

**John O. Hicks, III**  
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Calhoun, Kentucky 42327

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July 19, 2012

Hon. Jeff Derouen  
Executive Director  
Public Service Commission of Kentucky  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

RECEIVED

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PUBLIC SERVICE  
COMMISSION

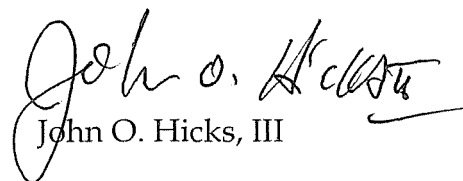
RE: Case No. 2012-00254 North Mclean County Water District  
Request for Certificate of Public Convenience and Necessity  
WX21149025

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application and exhibits of the North McLean County Water District for a Certificate of Public Convenience and Necessity to construct and finance a water system improvement project pursuant to KRS Chapter 278 and for authority to enter into a loan agreement with the Kentucky Infrastructure Authority.

If you need any additional information or documentation, please let us know.

Very truly yours,

  
John O. Hicks, III

JOH/ac

Enclosure

cc: Mr. Winfred Williams, North McLean County Water District  
Mr. Michael Hesse, DLZ Kentucky, Inc.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

APPLICATION OF THE NORTH MCLEAN	)	
COUNTY WATER DISTRICT FOR A CERTIFICATE)	)	
OF PUBLIC CONVENIENCE AND NECESSITY	)	Case No. 2012-00254
TO CONSTRUCT AND FINANCE A WATER	)	
IMPROVEMENT PROJECT PURSUANT TO	)	
KRS 278.020 AND 278.300	)	

AMENDED APPLICATION

The North McLean County Water District (the "District"), by counsel, pursuant to KRS 278.020, petitions the Commission for a certificate of public convenience and necessity to construct a waterworks improvement project and finance said project. The following information is filed in accordance with the Commission's regulations:

1. The District's office address is P.O. Box 68, Livermore Kentucky 42352. Its principal officers are listed in its 2011 Annual Report, which is on file with the Commission;
2. The District is a non-profit water district organized under KRS Chapter 74 and has no separate articles of incorporation or by-laws;
3. A description of the District's water system and its property stated at original cost by accounts is contained in its 2011 Annual Report, which is incorporated by reference pursuant to 807 KAR 5:001 Section (5)(5). All required normal financial schedules and other data are in the Annual Report;
4. The water project (the "Project") consists of the acquisition and installation of a two phased project (see **Exhibit "A"** attached hereto);

- a. Phase I – 5,281 linear feet of 16 inch water main, 2,724 linear feet of 12” water main, and 18 linear feet of 8 inch water main. This Phase I portion is already completed and operational;
  - b. Phase II - 2,496 linear feet of 16 inch water main and 1,089 linear feet of 12 inch water main;
5. The Project is in the public interest and will improve the District’s system and provide increased pressure and reliability (see **Exhibit “B”** attached hereto);
6. The total project cost is approximately \$ 737,861, as set forth in the Final Project Budget attached hereto as **Exhibit “C”**;
7. No easements are necessary for Phase II of the project;
8. This service will not complete with any other utility in the area;
9. Based on these facts, the District believes that it is in the public interest that this certificate be granted and the plan of financing be authorized;
10. Copies of the certified construction bids are attached hereto as **Exhibit “D”**;
11. The following information is provided in response to 807 KAR 5:001 Section (8)(3);
  - a. Articles of Incorporation – None, the District is a statutorily created water district under KRS Chapter 74.
12. The following information is supplied to 807 KAR 5:0001 Section (9)(2);
  - a. Facts relied upon to show the Project is in the public interest (see **Exhibit “B”** attached hereto);
  - b. No new franchises are required. Copies of the required permits are attached hereto as **Exhibit “E”**);

- c. Diagrams of the proposed construction and construction specifications are contained in the plans and specifications on file with the Commission.
- d. Three maps of suitable scale showing location of the proposed facilities are included with this application;
- e. The construction costs will be funded from an approximate contribution from the Applicant in the amount of \$37,871.10, and the proceeds of a grant HB 380 141C-2007 in the amount of \$200,000, and the proceeds of a grant HB608 303N-2008 in the amount of \$250,000, and the proceeds of a loan from the Kentucky Infrastructure Authority Revolving Fund (Fund B) in the amount of \$250,000 with an immediate loan forgiveness of 80% (\$200,000). The actual loan amount will be \$50,000 to be paid back over 20 years at 2.00% interest rate to the Kentucky Infrastructure Authority. (See Infrastructure Revolving Loan Fund (Fund B) Loan Application, **Exhibit “F”** attached hereto);
- f. The estimated cost of operation of the system after Project completion is attached hereto as **Exhibit “G”**

13. The following information is provided as required by 807 KAR 5:001 Section (II)(1);

- a. A general description of the property is contained in the 2011 Annual Report;
- b. Detailed Financial Information relating to Kentucky Infrastructure Authority Revolving Fund (Fund B) loan will be provided by the Kentucky Infrastructure Authority upon finalization of the loan.
- c. All funds are to be used in accordance with the Final Project Budget, see **Exhibit “C”**;

- d. No real property is being acquired in connection with the Project.
- e. No proceeds of the KIA Infrastructure Fund (Fund B) Loan will be used to refund outstanding obligations.
- f. The KIA Infrastructure Fund (Fund B) Loan will be secured by and paid out of the revenues of the District's system.

14. The following exhibits are provided pursuant to 807 KAR 5:001 section (11)(2);

- a. The District hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the application be for a twelve (12) month period ending within ninety (90) days of the filing of the application. The District states that there has been no change that is material in nature in the financial data filed herewith as Exhibit "I" is for the twelve month period ending December 31, 2011. This is the most recent published financial data available. Because the Project's loan is contingent upon approval of September 3, 2012, the District cannot run the risk of delaying the commencement of the Project and losing the favorable loan agreement while more current financial data is compiled.
- b. There are no Trust Deeds or Mortgages applicable.
- c. Maps and detailed plans are on file with the Commission. Detailed estimate of property acquired by USOA number is account #331 (Transmission and Distribution Mains)

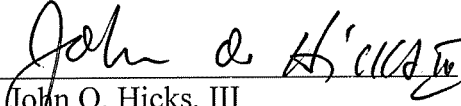
15. The District requests that it be granted a deviation under 807 KAR 5:001 (14), if necessary to accommodate any situation where inflexible compliance with a regulation would be impracticable, onerous or which would hinder the District's daily operations.

Wherefore, the applicant, North McLean County Water District, requests that the Public Service Commission of Kentucky, grant the Applicant the following:

- A. A certificate of public convenience and necessity permitting the Applicant to acquire and install a water system improvement project;
- B. An order approving the issuance of securities in the form of a loan from the Kentucky Infrastructure Authority in the approximate amount of \$250,000 with 80% principal forgiveness.
- C. Applicant motion for a deviation from the 90 day requirement for financial information as required by 807 KAR 5:0001 Section (11)(2)(a).

North McLean County Water District

By   
Winfred Williams, Chairman

By   
John O. Hicks, III  
Attorney at Law  
166 Main Street  
P.O. Box 64  
Calhoun, Kentucky 42327  
270.273.5749

