

EXHIBIT A
Debt Service Schedule

KRWFC Flexible Term Program Series 2015 C
Sinking Fund Payment Schedule

Borrower: Lake Village Water Association
Closing Date: 03/10/15

| | Monthly Principal | Monthly Interest | Total Monthly Sinking Fund Payments |
|-----------|----------------------|---------------------|---|
| 4/15-7/15 | 2,500.00 | 3,922.79 | 6,422.79 |
| 8/15-1/16 | 2,500.00 | 3,338.54 | 5,838.54 |
| 2/16-7/16 | 4,583.33 | 3,276.04 | 7,859.38 |
| 8/16-1/17 | 4,583.33 | 3,276.04 | 7,859.38 |
| 2/17-7/17 | 4,583.33 | 3,138.54 | 7,721.88 |
| 8/17-1/18 | 4,583.33 | 3,138.54 | 7,721.88 |
| 2/18-7/18 | 4,583.33 | 3,001.04 | 7,584.38 |
| 8/18-1/19 | 4,583.33 | 3,001.04 | 7,584.38 |
| 2/19-7/19 | 4,583.33 | 2,863.54 | 7,446.88 |
| 8/19-1-20 | 4,583.33 | 2,863.54 | 7,446.88 |
| 2/20-7/20 | 5,000.00 | 2,726.04 | 7,726.04 |
| 8/20-1/21 | 5,000.00 | 2,726.04 | 7,726.04 |
| 2/21-7/21 | 5,000.00 | 2,576.04 | 7,576.04 |
| 8/21-1/22 | 5,000.00 | 2,576.04 | 7,576.04 |
| 2/22-7/22 | 5,000.00 | 2,426.04 | 7,426.04 |
| 8/22-1/23 | 5,000.00 | 2,426.04 | 7,426.04 |
| 2/23-7/23 | 5,416.67 | 2,276.04 | 7,692.71 |
| 8/23-1/24 | 5,416.67 | 2,276.04 | 7,692.71 |
| 2/24-7/24 | 5,416.67 | 2,113.54 | 7,530.21 |
| 8/24-1/25 | 5,416.67 | 2,113.54 | 7,530.21 |
| 2/25-7/25 | 5,833.33 | 1,951.04 | 7,784.38 |
| 8/25-1/26 | 5,833.33 | 1,951.04 | 7,784.38 |
| 2/26-7/26 | 4,583.33 | 1,726.46 | 6,309.79 |
| 8/26-1/27 | 4,583.33 | 1,726.46 | 6,309.79 |
| 2/27-7/27 | 4,583.33 | 1,550.00 | 6,133.33 |
| 8/27-1/28 | 4,583.33 | 1,550.00 | 6,133.33 |
| 2/28-7/28 | 5,000.00 | 1,373.54 | 6,373.54 |
| 8/28-1/29 | 5,000.00 | 1,373.54 | 6,373.54 |
| 2/29-7/29 | 5,000.00 | 1,181.04 | 6,181.04 |
| 8/29-1/30 | 5,000.00 | 1,181.04 | 6,181.04 |
| 2/30-7/30 | 5,416.67 | 988.54 | 6,405.21 |
| 8/30-2/31 | 5,416.67 | 988.54 | 6,405.21 |
| 2/31-7/31 | 5,416.67 | 780.00 | 6,196.67 |
| 8/31-1/32 | 5,416.67 | 780.00 | 6,196.67 |
| 2/32-7/32 | 5,833.33 | 571.46 | 6,404.79 |
| 8/32-1/33 | 5,833.33 | 571.46 | 6,404.79 |
| 2/33-7/33 | 5,833.33 | 346.88 | 6,180.21 |
| 8/33-1/34 | 5,833.33 | 346.88 | 6,180.21 |
| 2/34-7/34 | 416.67 | 122.29 | 538.96 |
| 8/34-1/35 | 416.67 | 122.29 | 538.96 |
| 2/35-7/35 | 416.67 | 106.25 | 522.92 |
| 8/35-1/36 | 416.67 | 106.25 | 522.92 |
| 2/36-7/36 | 416.67 | 88.54 | 505.21 |
| 8/36-1/37 | 416.67 | 88.54 | 505.21 |
| 2/37-7/37 | 416.67 | 70.83 | 487.50 |
| 8/37-1/38 | 416.67 | 70.83 | 487.50 |
| 2/38-7/38 | 416.67 | 53.13 | 469.79 |
| 8/38-1/39 | 416.67 | 53.13 | 469.79 |
| 2/39-7/39 | 416.67 | 35.42 | 452.08 |
| 8/39-1/40 | 416.67 | 35.42 | 452.08 |
| 2/40-7/40 | 416.67 | 17.71 | 434.38 |
| 8/40-1/41 | 416.67 | 17.71 | 434.38 |
| | - | - | - |
| | - | - | - |
| | <u>1,160,000.00</u> | <u>460,042.40</u> | <u>1,620,042.40</u> |

