quality and reliability standpoint to the system's customers.

PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund B Loan	\$1,400,000	Administrative Expenses			\$5,000
RD Loan	2,500,000	Legal Expenses			5,000
CWP Grant - 22CWW022	774,304	Land, Easements			10,000
		Planning			15,000
		Eng - Design / Const	6.9%	6.5%	259,000
		Eng - Insp	3.7%	3.5%	140,000
		Eng - Other			35,000
		Construction			3,708,274
		Equipment			225,000
		Contingency			272,030
TOTAL	\$4,674,304	TOTAL			\$4,674,304

REPAYMENT	Rate	2.25%	Est. Annual Payment	\$90,114
	Term	20 Years		
			1st Payment	6 Mo. after first draw

PROFESSIONAL SERVICES	Engineer	Kentucky Engineering Group
	Bond Counsel	Rubin & Hays

PROJECT SCHEDULE	Bid Opening	Jul-22
	Construction Start	Oct-22
	Construction Stop	Oct-23

DEBT PER CUSTOMER	Existing	\$0
	Proposed	\$677

OTHER DEBT See Attached

RESIDENTIAL RATES		Users	Avg. Bill
Current		5,745	\$30.95 (for 4,000 gallons)
Additional		17	\$30.95 (for 4,000 gallons)

REGIONAL COORDINATION This project is consistent with regional planning recommendations.

CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2019	746,619	316,659	429,960	2.4
Audited 2020	614,008	1,051,777	(437,769)	0.6
Audited 2021	524,092	1,170,724	(646,632)	0.4
Projected 2022	552,544	0	552,544	n/a
Projected 2023	675,447	87,169	588,278	7.7
Projected 2024	655,910	177,283	478,627	3.7
Projected 2025	639,552	177,283	462,269	3.6
Projected 2026	622,867	177,283	445,584	3.5

GARRARD COUNTY WATER ASSOCIATION
FINANCIAL SUMMARY (DECEMBER YEAR END)

	Audited 2019	Audited 2020	Audited 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025	Projected 2026
Balance Sheet								
Assets								
Current Assets	950,966	1,447,660	1,842,562	2,075,038	2,318,449	2,509,900	2,694,808	2,873,041
Other Assets	15,567,229	14,177,397	12,728,067	12,628,963	17,225,604	16,965,293	16,695,166	16,415,029
Total	16,518,195	15,625,057	14,570,629	14,704,001	19,544,053	19,475,193	19,389,974	19,288,070
Liabilities & Equity								
Current Liabilities	256,031	272,696	186,807	201,915	338,015	341,715	345,515	349,415
Long Term Liabilities	2,081,086	1,075,944	0	0	3,767,500	3,635,000	3,502,500	3,370,000
Total Liabilities	2,337,117	1,348,640	186,807	201,915	4,105,515	3,976,715	3,848,015	3,719,415
Net Assets	14,181,078	14,276,417	14,383,822	14,502,086	15,438,538	15,498,478	15,541,959	15,568,655
Cash Flow								
Revenues	2,313,887	2,245,172	2,274,614	2,318,480	2,457,106	2,457,106	2,457,106	2,457,106
Operating Expenses	1,761,061	1,758,780	1,850,414	1,865,828	1,881,551	1,901,088	1,917,446	1,934,131
Other Income	193,793	127,616	99,892	99,892	99,892	99,892	99,892	99,892
Cash Flow Before Debt Service	746,619	614,008	524,092	552,544	675,447	655,910	639,552	622,867
Debt Service								
Existing Debt Service	316,659	1,051,777	1,170,724	0	87,169	87,169	87,169	87,169
Proposed KIA Loan	0	0	0	0	0	90,114	90,114	90,114
Total Debt Service	316,659	1,051,777	1,170,724	0	87,169	177,283	177,283	177,283
Cash Flow After Debt Service	429,960	(437,769)	(646,632)	552,544	588,278	478,627	462,269	445,584
Ratios								
Current Ratio	3.7	5.3	9.9	10.3	6.9	7.3	7.8	8.2
Debt to Equity	0.2	0.1	0.0	0.0	0.3	0.3	0.2	0.2
Days Sales in Accounts Receivable	27.1	33.1	21.3	21.3	21.3	21.3	21.3	21.3
Months Operating Expenses in Unrestricted Cash	5.0	8.2	10.9	12.3	13.7	14.7	15.8	16.8
Debt Coverage Ratio	2.4	0.6	0.4	N/A	7.7	3.7	3.6	3.5