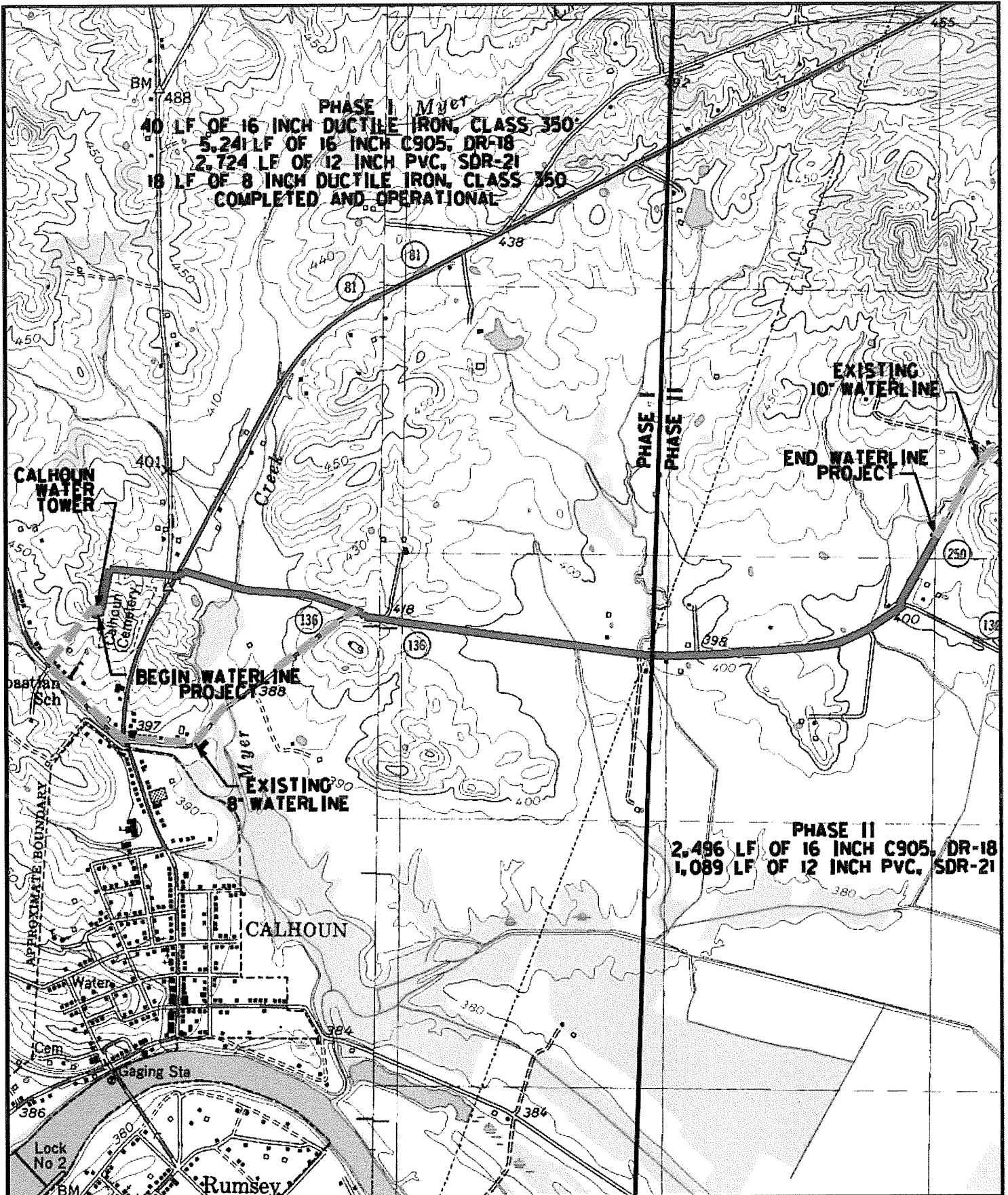




## Exhibits

- A Map of Project Area
- B Facts Relied Upon to Show the Project is in Public Interest
- C Final Project Budget
- D Certified Construction Bids
- E Kentucky Division of Water Permit for Construction
- F. Infrastructure Revolving Loan Fund (Fund B) Loan Application
  - a. KIA Loan Application
  - b. Resolution No. 3.15.11-5 of the McLean County Fiscal Court
  - c. Resolution of the North McLean County Water District
- G. Estimated Cost of Operation of the System after Project Completion
  - a. North McLean County Water District Audit Report for Years Ended December 31, 2011 and 2010.
  - b. Kentucky Infrastructure Authority Repayment Schedule (Preliminary)
  - c. Debt Service Coverage

**Exhibit A**  
**Map of Project Area**



**PHASE I**  
 40 LF OF 16 INCH DUCTILE IRON, CLASS 350  
 5,241 LF OF 16 INCH C905, DR-18  
 2,724 LF OF 12 INCH PVC, SDR-21  
 18 LF OF 8 INCH DUCTILE IRON, CLASS 350  
 COMPLETED AND OPERATIONAL

**PHASE I**  
**PHASE II**

**EXISTING 10" WATERLINE**  
**END WATERLINE PROJECT**

**BEGIN WATERLINE PROJECT**

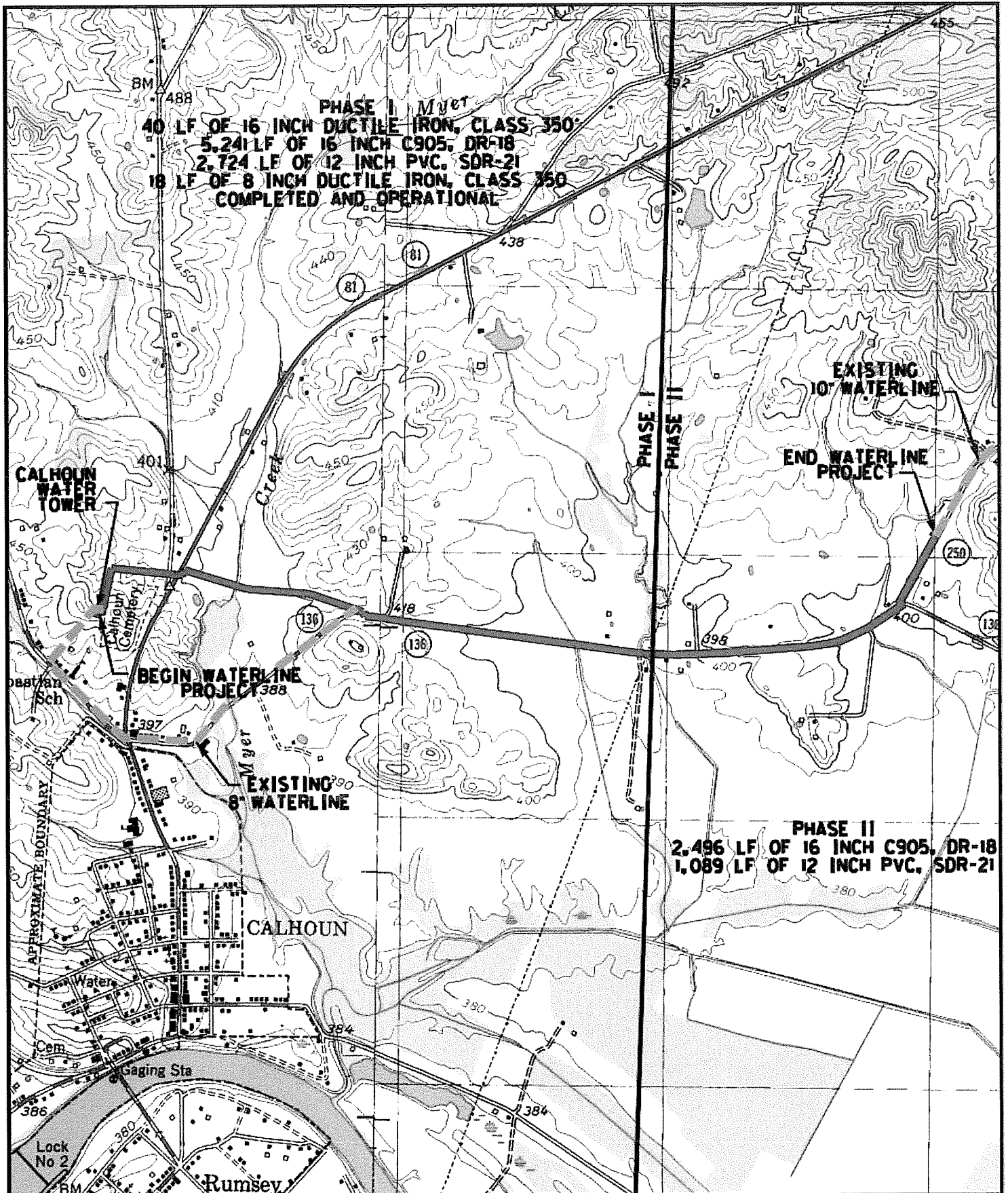
**EXISTING 8" WATERLINE**

**PHASE II**  
 2,496 LF OF 16 INCH C905, DR-18  
 1,089 LF OF 12 INCH PVC, SDR-21

DLZ KENTUCKY, INC.  
 201 BRIGHTON PARK BLVD.  
 FRANKFORT, KY 40601  
 (502) 695-2300

NORTH McLEAN COUNTY  
 WATER DISTRICT  
 P.O. BOX 68  
 LIVERMORE, KY 42352

SCALE: 1" = 1600'



**PHASE I**  
 40 LF OF 16 INCH DUCTILE IRON, CLASS 350  
 5,241 LF OF 16 INCH C905, DR-18  
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NORTH McLEAN COUNTY  
 WATER DISTRICT  
 P.O. BOX 68  
 LIVERMORE, KY 42352

SCALE: 1" = 1600'





**Exhibit B**

**Facts Relied Upon to Show the Project is in Public Interest**

**Public Health and Convenience**  
Increased System Reliability

1. The new water main will increase flow volume and pressure available to fully operate the existing KY 250 Pump Station. The customers will benefit with increased reliability of service with the new water main.
  
2. The existing KY 250 Pump Station has a design capacity of 1,200 gallons per minute. The existing 8" water main in the project area can only deliver an estimated 558 gallons per minute while maintaining sufficient pressure under peak load conditions. This existing situation results in decreased reliability of the system during periods of high demand.
  
3. The proposed 16" and 12" water main is estimated to deliver 1,200 gallons per minute to the Kentucky 250 Pump Station while maintaining an estimated 70 psi. The new water main will increase system reliability for its customers during periods of high demand.