**CERTIFICATE OF OFFICERS OF
LAKE VILLAGE WATER ASSOCIATION, INC.**

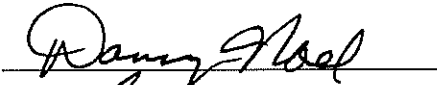
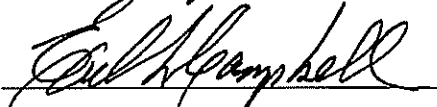
Re: Loan in the amount of \$1,160,000, dated March 10, 2015, to the Lake Village Water Association, Inc. from the Kentucky Rural Water Finance Corporation Public Projects Taxable Refunding Revenue Bonds (Flexible Term Program), Series 2015C.

The undersigned officials of the Lake Village Water Association, Inc. (the "Association") under the Assistance Agreement (the "Agreement") between the Association and the Kentucky Rural Water Finance Corporation ("KRWFC"), dated the date hereof, do hereby certify as follows:

1. That they are the duly elected or appointed, qualified and acting incumbents of their respective offices of the Association, as set forth after their signatures hereto, and as such are familiar with the books, records and affairs of the Association.

2. That the Association is a non-profit corporation, duly organized and validly organized and existing as a water association, in good standing under and by virtue of the laws of the Commonwealth of Kentucky with all requisite power and authority to operate a water supply and distribution system (the "System") and to carry on its business as now being conducted.

3. That the below-named persons were on the date or dates of the execution of the Agreement and are on the date of this Certificate the duly elected or appointed and qualified incumbents of the respective offices of the Association set forth opposite their names and that the signatures set forth opposite their names are their genuine signatures:

| <u>Name</u> | <u>Title</u> | <u>Signature</u> |
|---------------|--------------|--|
| Danny Noel | President |  |
| Earl Campbell | Secretary |  |

4. That included in the transcript of which this Certificate forms a part is a true, correct and complete copy of the resolution duly adopted by the Governing Body of the Association on November 11, 2014 (the "Resolution"), authorizing the appropriate officials of the Association to execute the Agreement. The Resolution was duly adopted in accordance with all applicable laws. The Resolution duly authorized the current refunding of the following outstanding notes of the City:

- a. Lake Village Water Association Promissory Note, dated February 13, 1986, in the original principal amount of \$520,000, bearing interest at the rate of 8.375% per annum

- b. Lake Village Water Association Promissory Note (Series A), dated April 12, 1994, in the original principal amount of \$825,000, bearing interest at the rate of 5.50% per annum
- c. Lake Village Water Association Promissory Note (Series B), dated April 12, 1994, in the original principal amount of \$345,000, bearing interest at the rate of 5.375% per annum
- d. Lake Village Water Association Promissory Note, dated October 15, 1998, in the original principal amount of \$284,000, bearing interest at the rate of 5.00% per annum

(collectively, the "Refunded Notes").

5. The Agreement has been duly authorized, executed and delivered by the Association and constitutes a legal, valid and binding obligation of the Association, enforceable against the Association in accordance with its terms.

6. The representations and warranties of the Association made in the Agreement are true and correct in all material respects on and as of the date hereof as if made on and as of the date hereof; the Resolution has not been amended or supplemented and is in full force and effect; and the Agreement has been entered into and is in full force and effect.