Reviewer: John Brady
Date: March 2, 2023
Loan Number: B23-005

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND (FUND B)
GARRARD COUNTY WATER ASSOCIATION, GARRARD COUNTY
PROJECT REVIEW
WX21079026**

I. PROJECT DESCRIPTION

The Garrard County Water Association (GCWA) is requesting a Fund B loan in the amount of \$1,400,000 for the GCWA Water System Improvements project. Components of the project include rehabbing existing water lines, replacing a water storage tank, and constructing water lines to extend to new customers. Approximately 25,000 linear feet of problematic 8" transmission main will be repaired and the new lines being constructed will provide service to seventeen new residential customers. A new 50,000 gallon water tank will replace the current 10,500 gallon tank. The project will help to improve the overall service from a water quality and reliability standpoint to the system's customers.

The GCWA currently serves 5,571 residential customers and 174 commercial customers. They purchase water from both Lancaster Water Works and Danville City Water Works.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 5,000
Legal Expenses	5,000
Land, Easements	10,000
Planning	15,000
Engineering Fees - Design	207,200
Engineering Fees - Construction	51,800
Engineering Fees - Inspection	140,000
Engineering Fees - Other	35,000
Construction	3,708,274
Equipment	225,000
Contingency	272,030
Total	\$ 4,674,304

III. PROJECT FUNDING

	Amount	%
Fund B Loan	\$ 1,400,000	30%
RD Loan	2,500,000	53%
CWP Grant	774,304	17%
Total	\$ 4,674,304	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,400,000
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 1,400,000
Interest Rate	2.25%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 87,314
Administrative Fee (0.20%)	2,800
Total Estimated Annual Debt Service	\$ 90,114

V. PROJECT SCHEDULE

Bid Opening	July 2022
Construction Start	October 2022
Construction Stop	October 2023

VI. RATE STRUCTURE

A. Customers

Customers	Current	Proposed
Residential	5,571	17
Commercial	174	0
Industrial	0	0
Total	5,745	17

B. Rates

Water	Current	Prior	Prior
Date of Last Rate Increase	09/27/22	04/10/22	07/10/20
First 1,000 gallons (Minimum)	\$12.86	\$11.97	\$11.82
Next 1,000 gallons	6.99	6.58	6.43
Next 1,000 gallons	5.67	5.37	5.22
Next 2,000 gallons (per 1,000)	5.43	5.15	5.00
Cost for 4,000 gallons	\$30.95	\$29.07	\$28.47
Increase %	6.5%	2.1%	
Affordability Index (Rate/MHI)	0.7%	0.6%	0.6%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2016-2020, the Utility's service area population was 13,064 with a Median Household Income (MHI) of \$54,818. The MHI for the Commonwealth is \$52,238. The project will qualify for a 2.25% interest rate.

VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended December 31, 2019 through December 31, 2021. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total water revenues decreased 1.7% from \$2.31 million in 2019 to \$2.27 million in 2021. Operating expenses increased 3.1% from \$747,848 to \$770,717 during the same period. The debt coverage ratio was 2.4, 0.6, and 0.4 in 2019, 2020, and 2021.

The balance sheet reflects a current ratio of 9.9, a debt-to-equity ratio of 0.0, 21.3 days of sales in accounts receivable, and 10.9 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues will increase 2.1% in 2022 and 6.5% in 2023 due to existing rate increases.