**Exhibit C**  
**Final Project Budget**



**KENTUCKY INFRASTRUCTURE AUTHORITY  
PROJECT BUDGET  
PROJECT # WX21149025 North McLean  
County Water District Line Extensions and  
Replacements**

Cost Classification	Infrastructure Revolving Fund (Fund B)	Other Funding Source A HB 380 141C-2007	Other Funding Source B HB 608 303N-2008	Other Funding Source C	Local Funds North McLean Co. Water District	Total Project Cost
1 Administrative Expenses (Including Interim Financing)	\$ 5,000	\$ 1,900	\$ 2,375			\$ 9,275
2 Legal Expenses						
3 Land, Appraisals, Easements, Right-of-Way						
4 Relocation Expense & Payments						
5 Planning	\$ 20,120	\$ 15,070				\$ 35,190
6 Engineering Fees - Design	\$ 15,040	\$ 42,270				\$ 57,330
7 Engineering Fees - Construction						
8 Engineering Fees - Inspection	\$ 8,570	\$ 31,680				\$ 40,250
9 Construction	\$ 189,767	\$ 109,080	\$ 246,618		\$ 37,871.10	\$ 583,336
10 Equipment						
11 Contingency	\$ 11,493	\$	\$ 1,007			\$ 12,250
12 Other						
Total	\$ 250,000	\$ 200,000	\$ 250,000			\$ 737,861
<b>Funding Sources</b>	<b>Amount</b>	<b>Date Committed</b>				
A HB 380 141C-2007	\$ 200,000					
B HB 608 303N-2008	\$ 250,000					
C						

Signature [Handwritten Signature]  
 Title Judge Executive  
 Date 10/2/2010

Please identify all sources and amounts of Local Funding		
	Amount	Amount
1 North McLean Co. Water District	37,871.10	
2		
3		

**Exhibit D**

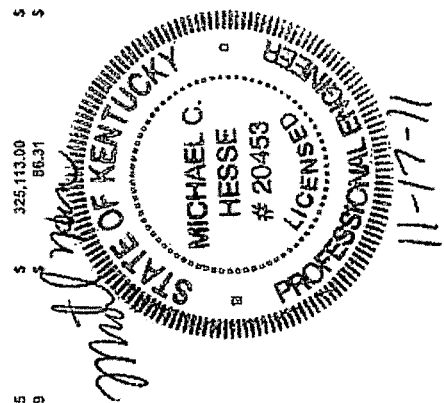
**Certified Construction Bids**

KY 136 / KY 250 Water Line Construction Phase II  
 McLean County Fiscal Court  
 Bidder's List - Bid Opening Nov. 10, 2011 at 1:00 pm CT  
 Performed by Linda Sleggs  
 Checked by Michael Hesse P.E.

Item	Description	Bailey Excavating, LLC		Garrison Construction		Emile Davis & Sons, Mechanical		Burlington Chbl, Inc.		Walter Martin Excavating, Inc.	
		Unit Price	Quantity	Unit Price	Quantity	Unit Price	Quantity	Unit Price	Quantity	Unit Price	Quantity
1	6" PVC, SDR-21, Type II Backfill	9.75	97.50	6.00	96.00	392.50	900.00	90.00	900.00	42.50	425.00
2	12" PVC, SDR-21, Type I Backfill	26.50	1,094.60	26.70	1,014.60	28.70	3,890.00	105.00	3,890.00	38.50	1,397.00
3	12" PVC, SDR-21, Type II Backfill	19.75	20,890.00	19.10	20,016.80	19.50	20,436.00	19.25	20,174.00	23.50	24,626.00
4	18" PVC, C-905 SDR-18 Type I Backfill	40.00	13,960.00	41.90	14,170.20	48.20	19,322.80	43.00	14,577.00	74.50	25,255.50
5	18" PVC, C-905 SDR-18, Type II Backfill	36.50	85,118.00	36.60	89,019.20	40.50	94,446.00	36.50	85,118.00	41.16	95,961.80
6	24" Steel Casing Pipe, Open Cut	85.00	2,600.00	78.45	3,178.00	133.25	5,330.00	105.00	4,200.00	104.50	4,180.00
7	Bore and Jack 24" Steel Casing Pipe	132.00	7,920.00	217.05	13,023.00	252.00	15,120.00	247.00	14,820.00	250.00	15,000.00
8	Sill Fence	3.75	225.00	3.00	180.00	2.00	120.00	9.40	564.00	8.25	375.00
9	3/4" PSC Transfer	600.00	3,600.00	645.00	3,870.00	910.00	5,460.00	710.00	4,260.00	850.00	3,300.00
10	3/4" Long PSC Transfer	790.00	790.00	790.00	790.00	1,032.00	1,032.00	1,032.00	1,032.00	785.00	785.00
11	2" PSC Transfer	1,700.00	5,100.00	985.00	2,955.00	1,308.00	3,924.00	840.00	2,520.00	950.00	2,850.00
12	6" PSC Transfer w/ 65 LF EA of 6" pvc	2,000.00	4,000.00	1,440.00	2,880.00	1,255.00	2,510.00	1,480.00	2,960.00	1,350.00	2,700.00
13	Sill Check	125.00	375.00	330.00	990.00	140.00	420.00	540.00	1,620.00	350.00	1,050.00
14	Combination Air Valve	900.00	1,800.00	1,450.00	2,900.00	2,400.00	4,800.00	2,000.00	4,000.00	1,650.00	3,300.00
15	The In Existing 10" Waterline	1,500.00	1,500.00	2,105.00	2,105.00	395.00	395.00	2,860.00	2,860.00	1,650.00	1,650.00
16	16" Gate Valve	2,750.00	2,750.00	6,215.00	31,075.00	6,025.00	30,125.00	5,400.00	27,000.00	5,600.00	28,000.00
17	16" Gate Valve	1,825.00	3,650.00	1,930.00	3,860.00	3,660.00	7,320.00	2,840.00	5,680.00	2,300.00	4,600.00
18	12" Gate Valve	685.00	2,055.00	780.00	2,340.00	750.00	2,250.00	1,120.00	3,360.00	665.00	1,995.00
19	12" x 10" Reducer	325.00	325.00	400.00	400.00	383.00	383.00	860.00	860.00	615.00	615.00
20	16" x 10" Reducer	550.00	550.00	575.00	575.00	692.00	692.00	1,221.00	1,221.00	750.00	750.00
21	16" x 16" Tee	1,145.00	1,145.00	1,070.00	1,070.00	1,625.00	1,625.00	1,625.00	1,625.00	1,400.00	1,400.00
22	16" x 16" Tee	840.00	840.00	900.00	900.00	1,625.00	1,625.00	1,120.00	3,360.00	1,225.00	3,675.00
23	16" x 6" Tee	250.00	250.00	140.00	140.00	100.00	100.00	580.00	580.00	450.00	450.00
24	Remove 6" Gate Valve	600.00	600.00	2,315.00	2,315.00	995.00	995.00	1,175.00	1,175.00	1,925.00	1,925.00
25	Remove and Replace Fire Hydrant	2,000.00	2,000.00	1,300.00	1,300.00	1,020.00	1,020.00	380.00	380.00	600.00	600.00
26	Cap and Abandon 6" Water Main	1,575.00	1,575.00	1,970.00	1,970.00	1,800.00	1,800.00	2,125.00	2,125.00	2,175.00	2,175.00
27	16" Tapping Sleeve and Gate Valve	1.85	353.35	5.00	955.00	3.05	592.65	14.00	2,674.00	7.25	1,384.75
28	Remove and Replace Gravel Entrance	2.55	5,000.00	11.15	21,165.00	9.85	19,805.00	8.75	19,625.00	11.50	21,850.00
29	Saw Cut and Replace Asphalt Pavement	650.00	650.00	1,500.00	1,500.00	650.00	650.00	5,300.00	5,300.00	2,650.00	2,650.00
30	Sealing and Protection Type II	500.00	500.00	1,500.00	1,500.00	645.00	645.00	2,230.00	2,230.00	1,920.00	1,920.00
31	Construction Location and Staking	3,850.00	3,850.00	2,500.00	2,500.00	1,965.00	1,965.00	6,200.00	6,200.00	5,650.00	5,650.00
32	Sill Cleanup	500.00	500.00	1,000.00	1,000.00	260.00	260.00	1,500.00	1,500.00	600.00	600.00
33	KYTC Encroachment Permit										
	Base Bid Total		205,878.85		230,892.80		246,291.45		247,878.00		271,437.00
	Total Pipe / Cost per Foot by Contractor		3,767		64.63		65.38		65.80		72.06

Item	Description	Bailey Excavating, LLC		Garrison Construction		Emile Davis & Sons, Mechanical		Burlington Chbl, Inc.		Walter Martin Excavating, Inc.	
		Unit Price	Quantity	Unit Price	Quantity	Unit Price	Quantity	Unit Price	Quantity	Unit Price	Quantity
A-1	Bore and Jack 24" Steel Casing Pipe	118.00	44,840.00	217.05	82,479.00	197.40	75,050.00	247.00	63,860.00	250.00	65,000.00
A-2	Rebuild Open Cut Under School Entrances	(2.95)	(5,603.00)	(11.15)	(21,165.00)	(9.95)	(18,905.00)	(8.75)	(16,625.00)	(11.50)	(21,850.00)
	Alternate 1 Bid Total		39,235.00		61,294.00		56,145.00		77,235.00		73,150.00

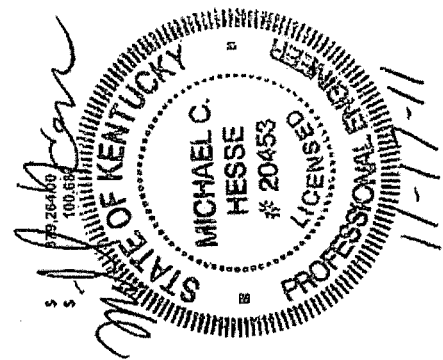
Total Base Bid and Alternate Bid 1  
 Total Pipe / Cost per Foot by Contractor 3,767 \$ 245,113.85 \$ 292,176.80 \$ 302,436.45 \$ 325,113.00 \$ 346,587.05 \$  
 Submitted Total (if different) \$ 65.07 \$ 77.56 \$ 80.29 \$ 96.31 \$ 91.46 \$  
 Calculation Differences \$ 243,463.85 \$ 1,645.00



KY 136 / KY 240 Water Line Construction Phase II  
 McLean County Fiscal Court  
 Bidder's List - Bid Opening Nov. 10, 2011 at 1:00 pm CT  
 Performed by Lynda Steggs  
 Checked by Michael Heese P.E.