7. That we are familiar with the provisions of the Agreement, and we hereby certify that at the time of or immediately after the issuance, sale and delivery of the Loan, the proceeds of the Loan authorized by the Agreement were applied or will be applied as itemized in the Distribution of Loan Proceeds Schedule attached hereto as **Exhibit A**, and this certification constitutes the instruction to and authorization of the Trustee to make such payments and deposits specified in said **Exhibit A**.

8. The Association is not in default under or in violation of (i) any provisions of applicable law, (ii) the Agreement, or (iii) any indenture, mortgage, lien, agreement, contract, deed, lease, loan agreement, note, bond, order, judgment, decree or other instrument or restriction of any kind or character to which it is a party or by which it or its properties are or may be bound, or to which it or any of its assets is subject, which default would have a material adverse effect on the condition, financial or otherwise, of the Association or on the ability of the Association to perform its obligations under the Agreement. Neither the execution and delivery of the Agreement nor compliance by the Association with the terms, conditions and provisions of the Agreement will conflict with or result in a breach of, or constitute a default under, any of the foregoing.

9. Since the date of the financial information provided to KRWFC, there have not been any material adverse changes in the business, properties, condition (financial or otherwise) or results of operations of the Association, whether or not arising from transactions in the ordinary course of business, and since such date, except in the ordinary course of business, the Association has not entered into any transaction or incurred any liability material to the financial position of the Association.

10. There is no claim, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, or public board or body, pending or, to the

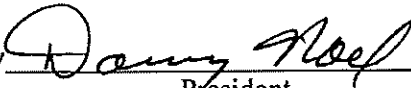
best of our knowledge, threatened against or affecting the Association wherein an unfavorable decision, ruling or finding would materially adversely affect the business, properties, condition (financial or otherwise) or the results of operations of the Association or the ability of the Association to perform its obligations under the Agreement.

11. All authorizations, consents and approvals of, notices to, registrations or filings with, or other actions in respect of or by, any governmental body, agency or other instrumentality or court required in connection with the execution, delivery and performance by the Association of the Agreement have been duly obtained, given or taken (and copies thereof have been provided to KRWFC).

12. Any certificate signed by any official of the Association and delivered to KRWFC will be deemed to be a representation by the Association to KRWFC as to the statements made therein.

WITNESS our hands this March 10, 2015.

LAKE VILLAGE WATER
ASSOCIATION, INC.

By 
President

Attest:

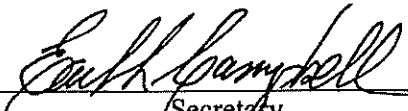
By 
Secretary

EXHIBIT A

DISTRIBUTION OF LOAN PROCEEDS SCHEDULE

Re: Loan in the amount of \$1,160,000, dated March 10, 2015, to the Lake Village Water Association, Inc. from the Kentucky Rural Water Finance Corporation Public Projects Taxable Refunding Revenue Bonds (Flexible Term Program), Series 2015C.

SOURCES OF FUNDS

| | |
|---|-----------------------|
| Par Amount of Loan | \$1,160,000.00 |
| Transfer from Refunded Loans Sinking Fund | <u>45,621.17</u> |
| Total Sources | \$1,205,621.17 |

USES OF FUNDS

| | |
|--|-----------------------|
| Deposit to the Association's Borrower Account to refund the Refunded Notes | \$1,169,008.98 |
| Deposit to Borrower Account for Costs of Issuance | 27,060.00 |
| Deposit to the Association's Sinking Fund (rounding) | 272.19 |
| Underwriter's Discount | <u>9,280.00</u> |
| Total Uses | \$1,205,621.17 |

LAKE VILLAGE WATER
ASSOCIATION, INC.

By: 
President

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF THE LAKE VILLAGE)
 WATER ASSOCIATION, INC., TO)
 ISSUE SECURITIES IN THE APPROXIMATE)
 PRINCIPAL AMOUNT OF \$1,515,000 FOR)
 THE PURPOSE OF REFUNDING CERTAIN)
 OUTSTANDING INDEBTEDNESS OF THE) Case No. 2014 - _____
 ASSOCIATION PURSUANT TO THE PROVISIONS)
 OF KRS 278.300 AND 807 KAR 5:001)

** *** **** ***** **** *** **

APPLICATION

The Applicant, Lake Village Water Association, Inc. (the "Association"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the Association to issue certain securities in the approximate principal sum \$1,515,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding indebtedness of the Association. In support of this Application, and in compliance with the rules and regulations of the Commission, the Association states as follows:

1. The Association is a non-profit water association of Mercer and Boyle Counties, created and existing under the provisions of Chapter 273 of the Kentucky Revised Statutes. The Association was incorporated in the Commonwealth of Kentucky on May 2, 1968 and is currently in good standing with the Kentucky Secretary of State. The Association is now, and has been since

its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to the Association are incorporated in this Application by reference.