- 2) Operating expenses will increase 2% annually due to inflation.
- 3) Debt service coverage is 3.7 in 2024 when principal and interest repayments begin.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund B loan.

The GCWA is regulated by the Public Service Commission (PSC) and will need to apply to the PSC, pursuant to KRS 278.300, for debt authorization for the \$1,400,000 loan and must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020.

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$70,000 total) of the final amount borrowed to be funded annually (\$3,500 yearly) each December 1 for 20 years and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	Outstanding	Maturity
RD Loan L.a.o. \$2,500,000	\$ -	TBD
Total	\$ -	

X. CONTACTS

Legal Applicant	
Entity Name	Garrard County Water Association
Authorized Official	Sean Smith (General Manager)
County	Garrard
Email	ssmith@garrardwater.com
Phone	(859) 792-4501
Address	315 Lexington St Lancaster, KY 40444

Applicant Contact/ Project Engineer

Name	Ryan Carr
Organization	Kentucky Engineering Group
Email	rcarr@kyengr.com
Phone	(859) 251-4127
Address	PO Box 1034 Versailles, KY 40383

Project Administrator

Name	Karyn Leverenz
Organization	BGADD
Email	kleverenz@bgadd.org
Phone	(859) 269-8021
Address	699 Perimeter Dr

XI. RECOMMENDATIONS

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

ATTACHMENT C

Forms

Garrard County Water Association
B23-005

Fund B/C LOAN CONDITIONS CHECKLIST

Congratulations on receiving a conditional commitment of funding from KIA's Fund B/C Loan Program. Borrowers will now be assigned a Compliance Analyst to help guide them through the rest of the loan process based on which Area Development District (ADD) they are located. Please submit all documents to one of the following contacts:

- Julie Bickers (Julie.Bickers@ky.gov, 502-892-3455): Purchase, Pennyrite, Green River, Barren River, Lake Cumberland, Cumberland Valley, Big Sandy, Kentucky River
- Debbie Landrum (Debbie.Landrum@ky.gov, 502-892-3454): Lincoln Trail, KIPDA, Northern KY, Bluegrass, Buffalo Trace, Gateway, FIVCO

After all of the conditions of the Conditional Commitment Letter have been fulfilled, KIA will initiate the Assistance Agreement with the borrower. The Assistance Agreement must be fully executed before any funds may be disbursed. The following is a list of items needed to process your loan (forms can be found here <https://kia.ky.gov/FinancialAssistance/Pages/Forms.aspx>):

Before bid opening, submit the following items to the designated agency.

- | | | |
|------------|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Submit To: | | |
| KIA | <input type="checkbox"/> | Conditional Commitment Letter (this letter is sent to the borrower via email shortly following KIA board approval and is to be signed by the authorizing official) |
| USBANK | <input type="checkbox"/> | Authorization for Electronic Deposit/Debit of Borrower Disbursements/ Payment (these forms are attached to the loan commitment letter sent after KIA board approval and are to be signed by the authorizing official and forwarded to US Bank) |
| KIA | <input type="checkbox"/> | Eclearinghouse Endorsement (if not already submitted with loan application) |
| DOW | <input type="checkbox"/> | Plans and specifications (Kentucky Division of Water will review and KIA will need copy of approval letter) |
| KIA | <input type="checkbox"/> | Proof of compliance with any special condition identified in the Conditional Commitment Letter (e.g. adopted ordinance). |

After the project has opened bids, please submit the following items to the designated agency assigned below. It is imperative that the remaining standard conditions are fulfilled by the deadlines set forth in the Conditional Commitment Letter.