Item	Description	W.H.F., Inc.		Ronnie Smith Plumbing & Excavating		Salmon Construction, Inc.		United Pipeline, Inc.	
		Unit Price	Quantity	Unit Price	Quantity	Unit Price	Quantity	Unit Price	Quantity
1	6" PVC, SDR-21, Type II Backfill	\$ 110.00	\$ 110.00	\$ 23.06	\$ 230.60	\$ 40.00	\$ 400.00	\$ 32.00	\$ 320.00
2	12" PVC, SDR-21, Type II Backfill	\$ 28.00	\$ 1,064.00	\$ 1,064.00	\$ 1,064.00	\$ 30.00	\$ 1,140.00	\$ 37.00	\$ 1,406.00
3	12" PVC, SDR-21, Type II Backfill	\$ 26.00	\$ 2,248.00	\$ 36.42	\$ 38,188.16	\$ 28.00	\$ 29,344.00	\$ 32.00	\$ 33,536.00
4	16" PVC, C-905 SDR-18, Type II Backfill	\$ 48.00	\$ 16,272.00	\$ 45.15	\$ 15,305.85	\$ 50.00	\$ 16,950.00	\$ 56.00	\$ 16,984.00
5	16" PVC, C-905 SDR-18, Type II Backfill	\$ 42.00	\$ 97,944.00	\$ 48.92	\$ 174,081.44	\$ 50.00	\$ 116,500.00	\$ 52.00	\$ 121,264.00
6	24" Steel Casing Pipe, Open Cut	\$ 70.00	\$ 2,800.00	\$ 52.28	\$ 2,091.60	\$ 200.00	\$ 5,000.00	\$ 123.00	\$ 4,920.00
7	Bore and Jack 24" Steel Casing Pipe	\$ 240.00	\$ 14,400.00	\$ 187.18	\$ 11,230.80	\$ 200.00	\$ 12,000.00	\$ 192.00	\$ 11,520.00
8	Silt Fence	\$ 5.00	\$ 300.00	\$ 2.00	\$ 120.00	\$ 50.00	\$ 3,000.00	\$ 3.00	\$ 180.00
9	3/4" PSC Transfer	\$ 600.00	\$ 3,600.00	\$ 1,160.30	\$ 6,961.80	\$ 800.00	\$ 4,800.00	\$ 730.00	\$ 4,428.00
10	3/4" Long PSC Transfer	\$ 1,000.00	\$ 1,000.00	\$ 450.00	\$ 450.00	\$ 800.00	\$ 800.00	\$ 620.00	\$ 620.00
11	2" PSC Transfer	\$ 1,500.00	\$ 4,500.00	\$ 1,502.19	\$ 4,506.57	\$ 1,200.00	\$ 3,600.00	\$ 1,475.00	\$ 4,425.00
12	6" PSC Transfer w/ 55 LF EA of 6" pvc	\$ 3,333.37	\$ 23,000.00	\$ 6,666.74	\$ 48,000.00	\$ 2,000.00	\$ 14,000.00	\$ 1,800.00	\$ 12,600.00
13	Silt Check	\$ 500.00	\$ 1,500.00	\$ 2.00	\$ 6.00	\$ 500.00	\$ 1,500.00	\$ 1,000.00	\$ 3,000.00
14	Combination Air Valve	\$ 2,000.00	\$ 4,000.00	\$ 1,498.90	\$ 2,997.80	\$ 2,500.00	\$ 5,000.00	\$ 1,416.00	\$ 2,832.00
15	The Into Existing 10" Waterline	\$ 2,000.00	\$ 2,000.00	\$ 500.00	\$ 500.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
16	The Into Existing 16" Waterline	\$ 3,000.00	\$ 3,000.00	\$ 250.00	\$ 250.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
17	16" Gate Valve	\$ 2,400.00	\$ 2,400.00	\$ 6,191.98	\$ 30,959.90	\$ 6,000.00	\$ 6,000.00	\$ 5,500.00	\$ 5,500.00
18	12" Gate Valve	\$ 700.00	\$ 2,100.00	\$ 1,070.38	\$ 3,211.14	\$ 850.00	\$ 2,550.00	\$ 1,100.00	\$ 3,300.00
19	6" Gate Valve	\$ 500.00	\$ 500.00	\$ 500.75	\$ 500.75	\$ 450.00	\$ 450.00	\$ 665.00	\$ 665.00
20	12" x 10" Reducer	\$ 600.00	\$ 600.00	\$ 570.84	\$ 570.84	\$ 825.00	\$ 825.00	\$ 820.00	\$ 820.00
21	16" x 6" Reducer	\$ 1,500.00	\$ 1,500.00	\$ 1,150.14	\$ 1,150.14	\$ 2,000.00	\$ 2,000.00	\$ 1,875.00	\$ 1,875.00
22	16" x 16" x 12" Tee	\$ 1,000.00	\$ 1,000.00	\$ 974.50	\$ 974.50	\$ 1,600.00	\$ 1,600.00	\$ 1,320.00	\$ 1,320.00
23	16" x 16" x 6" Tee	\$ 1,000.00	\$ 1,000.00	\$ 400.00	\$ 400.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
24	Remove 6" Gate Valve	\$ 4,500.00	\$ 4,500.00	\$ 1,600.00	\$ 1,600.00	\$ 3,200.00	\$ 3,200.00	\$ 3,000.00	\$ 3,000.00
25	Remove and Replace Fire Hydrant	\$ 400.00	\$ 400.00	\$ 3,000.00	\$ 3,000.00	\$ 800.00	\$ 800.00	\$ 250.00	\$ 250.00
26	Cap and Abandon 6" Water Main	\$ 2,000.00	\$ 2,000.00	\$ 1,445.18	\$ 1,445.18	\$ 2,400.00	\$ 2,400.00	\$ 1,740.00	\$ 1,740.00
27	6" Tapping Sleeve and Gate Valve	\$ 10.00	\$ 1,910.00	\$ 9.42	\$ 17,692.22	\$ 10.00	\$ 1,910.00	\$ 100.00	\$ 19,100.00
28	Remove and Replace Gravel Entrance	\$ 14.00	\$ 26,680.00	\$ 5.50	\$ 10,450.00	\$ 30.00	\$ 57,000.00	\$ 50.00	\$ 95,000.00
29	Isaw Cut and Replace Asphalt Pavement	\$ 1,000.00	\$ 3,000.00	\$ 1,250.00	\$ 3,750.00	\$ 10,000.00	\$ 30,000.00	\$ 2,000.00	\$ 6,000.00
30	Seeding and Protection, Type II	\$ 1,000.00	\$ 1,000.00	\$ 200.00	\$ 200.00	\$ 5,000.00	\$ 5,000.00	\$ 2,000.00	\$ 2,000.00
31	Construction Location and Staking	\$ 3,000.00	\$ 3,000.00	\$ 300.00	\$ 300.00	\$ 8,000.00	\$ 8,000.00	\$ 1,000.00	\$ 1,000.00
32	Site Cleanup	\$ 1,000.00	\$ 1,000.00	\$ 1,800.00	\$ 1,800.00	\$ 20,000.00	\$ 20,000.00	\$ 1,000.00	\$ 1,000.00
33	KYTC Encroachment Permit	\$ 292,848.00	\$ 292,848.00	\$ 77.74	\$ 77.74	\$ 385,089.00	\$ 385,089.00	\$ 102.50	\$ 102.50
Base Bid Total			\$ 3,767		\$ 77.74		\$ 78.06		\$ 96.92

Item	Description	W.H.F., Inc.		Ronnie Smith Plumbing & Excavating		Salmon Construction, Inc.		United Pipeline, Inc.	
		Unit Price	Quantity	Unit Price	Quantity	Unit Price	Quantity	Unit Price	Quantity
ALTERNATE 1 BID									
A-1	Bore and Jack 24" Steel Casing Pipe	\$ 310.00	\$ 117,800.00	\$ 186.84	\$ 70,999.20	\$ 200.00	\$ 76,000.00	\$ 232.00	\$ 68,160.00
A-2	Protect Open Cut Under School Entrances	\$ (14.00)	\$ (28,800.00)	\$ (5.60)	\$ (10,450.00)	\$ (30.00)	\$ (67,000.00)	\$ (50.00)	\$ (95,000.00)
Alternate 1 Bid Total			\$ 81,200.00		\$ 60,549.20		\$ 19,000.00		\$ (6,840.00)
Total Base Bid and Alternate Bid 1			\$ 384,048.00		\$ 368,359.99		\$ 384,089.00		\$ 377,264.00
Total Pipe / Cost per Foot by Contractor			\$ 10,199		\$ 95.13		\$ 101.96		\$ 100.66
Submitted Total (if different)			\$ 310,550.85		\$ 47,809.14				
Calculation Differences									



**Exhibit E**

**Kentucky Division of Water Permit for Construction**



1051-0036-90  
NMEWD  
PERMIT

STEVEN L. BESHEAR  
GOVERNOR

LEONARD K. PETERS  
SECRETARY

ENERGY AND ENVIRONMENT CABINET  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
DIVISION OF WATER  
200 FAIR OAKS LANE, 4TH FLOOR  
FRANKFORT, KENTUCKY 40601  
[www.kentucky.gov](http://www.kentucky.gov)

RECEIVED  
NOV 15 2011

November 9, 2011

Mr. Michael Latham  
North McLean Co Water District  
217 Hill Street P.O. Box 68  
Livermore, KY 42352

RE: North McLean Co Water District  
AI # 33864, APE20110001  
PWSID # 0300320-11-001  
KY 136/KY 250 Waterline Phase II  
Daviness County, KY

Dear Mr. Latham:

We have reviewed the plans and specifications for the above referenced project. The plans include the construction of approximately 1092 LF of 12-inch PVC and 2661 LF of 16-inch PVC. This is to advise that plans and specifications for the above referenced project are APPROVED with respect to sanitary features of design, as of this date with the requirements contained in the attached construction permit.