2. The governing body of the Association is its Board of Directors, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS Chapter 273 and all applicable law and regulations.

3. The mailing address of the Association is as follows:

Lake Village Water Association, Inc.
c/o Mr. Mike Sanford, Manager
P.O. Box 303
Burgin, Kentucky 40310
Telephone: (859) 748-5642
Fax: (859) 748-9114
Email: mike@lakevillagewater.org

4. A general description of the Association's water system property, together with a statement of the original cost, is contained in the Association's Annual Report for 2013 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The Association proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an assistance agreement in the estimated principal amount of \$1,515,000 (subject to adjustment of up to 10%) (the "KRWFC Loan") for the purpose of refunding the outstanding indebtedness of the Association designated as (i) Lake Village Water Association Promissory Note, dated February 13, 1986, in the original principal amount of \$520,000, bearing interest at the rate of 8.375% per annum (the "1986 Note"); (ii) Lake Village Water Association Promissory Note (Series A), dated April 12, 1994, in the original principal amount of \$825,000, bearing interest at the rate of 5.50% per annum (the "1994A Note"); (iii) Lake Village Water Association Promissory Note (Series B), dated April 12, 1994, in the original principal amount of

\$345,000, bearing interest at the rate of 5.375% per annum (the "1994B Note"); and (iv) Lake Village Water Association Promissory Note, dated October 15, 1998, in the original principal amount of \$284,000, bearing interest at the rate of 5.00% per annum (the "1998 Note") (hereinafter the 1986 Note, the 1994A Note, the 1994B Note and the 1998 Note shall be collectively referred to as the "Prior Loans"). All of said Prior Loans are currently held the United States Department of Agriculture, acting through Rural Development ("RD").

6. The estimated debt service for the KRWFC Loan is shown in **Exhibit A**, which is attached hereto and incorporated herein by reference. The debt service schedule and estimated interest rate are subject to change because of market conditions. The final terms and details of the KRWFC Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The KRWFC Loan will provide the Association with the funds necessary to (i) refund the Prior Loans; and (iii) pay the costs, fees and expenses incident to the issuance of the KRWFC Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the KRWFC Loan are detailed as **Exhibit B**, which is attached hereto and incorporated herein by reference.

9. It is anticipated that the proposed refinancing will generate a net present value cashflow savings of approximately \$221,547.57. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit C**.

10. The final principal amount of the KRWFC Loan may be adjusted, based upon the final interest rate as of closing of the proposed KRWFC Loan. Final financial figures will be submitted to the Commission in a timely manner. The Association will not issue the securities if

interest rates in the financial markets shift to a point where the Association will not achieve any savings.

11. The Total Refunded Debt Schedule of the outstanding Prior Loans being refunded is set forth in **Exhibit D**.

12. The Association represents that the KRWFC Loan is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the Association by producing substantial debt service savings. This is a lawful object within the corporate purposes of the Association's utility operations. The KRWFC Loan is necessary, appropriate for, and consistent with the proper performance by the Association of its service to the public and will not impair its ability to perform that service.

13. The Association represents that it will, as soon as reasonably possible after the closing of the KRWFC Loan, file with the Commission a statement setting forth the date of issuance of the KRWFC Loan, the price paid, the costs and expenses incurred in the issuance of the KRWFC Loan, and the final terms and interest rates of the KRWFC Loan.

14. The detailed (i) Statement of Assets, Liabilities and Members' Equity; (ii) Statement of Operations; (iii) Statement of Members' Equity; (iv) Statement of Operating Expenses; and (v) Statement of Cash Flows for the twelve month period ending on December 31, 2013 are attached hereto and incorporated herein by reference as **Exhibit E** respectively.