- | | | |
|------------|--------------------------|----------------------------------------------------------------------------------------------------------|
| Submit To: | | |
| KIA | <input type="checkbox"/> | Bid Advertisement |
| KIA | <input type="checkbox"/> | Bid Tabulation and Engineer's Recommendation |
| KIA | <input type="checkbox"/> | As-Bid Budget |
| KIA | <input type="checkbox"/> | Procurement Certification (KIA sends to borrower after bid opening for signature.) |
| KIA | <input type="checkbox"/> | Certification of obtainable revenue projections (KIA sends to borrower after bid opening for signature.) |
| KIA | <input type="checkbox"/> | Certification of clear site (KIA sends to borrower after bid opening for signature.) |
| KIA | <input type="checkbox"/> | Plans and specifications approval from the Kentucky Division of Water |
| KIA | <input type="checkbox"/> | Public Service Commission (PSC) approval, (CPCN and Authorization to Incur Debt) if applicable. |

AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
KIA Loan # _____

Borrower Information:

Name: _____

Address: _____

City: _____ State: KY Zip: _____

Federal I.D. #: _____ Telephone: _____

Contact Name: _____

Email: _____

Financial Institution Information:

Bank Name: _____

Branch: _____ Telephone: _____

City: _____ State: KY Zip: _____

Transit / ABA No: _____

Account Name: _____

Account Number: _____

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

Signature: _____ Date: _____

Name Printed: _____ Job Title: _____

Send to: U.S. Bank via Email

KentuckyInfrastructureAuth@usbank.com

KIA Loan # _____

ACH DEBIT AUTHORIZATION FORM

**AUTHORIZATION AGREEMENT FOR PRE-ARRANGED PAYMENTS
(DEBITS)**

The undersigned hereby authorizes U.S. Bank National Association Corporate Trust Department ("U.S. Bank") to initiate debit entries to the Checking ☐ Savings ☐ (specify type) account indicated below at the bank named below:

BANK NAME _____ BRANCH _____
CITY _____ STATE _____ ZIP CODE _____
BANK TRANSIT/ABA NO. _____ ACCOUNT NO. _____

This authority is to remain in full force and effect until U.S. Bank has received written notification from the undersigned of its termination in such time and in such manner as to afford U.S. Bank a reasonable opportunity to act. The undersigned has the right to stop payment of a debit entry by reasonable prior written notification to U.S. Bank. After the above account has been charged, the undersigned has the right to have the amount of any erroneous debit immediately credited to its account by U.S. Bank up to 30 days following issuance of a statement.

NAME OF ENTITY: _____
ADDRESS _____
TAX IDENTIFICATION NUMBER: _____

By _____ Dated _____
Authorized Signer

Send to: U.S. Bank via Email

KentuckyInfrastructureAuth@usbank.com

COMPLETE AFTER BID OPENING

**STATEMENT OF APPROVAL
OF PROJECTIONS OF REVENUE AND EXPENSES**

Borrower Name: _____

Loan No.: _____

I hereby certify that the revenue projections in the attached descriptions are still obtainable and that projections of operating expenses have not materially changed based on the "as-bid" budget submitted for the Project.

Signed: _____

Borrower

Date

SAMPLE LETTER

[Letterhead of Counsel for Water Utility]

[Date]

Kentucky Infrastructure Authority
100 Airport Road
Frankfort, Kentucky 40601

RE: Loan#
 City of XXXXX

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 XXXXXXXXXXXX, hereinafter referred to as the "Water Utility ". I am familiar with the organization and existence of the Water Utility and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the water project (the "Project") with respect to which the funding commitment by and between the Kentucky Infrastructure Authority ("Authority") and the Water Utility.

I have reviewed the commitment letter by and between the Authority and the Water Utility and the documentation regarding procurement with respect to the Project.

Based upon my review I am of the opinion that:

The Water Utility has prepared construction specifications in accordance with all procurement procedures including those for construction, land, equipment and professional services that are a part of the project are in compliance with all applicable state and local procurement laws.