If you have any questions concerning this project, please contact Mr. Mortaza Tabayeh at 502-564-8158 x4826.

Sincerely,

Greg Goode, PE  
Acting Supervisor, Engineering Section  
Water Infrastructure Branch  
Division of Water

GG: MT

Enclosures

C: Michael Hesse, PE  
Daviness County Health Department  
Public Service Commission

copy file

Kentucky

As Equal Opportunity Employer M/F/D/V

**Distribution-Water Line Extension**

North McLean Co Water District  
Facility Requirements

Activity ID No.: APE20110001

**GACT000000020 (Waterline Extension) 1092 LF of 12-inch PVC and 2661 LF of 16-inch PVC:**

**Monitoring Requirements:**

Condition No.	Parameter	Condition
M-1	Coliform	The presence or absence of total Coliform monitored by sampling and analysis as needed shall be determined for the new or relocated water line(s). Take samples at connection points to existing lines, at 1 mile intervals, and at dead ends without omitting any branch of the new or relocated water line. Sample bottles shall be clearly identified as "special" construction tests. [401 KAR 8:100 Section 1(7), 401 KAR 8:150 Section 4, Recommended Standards for Water Works 8.5.6] This requirement is applicable during the following months: All Year. Statistical basis: Instantaneous determination.

**Submittal/Action Requirements:**

**Coliform:**

Condition No.	Condition
S-1	Coliform For new construction projects, the distribution system, using the most expedient method, shall submit Coliform test results to the Cabinet: Due immediately following disinfection and flushing. [401 KAR 8:150 Section 4(2)]

Condition No.	Condition
S-2	For proposed changes to the approved plan, submit information: Due prior to any modification to the Cabinet for approval. Changes to the approved plan shall not be implemented without the prior written approval of the Cabinet. [401 KAR 8:100 Section 1(8)]
S-3	The person who presented the plans shall submit the professional engineer's certification: Due when construction is complete to the Division of Water. The certification shall be signed by a registered professional engineer and state that the water project has been constructed and tested in accordance with the approved plans, specifications, and requirements. [401 KAR 8:100 Section 1(8)]

**Distribution-Water Line Extension**  
 North McLean Co Water District  
 Facility Requirements

Activity ID No.: APE20110001

**GACT0000000020 (continued):**

**Narrative Requirements:**

**Additional Limitations:**

Condition No.	Condition
T-1	Additional Limitations: Chlorinated water resulting from disinfection of project components shall be disposed in a manner which will not violate 401 KAR 5:031. [401 KAR 8:020 Section 2(20)]

Condition No.	Condition
T-2	This project has been permitted under the provisions of KRS Chapter 224 and regulations promulgated pursuant thereto. Issuance of this permit does not relieve the applicant from the responsibility of obtaining any other approvals, permits or licenses required by this Cabinet and other state, federal and local agencies. Further, this permit does not address the authority of the permittee to provide service to the area to be served. [401 KAR 8:100 Section 1(7)]
T-3	Unless construction of this project is begun within 2 year from the issuance date of this permit, the permit shall expire. If requested prior to the permit expiration, an official extension from the Division of Water may be granted. If this permit expires, the original plans and specifications may be resubmitted for a new comprehensive review. If you have any questions concerning this project, please contact the Drinking Water Branch at 502/564-3410. [401 KAR 8:100 Section 1(9)]
T-4	Final approval of facility. Upon completion of construction, the person who presented the plans shall certify in writing that the project has been completed in accordance with the "approved" plans and specifications. The public water supply shall operate the facility consistent with the approved plans and specifications. Any proposed change to the approved plan shall be submitted to the cabinet for approval. The public water supply shall not implement any change to the approved plan without the prior written approval of the cabinet. [401 KAR 8:100 Section 401 KAR 8:100(1)(8)]
T-5	During construction, a set of approved plans and specification shall be available at the job site at all times. All work shall be performed in accordance with the approved plans and specifications. [401 KAR 8:100 Section 1(7)(a)]



**Distribution-Water Line Extension**  
 North McLean Co Water District  
 Facility Requirements

Activity ID No.: APE20110001

**PORT000000020 (Waterline Extension) 1092 LF of 12-inch PVC and 2661 LF of 16-inch PVC. :**

**Limitation Requirements:**

Condition No.	Parameter	Condition
L-1	Depth	A continuous and uniform bedding shall be provided in the trench for all buried pipe. Backfill material shall be tamped in layers around the pipe and to a sufficient height above the pipe to adequately support and protect the pipe. Stones found in the trench shall be removed for a Depth $\geq$ 6 in below the bottom of the pipe. [Recommended Standards for Water Works 8.5.2] This requirement is applicable during the following months: All Year. Statistical basis: Not applicable.
L-2	Depth	All water lines shall be covered to a Depth $\geq$ 30 in to prevent freezing. [Recommended Standards for Water Works 8.5.3, 401 KAR 8:100 Section 1(7)] This requirement is applicable during the following months: All Year. Statistical basis: Minimum.
L-3	Diameter	All new and existing water lines serving fire hydrants or where fire protection is provided shall have Diameter $\geq$ 6 in. [Recommended Standards for Water Works 8.1.2] This requirement is applicable during the following months: All Year. Statistical basis: Minimum.
L-4	Distance	Water lines shall have a sufficient quantity of valves so that inconvenience and sanitary hazards will be minimized during repairs. A valve spacing Distance $\leq$ 800 feet should be utilized in non-commercial districts. Alternatively, non-commercial districts should utilize a valve spacing Distance $\leq$ 1 block. Commercial districts should utilize a valve spacing Distance $\leq$ or = 500 ft. [Recommended Standards for Water Works 8.2] This requirement is applicable during the following months: All Year. Statistical basis: Not applicable.
L-5	Distance	Hydrant drains shall not be connected to sanitary sewers or storm drains and shall be located a Distance $>$ 10 ft from sanitary sewers and storm drains. [Recommended Standards for Water Works 8.3.4] This requirement is applicable during the following months: All Year. Statistical basis: Not applicable.
L-6	Distance	Except when not practical, water lines shall be laid a horizontal Distance $\geq$ 10 ft from any existing or proposed sewer. The distance shall be measured edge to edge. In cases where it is not practical to maintain a 10 foot separation, water lines may be installed closer to a sewer provided that the water lines shall be laid in a separate trench or on an undisturbed shelf located on one side of the sewer at such an elevation that the bottom of the water line is at least 18 inches above the top of the sewer. [Recommended Standards for Water Works 8.6.2] This requirement is applicable during the following months: All Year. Statistical basis: Not applicable.

# Distribution-Water Line Extension

North McLean Co Water District  
Facility Requirements

Activity ID No.: APE20110001

PORT0000000020 (continued):

## Limitation Requirements:

Condition No.	Parameter	Condition
L-7	Distance	<p>When water lines and sewers cross,</p> <ol style="list-style-type: none"><li>1) water lines shall be laid such that either</li><li>a) the top of the water line is a vertical Distance <math>\geq 18</math> in below the bottom of the sewer line or</li><li>b) the bottom of the water line is a vertical Distance <math>\geq 18</math> in above the top of the sewer line,</li><li>2) 1 full length of the water pipe shall be located so that both joints of the water pipe will be as far from the sewer as possible, and</li><li>3) special structural support for the water and sewer pipes may be required. [Recommended Standards for Water Works 8.6.3] This requirement is applicable during the following months: All Year. Statistical basis: Not applicable.</li></ol> <p>The open end of an air relief pipe from automatic valves shall be extended a Distance <math>\geq 1.0</math> ft above grade and provided with a screened, downward-facing elbow. The pipe from a manually operated valve shall be extended to the top of the pit. Use of manual air relief valves is recommended wherever possible. [Recommended Standards for Water Works 8.4.2] This requirement is applicable during the following months: All Year. Statistical basis: Not applicable.</p>
L-8	Distance	<p>Pipes shall not be installed unless all points of the distribution system remain designed for ground level Pressure <math>\geq 20</math> psi under all conditions of flow. [Recommended Standards for Water Works 8.1.1] This requirement is applicable during the following months: All Year. Statistical basis: Minimum.</p>
L-9	Pressure	<p>Pressure <math>\geq 30</math> psi must be available on the discharge side of all meters. [401 KAR 8:100 Section 4(2)] This requirement is applicable during the following months: All Year. Statistical basis: Instantaneous determination.</p>
L-10	Pressure	<p>New or relocated water lines shall be thoroughly disinfected (in accordance with AWWA Standard C651) upon completion of construction and before being placed into service. To disinfect the new or relocated lines use chlorine or chlorine compounds in such amounts as to produce an initial disinfectant concentration of at least 50 ppm and a Residual Disinfection <math>\geq 25</math> ppm at the end of 24 hours. Follow the line disinfection with thorough flushing and place the lines into service if, and only if, Coliform monitoring applicable to the line does not show the presence of Coliform.</p> <p>If Coliform is detected, repeat flushing of the line and Coliform monitoring. If Coliform is still detected, repeat disinfection and flushing as if the line has never been disinfected. Continue the described process until monitoring does not show the presence of Coliform. [401 KAR 8:150 Section 4(1), Recommended Standards for Water Works 8.5.6] This requirement is applicable during the following months: All Year. Statistical basis: Minimum.</p>
L-11	Residual Disinfection	

**Distribution-Water Line Extension**  
 North McLean Co Water District  
 Facility Requirements

Activity ID No.: APE20110001

**PORT000000020 (continued):**

**Limitation Requirements:**

Condition No.	Parameter	Condition
L-12	Velocity	Each blow-off or fire hydrant shall be sized so that Velocity $\geq$ 2.5 ft/sec can be achieved in the water main served by the blow-off or hydrant during flushing. [Recommended Standards for Water Works 8.1.6.b, 401 KAR 8:100 Section 1(7)] This requirement is applicable during the following months: All Year. Statistical basis: Minimum.