15. Pursuant to 807 KAR 5:001, Section 12 - Financial Exhibit; the Association hereby responds as follows:

- (i) Section 12(1)(b): The Association states that it had less than \$5,000,000 in gross annual revenue in the immediate past calendar year and that no material

changes to the Association's financial condition have occurred since the end of the twelve (12) month period contained in the Association's most recent annual report on file with the Commission.

- (ii) Section 12(2)(a), (b) and (c) Stock: The Association does not have any authorized, issued or outstanding stock as of the date hereof.
 - (iii) Section 12(2)(d) Mortgages: The Association's mortgages are on file with the Commission in Case No. 2010-00430.
 - (iv) Section 12(2)(e), (f) and (g) Indebtedness: The information concerning the outstanding indebtedness of the Association is contained in the 2013 Annual Report on file with this Commission.
 - (v) Section 12(2)(h) Dividends: The Association has no outstanding stock and therefore pays no dividends.
 - (vi) Section 12(2)(i) Financial Statements: See paragraph #14 above.
16. Pursuant to 807 KAR 5:001, Section 18, the Association hereby responds as follows:
- (i) Section 18(1)(a): The Association has complied with the requirements of 807 KAR 5:001, Section 14.
 - (ii) Section 18(1)(b): A general description of the Association's property, its field of operation and a statement of original cost of said property and the cost to the Association is contained in the Association's 2013 Annual Report on file with this Commission.
 - (iii) Section 18(1)(c): The Association is not issuing any stock as part of this financing. The information concerning the proposed KRWFC Loan is

contained in this Application. The KRWFC Loan will be secured by and payable from the gross revenues of the Association's water system.

- (iv) Section 18(1)(d): The proceeds of the KRWFC Loan are being used to refund the outstanding Prior Loans.
- (v) Section 18(1)(e): No property is being acquired with the proceeds of the KRWFC Loan.
- (vi) Section 18(1)(f): The details of the refunding of the Prior Loans are contained in this Application and the Exhibits hereto.
- (vii) Section 18(1)(g): Written notification of the proposed issuance of the KRWFC Loan is being provided to the State Local Debt Officer.
- (viii) Section 18(2)(a): See paragraph #15 above.
- (ix) Section 18(2)(b): The Association does not have any outstanding trust deeds or mortgages.
- (x) Section 18(2)(c): No property is being acquired with the proceeds of the KRWFC Loan.

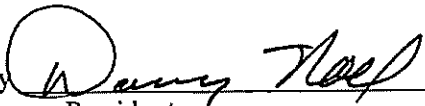
17. No rate adjustment will be necessary.

WHEREFORE, the Association respectfully requests that the Commission take the following actions:


1. Authorize the issuance of the securities requested in the Application;
2. Due to the volatility of the present bond market and in order to achieve substantial interest cost savings to the Association by taking full advantage of current low interest rates, the Association requests that the Commission issued its Order on or before **January 29, 2015**; and
3. Process this Application without a formal hearing in order to save time and expense.

The Association will promptly respond to any information requests by the Commission's staff.

Lake Village Water Association, Inc.

By  _____
President
P.O. Box 303
Burgin, Kentucky 40310
Phone: (859) 748-5642
Fax: (859) 748-9114
Email: mike@lakevillagewater.org

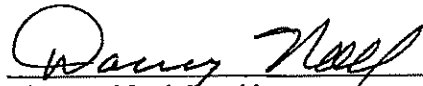
Rubin & Hays

By  _____
W. Randall Jones
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Email: wrjones@rubinhays.com
Counsel for Lake Village Water
Association, Inc.

STATE OF KENTUCKY)
) SS
COUNTY OF MERCER)

The affiant, Danny Noel, being first duly sworn, states: That he is the President of the Lake Village Water Association, Inc., the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except as to matters which are herein stated to be based on information or belief, and that these matters, he believes to be true and correct.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 17th day of December, 2014.



Danny Noel, President

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Danny Noel, President of the Lake Village Water Association, Inc., on this the 17th day of December, 2014.

My Commission expires: 8/15/18.



NOTARY PUBLIC