Respectfully,

RUS BULLETIN
1780-28
 (Revised 2/15/00)

Position 5
 LOAN RESOLUTION SECURITY AGREEMENT

APPROVED
 OMB. NO. 0572-0121

A RESOLUTION OF THE Board of Directors
 OF THE Garrard County Water Association
 AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS IN THE
 PRINCIPAL AMOUNT OF 2,500,000.00 FOR THE PURPOSE
 OF PROVIDING A PORTION OF THE COST OF ACQUIRING AND CONSTRUCTING A
Water, PROVIDING FOR THE COLLECTION, HANDLING, AND
 DISPOSITION OF REVENUES THEREFROM, AND AUTHORIZING MAKINGS OF PROMISSORY NOTE(S),
 SECURITY INSTRUMENTS, AND PLEDGES OF REVENUES TO EVIDENCE AND SECURE THE PAYMENT OF
 SAID INDEBTEDNESS AND FOR RELATED PURPOSES.

WHEREAS, the Board of Directors, (hereinafter
 referred to as the "Organization"), was organized under KRS 274
_____ for the purpose of providing a

Provide water to Garrard County (hereinafter referred to as the
 "Facility") to serve the Members of the said Organization; and

WHEREAS, a meeting of the members of the said organization was held on the _____ day of _____
 pursuant to proper notice thereof to consider plans for the acquisition and construction methods of financing the Facility:

and, as shown by the minutes of said meeting, of the _____ members of record of the organization there were
 present and voting _____, and by a recorded majority vote, the Facility and its financing authorized; and,

WHEREAS, the proposed Facility is to be constructed and equipped in accordance with plans, and specifications
 prepared by Kentucky Engineering Group

and in order to finance the Facility, the Board of Directors
 (hereinafter referred to as the "Board") is authorized and empowered, in their discretion, for and in the name of the organization,
 to make application to the United States of America, acting through the United States Department of Agriculture,
 (hereinafter referred to as the "Government"), for financial assistance; to cause the execution and delivery of a
 promissory note or notes or other evidence of indebtedness (hereinafter referred to as the "note"), and appropriate security instruments
 to secure any loan or loans made or insured by the Government; to comply with any requirements, terms or conditions prescribed by the
 Government or by Government regulations; and to execute contracts or enter into agreements and, without limitation, to take any and
 all other action as may be necessary, incidental or appropriate to finance, acquire, construct, complete, and/or equip the Facility for and
 on behalf of the Organization.
 NOW THEREFORE, it is hereby resolved by the Board as follows:

Section 1. (Determination of Board). That it is necessary to defray a portion of the costs of financing the Facility by obtaining
 a loan made or insured by the Government in accordance with applicable provisions of the Consolidated Farm and Rural Development
 Act, it being determined that the Organization is unable to obtain sufficient credit elsewhere to finance the Facility, taking into
 consideration prevailing private and cooperative rates and terms currently available;

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless
 it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0121. The time required to complete this information
 collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the
 data needed, and completing and reviewing the collection of information.

Section 2. (Terms of Loan). That the Organization borrow 2,500,000.00 and issue as evidence thereof an installment promissory note in the form prescribed by the Government for the full principal amount of the loan. The note shall be signed by the President, attested by the Secretary and have the corporate seal of the Organization affixed

thereto, and shall bear interest from its date, which shall be the date of delivery at a rate not to exceed 1.75 percent per annum;

the principal and interest shall be paid over a period of 40 years in accordance with the payment schedule set forth in the promissory note, until the principal and interest are fully paid except the final payment of the entire indebtedness, if not

sooner paid, shall be due and payable 40 years from the date of the note. Each payment shall be applied first to the payment of the accrued interest and second to the payment of the principal. Prepayments of any installment may be made in any amount at any time at the option of the Organization.

Section 3. (Assignment and Pledge of Revenue). The indebtedness hereby authorized to be incurred, together with the interest thereon, shall be payable from the gross income and revenue to be derived from the operation of the Facility, a sufficient portion of which, to pay the principal and interest as and when the same shall become due, is hereby assigned, and pledged and shall be set aside for that purpose and this assignment and pledge shall extend to and include any assessments that may be levied pursuant to Section 5 (d) hereof.