**Monitoring Requirements:**

Condition No.	Parameter	Condition
M-1	leaks	The presence or absence of leaks monitored by physical testing as needed shall be determined in all types of installed pipe. Pressure testing and leakage testing shall be in accordance with the latest edition of AWWA Standard C600. [Recommended Standards for Water Works 8.5.5] This requirement is applicable during the following months: All Year. Statistical basis: Instantaneous determination.

**Narrative Requirements:**  
**Asbestos (Friable):**

Condition No.	Condition
T-1	Asbestos (Friable): If the existing water line to be tapped is asbestos concrete, then the contractor shall conform to OSHA regulations governing the handling of hazardous waste during the process of tapping the asbestos concrete line. Pieces of asbestos concrete resulting from the tap shall be double bagged, placed in a rigid container and disposed of in an approved landfill. [401 KAR 8:100 Section 1(7)]

**Distribution-Water Line Extension**  
 North McLean Co Water District  
 Facility Requirements

Activity ID No.: APE20110001

**PORT0000000020 (continued):**

**Narrative Requirements:  
 Additional Limitations:**

Condition No.	Condition
T-2	<p><b>Additional Limitations:</b>                      Water line installation shall be in accordance with AWWA standards or manufacturer recommendations. [Recommended Standards for Water Works 8.5.1]</p>
T-3	<p><b>Additional Limitations:</b>                      Pipes, fittings, valves and fire hydrants shall conform to the latest standards issued by the AWWA or NSF (if such standards exist). PVC and PE piping used must be certified to ANSI/NSF Standard 61. [Recommended Standards for Water Works 8.0.1]</p>
T-4	<p><b>Additional Limitations:</b>                      At high points in water lines, where air can accumulate, provisions shall be made to remove the air by means of hydrants or air relief valves. Automatic air relief valves shall not be used in situations where manhole or chamber flooding may occur. [Recommended Standards for Water Works 8.4.1]</p>
T-5	<p><b>Additional Limitations:</b>                      All tees, bends, plugs and hydrants shall be provided with reaction blocking, tie rods or joints designed to prevent movement. [Recommended Standards for Water Works 8.5.4]</p>
T-6	<p><b>Additional Limitations:</b>                      A fire hydrant or blow-off shall be required at the end of each dead end line. [Recommended Standards for Water Works 8.1.6]</p>
T-7	<p><b>Additional Limitations:</b>                      For each fire hydrant, auxiliary valves shall be installed in the hydrant lead pipe. [Recommended Standards for Water Works 8.3.3]</p>
T-8	<p><b>Additional Limitations:</b>                      No flushing device, blow-off, or air relief valve shall be directly connected to any sewer. Chambers, pits or manholes containing valves, blow-offs, meters, or other such appurtenances shall not be directly connected to any storm drain or sanitary sewer. Such chambers, pits or manholes shall be drained to absorptions pits underground or to the surface of the ground where they are not subject to flooding by surface water. [Recommended Standards for Water Works 8.1.6, Recommended Standards for Water Works 8.4.3]</p>
T-9	<p><b>Additional Limitations:</b>                      If water lines are installed or replaced in areas of organic contamination or in areas within 200 ft of underground or petroleum storage tanks, ductile iron or other nonpermeable materials shall be used in all portions of the water line installation or replacement. [401 KAR 8:100 Section 1(5)(d)6, Recommended Standards for Water Works 8.0.2]</p>

**Distribution-Water Line Extension**  
 North McLean Co Water District  
 Facility Requirements

Activity ID No.: APE20110001

**PORT000000020 (continued):**

**Narrative Requirements:**

**Additional Limitations:**

Condition No.	Condition
T-10	<p><b>Additional Limitations:</b>                      No water pipe shall pass through or come in contact with any part of a sewer manhole. [Recommended Standards for Water Works 8.6.6]</p>
T-11	<p><b>Additional Limitations:</b>                      If a fire sprinkler system is to be installed, a double check detector assembly approved for backflow prevention shall be utilized. The double check detector assembly of the system shall be accessible for testing. [401 KAR 8:100 Section 1(7)]</p>

**Subfluvial Pipe Crossings:**

Condition No.	Condition
T-12	<p><b>Subfluvial Pipe Crossings:</b>                      For subfluvial pipe crossings, a floodplain construction permit will not be required pursuant to KRS 151.250 if the following requirements of 401 KAR 4:050 Section 2 are met.</p> <ol style="list-style-type: none"> <li>1) No material may be placed in the stream or in the flood plain of the stream to form construction pads, coffer dams, access roads, etc. during construction of pipe crossings.</li> <li>2) Crossing trenches shall be backfilled as closely as possible to the original contour.</li> <li>3) All excess material resulting from construction displacement in a crossing trench shall be disposed of outside the flood plain.</li> <li>4) For erodible channels, there shall be at least 30 inches of backfill on top of all pipe or conduit points in the crossing.</li> <li>5) For nonerodible channels, pipes or conduits in the crossing shall be encased on all sides by at least 6 inches of concrete with all pipe or conduit points in the crossing at least 6 inches below the original contour of the channel. [401 KAR 8:100 Section 1(7)]</li> </ol>
T-13	<p><b>Subfluvial Pipe Crossings:</b>                      For subfluvial pipe crossings greater than 15 feet in width,</p> <ol style="list-style-type: none"> <li>1) the pipe shall be of special construction, having flexible, restrained, or welded watertight joints, and</li> <li>2) valves shall be provided at both ends of water crossings so that the section can be isolated for testing or repair.</li> </ol> <p>Valves shall</p> <ol style="list-style-type: none"> <li>a) be easily accessible,</li> <li>b) not be subject to flooding, and</li> <li>c) if closest to the supply source, be in a manhole with permanent taps made on each side of the valve to allow insertion of a small meter to determine leakage and for sampling purposes. [Recommended Standards for Water Works 8.7.2]</li> </ol>

## **Exhibit F**

### **Infrastructure Revolving Loan Fund (Fund B) Loan Application**

- a. KIA Loan Application
- b. Resolution No. 3.15.11-5 of the McLean County Fiscal Court
- c. Resolution of the North McLean County Water District



October 25, 2010

Ms. Kasi White  
Kentucky Infrastructure Authority  
1024 Capital Center Drive, Suite 340  
Frankfort, Kentucky 40601

RE: WX21149025 North McLean Co. Water District Line Extensions and Replacements

Dear Ms. White,

Thank you for the opportunity to submit an application for the Fund B – Infrastructure Revolving Fund. Please find enclosed is the application and supplemental attachments. If you have any questions, please contact me.

Sincerely,  
DLZ Kentucky, Inc

Michael Hesse  
Project Manager

## INFRASTRUCTURE REVOLVING LOAN FUND (Fund B) LOAN APPLICATION

### I. GENERAL PROJECT SUMMARY

1. **PROJECT TITLE** North McLean County Water District Line  
Extensions and Replacements

**PROJECT NUMBER** WX21149025  
(WX or SX #)

### 2. LEGAL APPLICANT

Applicant Name: McLean County Fiscal Court

Street/P.O. Box: 210 Main Street, P.O Box 127

City, State & Zip Code: Calhoun, Kentucky 42327

Telephone: (270)273-3213

Email: lbwhitaker@att.net

County: McLean County

Contact Person: Larry Whitaker, Judge Executive

### 3. APPLICATION CONTACT PERSON (Consultant, Area Development District, etc.)

Name: Michael Hesse, PE

Title: Project Manager

Firm: DLZ Kentucky, Inc

Street/P.O. Box: 201 Brighton Park, Blvd

City, State & Zip Code: Frankfort, Kentucky 40601

Telephone: (502) 695-2300

Email: mhesse@dlz.com



4. **ENGINEERING FIRM**

Name: Michael Hesse, PE  
Street/P.O. Box: 201 Brighton Park, Blvd  
City, State, Zip Code: Frankfort, Kentucky 40601  
Telephone: (502) 695-2300  
Contact Person: Michael Hesse, PE  
Email: mhesse@dlz.com

5. **BRIEF DESCRIPTION OF PROJECT (Attach project maps)**  
(this description will be reviewed against the existing project profile for the project and should be consistent with the description therein)

THIS PROJECT PROPOSES TO CONSTRUCT A WATER LINE EXTENDING FROM THE CALHOUN TANK AND TIE INTO A 10 INCH LINE ON KY 250. A MASTER METER WILL BE INCLUDED. ON THE WHOLE, THE PROJECT WILL ENSURE BETTER SERVICE TO ALL CUSTOMERS OF THE NORTH MCLEAN COUNTY WATER DISTRICT.

6. **FINANCING PACKAGE PROPOSED**

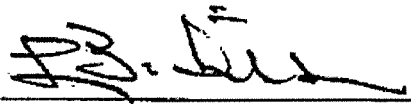
Source	Amount	Type Loan/Grant	Rate%	Term	Status
Fund B	\$ 250,000	Loan/Grant		20 years	Application
HB 380 141C-2007	\$ 200,000	Grant			Fully Drawn
HB 608	\$ 250,000	Grant			\$1,007 Remaining
North McLean Co. Water District	\$ 37,871	Grant			Fully Drawn
<b>TOTAL</b>	<b>\$ 737,871</b>				

Attach evidence of commitment from other funds.

7. **CERTIFICATION**

To the best of my knowledge and belief, the information contained in this application is true and correct.

Larry Whitaker  
McLean Co. Judge Executive

  
Signature  
10/6/2010  
Date

**II. GENERAL PROJECT INFORMATION**

1. Have business closings or disruptions occurred due to infrastructure inadequacy or failure?

Yes  No

If yes, describe.

The Water District has cut poultry farms off from the water supply to provide an adequate and safe water supply to other customers.

2. Is the applicable infrastructure system under sanction from any enforcement agency?

Yes  No  N/A

If yes, describe (include deadlines, fines imposed and whether the project will satisfy sanction order.)

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3. Are easements or land acquisition needed for the project?

Yes  No Number of Parcels 4

Explain status of each parcel.

1. McLean County Board of Education – Negotiating with Property Owner
2. Ralph B. & Carol A. Hayden - Negotiating with Property Owner
3. Ray & elna Hayden - Negotiating with Property Owner
4. Gerald A. Hayden - Negotiating with Property Owner

4. If applicant has obtained the necessary land, indicate if by:

Leasehold interest  Fee simple title  Other (Specify)

---

5. Have plans and specifications been reviewed and approved by the Division of Water?

Yes  No

If no, explain status.



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4. Operator Certification:

Number of certified operators required for system 1  
Level of certification required Class II  
Number of operators employed by system 1  
Are all operators properly certified  Yes  No

**IV. FINANCIAL ANALYSIS**

1. Are revenues and expenses for this system accounted for separately from other utility services?

Yes  No  
If no, explain.

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2. Identify all revenues, other than service fees, which are dedicated to the system.

A. 2009 Water Sales \$ 590,907.84  
B. Hook-On Fees \$ 8,079.47  
C. Interest \$ 1,623.26

3. Is there outstanding debt on the system?  Yes  No

A. Source USDA  
B. Principal outstanding \$188,000  
C. Annual debt requirement 2010 - interest \$7,168  
2011 - interest \$14,107, premium \$6,000  
D. Date of final payment 2025

Attach a copy of debt service schedule(s).

4. Has a rate study been prepared in anticipation of a rate increase?

\_\_\_\_\_ Yes  No

Rate study is currently being prepared by PSC. Unable to provide copy of proposed Rate schedule at this time.

If yes, attach a copy.

5. Are water or sewer services provided by other communities or districts to this system?

Yes \_\_\_\_\_ No

Attach copy of service agreements and briefly describe terms.

Service Agreement for Calhoun, West Daviess, & Livermore

Service Agreements are extremely old and are not reproducible.

6. Does this system provide services to other communities or districts?

\_\_\_\_\_ Yes  No

<u>Community/District</u>	<u># of Customers</u>	<u>Amount of Revenue Derived</u>
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____

Attach copy of service agreement(s) and briefly describe terms.

\_\_\_\_\_

7. Rate structure (attach copy of current and any proposed rate ordinance).

A.	Current 4,000 gallon rate	\$ <u>30.23</u>
B.	Proposed 4,000 gallon rate	\$ <u>PSC Auditing</u>
C.	Average usage/bill	\$ <u>36.51</u>
D.	Date last rate increase/amount of change	<u>3/11/10 \$0.36</u>
E.	Method of collection of service fees	<u>Mail and Hand Delivered</u>
F.	Percentage rate of collection	<u>&gt; 95%</u>

- G. Do any users provide more than 5% of the service revenue for the system?

\_\_\_\_\_ Yes  No  
If yes, list.

<u>Company</u>	<u>% Service Revenue</u>
_____	_____
_____	_____
_____	_____

8. Compare rates with other providers in your area.

Calhoun – See Attachment  
Livermore – See Attachment

9. Operation and Maintenance.

	<u>Year</u>	<u>Cost</u>
A. Annual operation and maintenance costs for last 3 years.	2008	\$ 3,267.04
	2009	\$ 4,674.49
	<u>2010</u>	<u>\$ 3,418.41</u>

B. Estimated total cost after project completion. 2011 \$ 4,850.00

C. Current annual funding requirements for depreciation, and operation and maintenance reserves.

\$24,500.00

D. Are operation and maintenance payments required by prior bond or ordinance?

Yes \_\_\_\_\_ No

If yes, are you in compliance?  Yes \_\_\_\_\_ No

If no, explain.

E. Are operation and maintenance functions assigned to another party?

\_\_\_\_\_ Yes  No

If yes, provide details of the agreement.

\_\_\_\_\_

\_\_\_\_\_

F. Provide a copy of the current operating budget of the system affected by this proposed funding.

10. Tap fee amounts.
- |                  |  |
|------------------|--|
| A. Residential   | \$ <u>660.50</u> for <u>¾" x 5/8" meters</u> |
| B. Commercial    | \$ <u>828.54</u> for <u>1" meters</u>        |
| C. Other         | \$ <u>1,966.93</u> for <u>1½ " meters</u>    |
| D. How collected | \$ <u>2,091.32</u> for <u>2" meters</u>      |
- All same rates and collected before setting meter

11. Outline the applicant's plan for producing revenues sufficient to cover debt service and operations.

Bond Premium and Interest fund. NMCWD sets aside enough monthly to make payments.

Using rate per number of days – 51.181150

12. List any security available to support the proposed debt, if applicable. This may include liens on mortgages or projected revenues.

Special Accounts set aside.

\_\_\_\_\_

\_\_\_\_\_

## V. IMPLEMENTATION SCHEDULE

1. Anticipated engineering design time required (including plan review).

Design Completed

2. Anticipated number of contracts. Please list contracts below:

Contract #/Name/Description

Estimated Amount

- |  |                             |               |
|--|-----------------------------|---------------|
| 1. DLZ                                   | Planning & Engineering      | \$ 92,520.00  |
|  | Construction Administration | \$ 57,330.00  |
|  | Project Administration      | \$ 3,500.00   |
| 2. Ernie Davis – Construction of Phase 1 |                             | \$ 355,698.40 |
| 3. Contractor – construction of Phase 2  |                             | \$ 180,000.00 |

3. Anticipated bid advertising date(s). March 2010
4. Anticipated bid opening date(s). March 2010
5. Anticipated construction start date(s). May 2010
6. Anticipated construction completion date(s). September 2010
7. Will force account labor be used?

Yes  No  
 If yes, list activities.

- 
8. List any construction or bid requirements related to other funding sources, which could affect timely implementation.

**VI. MANAGEMENT CAPACITY**

These questions relate to compliance with statutory mandates placed on each type of applicant. Answer each question as appropriate.

1. Audit Requirement.

- A. Is applicant required to have annual audit performed?

Yes  No  
 If no, explain.

- 
- B. Date of last audit completed: 2009



C. Attach four (4) of the most recent financial statements, current year-to-date unaudited financials and current budget.

2. All Other Applicants

A. Explain designation of responsibility for financial accountability and personnel administration.

See Letter

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B. Have any public meetings been held on the proposed project or service fee increases in the last six months?

       Yes  No  
If yes, provide minutes.

**VII. CAPITAL INVESTMENT**

Federal/State Funding History.

List all federal and state funding (grant and loan) awarded to the jurisdiction during the last five (5) years for infrastructure or economic development projects.