Section 4. (Protection and Disposition of Funds). The Secretary Treasurer of the Organization shall be the custodian of all funds of the Organization. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.

The Secretary Treasurer is hereby directed to establish the following accounts into which the current funds of the Organization, note proceeds, the revenues from the Facility and any other income shall be deposited, which accounts shall be continually maintained, except as otherwise provided, so long as the indebtedness hereby authorized remains unpaid:

(a) Construction Account.

The proceeds of the borrowing hereby authorized not disbursed contemporaneously with loan closing for incurred Facility

costs, and at least the amount of 0.00 to be contributed by the Organization from the collection of initial connection fees, membership fees or contributions shall be deposited in the Construction Account which shall be established as required by the Government. Withdrawals from the construction account shall be made only on checks signed by the

Secretary Treasurer of the Organization as authorized by the Board from time to time, and with prior concurrence of the Government. At the option of the Government, the construction account may be established as a "supervised bank account". Amounts in the supervised bank account exceeding \$100,000 shall be secured by the depository bank in advance in accordance with U.S. Treasury Department Circular No. 176. Withdrawals from a supervised bank account

shall be made only on checks signed by the Secretary Treasurer of the Organization and countersigned by an authorized official of the Department of Agriculture. The Organization's share of any insurance or liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the Facility. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by the Government and the Construction Account shall be closed.

(b) General Account

As soon as the facility becomes revenue producing, all funds received shall be set aside in an account to be designated as the General Account, and disbursements and transfers from this account shall be in the following priority: Debt Service, Operations and Maintenance, transfers to Reserve Account. Monies deposited in the General Account shall be used only in the manner and order as follows:

(1) Borrowers making monthly USDA Debt Service Payments shall use the General Account for making such payments plus operating and maintenance expenses. Also, funds will be transferred from this account to the Reserve Account in accordance with (d) below.

(2) Borrowers making other than monthly USDA Debt Service Payments shall use the General Account to pay operating and maintenance expenses. Other transfers from this account will be made in the following order: (i) Transfers to the Debt Service Account will be made in accordance with (c) below, (ii) Transfers to the Reserve Account will be made in accordance with (d) below.

(c) Debt Service Account

For borrowers on other than monthly debt service payments, transfers, in proportion to income availability, shall be made from the General Account and set aside in an account designated as the Debt Service Account, in sufficient amounts which will accumulate for the next installment on the note.

(d) Reserve Account

From the remaining funds in the General Account, after transfers and payments required in (b)(1) or (b)(2) and (c), there

shall be set aside into an account(s) designated as the Reserve Account(s) the sum of 728.75

each month until the sum of 87,450.00 is reached. With the prior written approval of the Government, funds may be withdrawn and used for such things as loan installments, emergency maintenance, extensions to facilities and replacement of short-lived assets, subject to conditions established by the Government.

(e) Whenever there shall accumulate in the General Account amounts in excess of those required in subsections (b)(1) and (2), (c), and (d), such excess will be used by the organization to make prepayments on the loan or retained in the General Account.

(f) The accounts required in subsections (b)(1) and (2), (c), and (d) may be established and maintained as bookkeeping accounts or as separate bank accounts at the election of the Organization, unless otherwise directed by the Government.

Section 5. (Other Covenants and Agreements of the Organization). The Organization covenants and agrees that so long as the indebtedness hereby authorized remains unpaid;

(a) It will indemnify the Government for any payments made or losses suffered by the Government.

(b) It will comply with applicable State laws and regulations and continually operate and maintain the Facility in good condition.

(c) It will impose and collect such rates and charges that gross revenues will be sufficient at all times to provide for payment of the operation and maintenance thereof; the installment payments on the note; and the maintenance of the various funds herein created. All service rendered by or use of the Facility shall be subject to the full rates prescribed in the rules and regulations of the Organization; no free service by or use of the Facility will be permitted.

(d) It will cause to be levied and collected such assessments as may be necessary to operate and maintain the Facility in good condition and meet installment payments on the note when the same become due if, for any reason, gross revenues are insufficient.

(e) It will establish and maintain such books and records relating to the operation of the system and its financial affairs, and will provide for the annual audit thereof, in such manner as may be required by the Government; will provide the Government without its request a copy of each such audit; and will make and forward to the Government such additional information and reports as it may from time to time require.

(f) It will provide the Government, at all reasonable times, access to all books and records relating to the Facility and access to the property of the Facility so that the Government may ascertain that the Organization is complying with the provisions hereof and with the provisions of other instruments incident to the making or insuring of the loan.

(g) It will maintain at least such insurance and fidelity bond coverage as may be required by the Government.

(h) It will not borrow any money from any source or enter into any contract or agreement or incur any other liabilities in connection with making extensions or improvements to the Facility, exclusive of normal maintenance, without obtaining the prior written consent of the Government.

(i) It will not cause or permit any voluntary dissolution of its organization, or merge or consolidate with any other organization, without obtaining the prior written consent of the Government. It will not dispose of or transfer title to the facility or any part thereof, including lands and interest in lands, by sale, security instrument, lease or other encumbrance, without obtaining the prior written consent of the Government. Revenue in excess of the amount required to maintain the accounts described by Section 4 herein will not be distributed or transferred to any other organization or legal entity.

(j) It will not modify or amend the Articles of Incorporation or the Bylaws of the Organization without the written consent of the Government,

(k) It will provide adequate service to all persons within the service area who can feasibly and legally be served and will obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the organization or public body.

(l) All present and future contract rights, accounts receivable, and general intangibles arising in connection with the facility are pledged as security for the loan.

(m) It will comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing adverse environmental impacts of the facility's construction or operation.

Section 6. (Security Instruments). In order to secure the payment of the principal and interest of the note, the President and Secretary of the Organization are hereby authorized and directed to execute and deliver good and sufficient lien instruments, where necessary, encumbering the properties and assets both real and personal constituting said Facility, as completed or as the same may be thereafter extended, including an assignment and pledge of revenues and such other instruments as may be prescribed by the Government

Section 7. (Refinancing). If at any time it shall appear to the Government that the Organization is able to refinance the amount of the indebtedness then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources at reasonable rates and terms for loans for similar purposes and periods of time, the Organization will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take such actions as may be required in connection with such loan.

Section 8. ("Equal Employment Opportunity under Construction Contracts and Nondiscrimination"). The President and the Secretary be and they are hereby authorized and directed to execute for and on behalf of the Organization, Form RD 400-1, "Equal Opportunity Agreement", and Form RD 400-4, "Assurance Agreement".

Section 9. In the case of a grant in the sum not to exceed 0, the Organization hereby accepts the grant under the terms as offered by the Government and that the President and Vice-President of the Organization are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant and the Organization hereby resolves to operate the facility under the terms as offered in said grant agreement(s).

Section 10. Default under the provisions of this agreement or any instrument incident to the making or issuing of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Organization, and default under any such instrument may be construed by the Government to constitute default hereunder.

Section 11. (Resolution of Contract). The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instruments, shall constitute a contract between the Organization and the Government or assignee so long as the note hereby authorized remains unpaid.

Section 12. This resolution shall take effect and be in force from and after the 2 day of November 2021, being the date of its enactment.

The vote was: Yeas 7 Nays _____ Absent _____

(SEAL) (if applicable)

Attest:

Jenny Lynn Whittaker
Title Secretary

Garrard County Water Association

By Billy Doolin
Billy Doolin
Title Chairman

CERTIFICATION

I, the undersigned, as secretary of the Garrard County Water Association hereby certify that the Board of Directors of such Organization or Corporation is composed of 7 members of whom 7, constituting a quorum, were present at a meeting thereof duly called and held on the 2 day of November 2021; that the foregoing resolution was adopted at such meeting by the vote shown above, and that said resolution has not been rescinded or amended in any way.

Dated, this 2 day of November 2021.

Jenny Lynn Whittaker
Secretary of GCWA

RESOLUTION

A RESOLUTION of the Board of Directors of the Garrard County Water Association, Inc., authorizing and providing for the incurrence of indebtedness in the principal amount of \$2,500,000 for the purpose of providing a portion of the cost of acquiring and constructing an expansion of the existing water facility and providing for the purpose of providing a portion of the cost of acquiring and constructing an expansion of the existing water facility and providing for the collection, handling, and disposition of the Revenues therefrom, and authorizing the making of promissory notes, security instruments, and pledges of revenues to evidence and secure the payment of said indebtedness for related purposes.

WHEREAS, at a meeting held on November 2, 2021, pursuant to proper notice thereof, the Board of Directors of the Garrard County Water Association, Inc., recommends and approves the borrowing of funds and mortgaging of assets for the purpose of expanding the existing water facilities.

WHEREAS, as shown by the Minutes of this meeting of the Garrard County Water Association, Inc., seven (7) members of record of the Organization that were present and voting members of this organization, wherein the proposed expansion and its financing were authorized and approved.

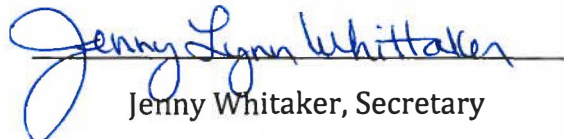
This Resolution shall take effect and be in force from the November 2, 2021, being the date of its enactment.

GARRARD COUNTY WATER ASSOCIATION, INC.

BY:



Billy Doolin, Chairman

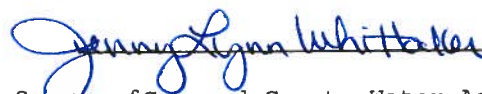


Jenny Whitaker, Secretary

RESOLUTION OF MEMBERS OR STOCKHOLDERSGarrard County Water Association*(Name of Association)*315 Lexington Street Lancaster, KY 40444-*(Address, including Zip Code)*

RESOLVED, that the Governing Board of this Association be and it hereby is authorized and empowered to take all action necessary or appropriate —

1. To obtain for and on behalf of the Association through the United States Department of Agriculture (USDA) or any other Governmental agency:
 - (a) A loan in a sum not to exceed \$ \$2,500,000.00 ;
 - (b) A grant in a sum not to exceed \$ \$0.00 ;
 to be advanced by the lender or grantor in one or more advances at such time or times as may be agreed upon.
2. In case of a loan or grant or both —
 - (a) For the execution of such application or applications (including exhibits, amendments and/or supplements thereto) as may be required;
 - (b) For the execution and delivery to the lender or grantor of all such written instruments as may be required in regard to or as evidence of such loan or grant; and
 - (c) In its judgment to carry out the terms of this resolution.
3. And in case of a loan —
 - (a) To obligate this Association for the repayment of the loan at such rates of interest and on such other terms and conditions as the Governing Board shall deem proper;
 - (b) To pledge, hypothecate, mortgage, convey, or assign property of this Association of any kind and in any amount now owned or hereafter acquired, as security for any or all obligations (past, present and/or future) of this Association to such lender; and
 - (c) From time to time to pay, extend, or renew any such obligations.

CERTIFICATIONI, the undersigned, as Secretary of the above named Association, hereby
*(Secretary) (Acting Secretary)*certify that said Association on the 9 day of March, 2021, had 5,873
*(Number)*members ; that 5,873 of these
*(members) (stockholders) or (shares of voting stock outstanding)*constituted a quorum; that 7 said members or stockholders or shares of voting stock were present at a meetingof the members or stockholders duly called and held on the 9 day of March, 2021 ;that the foregoing resolution was adopted at such meeting by the affirmative vote of 7 said members or stockholders or shares of voting stock; and that said resolution has not been rescinded or amended in any way.Dated this day 2 of November, 2021.Secretary of Garrard County Water Association