YEAR	PROJECT	SOURCE	AMOUNT
2008	US 431 Water Tank	HB 608	\$ 250,000
2006	Nucklos Water Line	HB 380 142C-07	\$ 30,000
2008	Nuckos Water Line	HB 608 308- N-2008	\$ 77,770.29
2008	NMCWD Water Line Extensions	HB 608	\$ 250,000.00
2006	NMCWD Water Line Extensions	HB 380 141C-2007	\$ 200,000.00

North McLean Water Billing Rates

<u>Water Consumption</u>	<u>Current Rate - March 11, 2010</u>	
First 2,000 Gals	\$14.88	Minimum Bill
Next 8,000 Gals	\$ 5.39	Per 1000 Gals
Next 30,000 Gals	\$ 4.88	Per 1000 Gals
Over 40,000 Gals	\$ 4.40	Per 1000 Gals

City of Livermore, Kentucky Water Rates

<b>OLD RATE</b>		<b>NEW RATE</b>
	<b>IN-TOWN</b>	
\$12.62	1ST 1000 GALLONS (MINIMUM CHARGE)	\$13.12
\$6.63	EACH 1000 GALLONS	\$7.13
	<b>RURAL</b>	
\$15.12	1ST 1000 GALLONS (MINIMUM CHARGE)	\$16.38
\$6.87	EACH 1000 GALLONS	\$8.13

\*\*New water rate is effective as of October 27, 2010

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2009 and 2008**

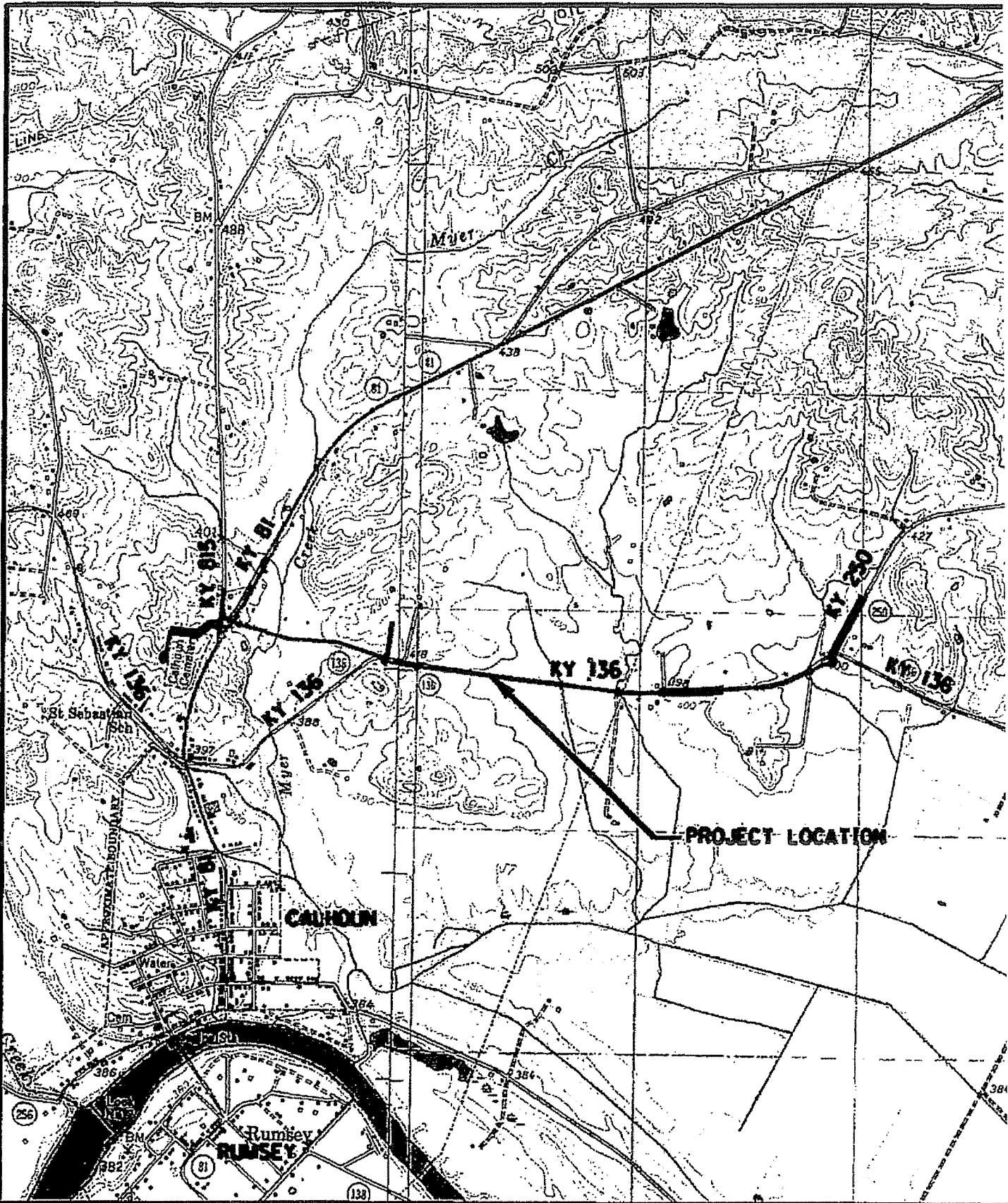
The annual requirements to amortize revenue bonds outstanding as of December 31, 2009, follows:

	Series 1985				Totals	
	Interest	Interest	Principal	Interest	Principal	
	Jan. 1	July 1	Jan. 1	Jan. 1	Jan. 1	
2010	\$ -	\$ 7,168	\$ -	\$ 7,168	\$ -	
2011	7,168	6,939	6,000	14,107	6,000	
2012	6,939	6,672	7,000	13,611	7,000	
2013	6,672	6,405	7,000	13,077	7,000	
2014	6,405	6,100	8,000	12,505	8,000	
2015-2019	26,688	24,591	55,000	51,279	55,000	
2020-2024	14,183	10,980	84,000	25,163	84,000	
2025	801	-	21,000	801	21,000	
	<u>\$ 68,856</u>	<u>\$ 68,855</u>	<u>\$ 188,000</u>	<u>\$ 137,711</u>	<u>\$ 188,000</u>	

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2009:

	Amount of Original Obligation	Range of Final Maturity Dates	Range of Interest Rates	Balance		Retired	Issued	Balance Dec 31, 2009	Amount Due within One Year
				Jan 1, 2009	Dec 31, 2009				
971 Revenue bonds	\$ 157,000		5 3/4%	\$ 9,000	\$ 9,000	\$ (9,000)	\$ -	\$ -	
985 Revenue bonds	245,000	2010-2025	7 5/8%	194,000	188,000	(6,000)	-	6,000	
Customer Deposits				30,545	32,190	(1,995)	3,640	2,500	
<b>TOTAL LONG TERM LIABILITIES</b>				<u>\$ 233,545</u>	<u>\$ 220,190</u>	<u>\$ (16,995)</u>	<u>\$ 3,640</u>	<u>\$ 8,500</u>	



DLZ KENTUCKY, INC.  
 201 BRIGHTON PARK BLVD.  
 FRANKFORT, KY 40601  
 (502) 695-2300

KY 136 / KY 250  
 WATER LINE CONSTRUCTION  
 McLEAN COUNTY FISCAL COURT  
 210 MAIN ST.  
 P.O. BOX 127  
 CALHOUN, KY 42327

SCALE: 1" = 2000'



**RESOLUTION NO 3.15.11-5**  
**OF THE**  
**MCLEAN COUNTY FISCAL COURT**

WHEREAS, the Kentucky Infrastructure Authority has awarded the McLean County Fiscal Court and North McLean County Water District a loan in the amount of \$250,000.00 which is coupled with an immediate 80% principal forgiveness; and

WHEREAS, the KIA has agreed that the North McLean County Water District can be the recipient of the loan without having to channel paperwork through the McLean County Fiscal Court.


NOW, THEREFORE, be it resolved by the McLean County Fiscal Court that the Kentucky Infrastructure Authority is hereby requested to permit North McLean County Water District to be the recipient for the Kentucky Infrastructure Authority, for the \$250,000.00 loan.

Upon acceptance of this responsibility by the North McLean County Water District, the McLean County Fiscal Court shall have no financial responsibility concerning this loan.

Adopted this 15th day of March, 2011.

Ayes - 5

Nays - 0

  
\_\_\_\_\_  
KELLY THURMAN, MCLEAN  
COUNTY JUDGE EXECUTIVE

ATTEST:

  
\_\_\_\_\_  
STACY PATRICK, CLERK

**RESOLUTION  
OF THE  
NORTH MCLEAN COUNTY WATER DISTRICT**

WHEREAS, the Kentucky Infrastructure Authority has awarded the McLean County Fiscal Court and North McLean County Water District a loan in the amount of \$250,000.00 which is coupled with an immediate 80% principal forgiveness; and

WHEREAS, the KIA has agreed that the North McLean County Water District can be the recipient of the loan without having to channel paperwork through the McLean County Fiscal Court.

NOW, THEREFORE, be it resolved by the North McLean County Water District that the Kentucky Infrastructure Authority is hereby requested to permit North McLean County Water District to be the recipient for the Kentucky Infrastructure Authority, for the \$250,000.00 loan.

Upon acceptance of this responsibility by the North McLean County Water District, the McLean County Fiscal Court shall have no financial responsibility concerning this loan.

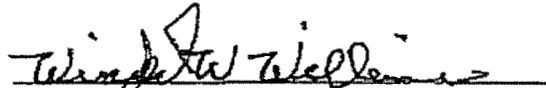
NOW, THEREFORE, be it resolved by the North McLean County Water District that it accept responsibility as the recipient for the Kentucky Infrastructure Authority for the \$250,000.00 loan, and

NOW, THEREFORE, be it further resolved by the North McLean County Water-District that the McLean County Fiscal Court shall have no financial responsibility in connection with said loan.

Adopted this 21<sup>st</sup> day of March, 2011.

Ayes – 4

Nays – 0

  
WINFRED W. WILLIAMS,  
Chairman

ATTEST:

---

CARROL B. TROUTMAN,  
Secretary-Treasurer



## **Estimated Cost of Operation of the System after Project Completion**

- a. North McLean County Water District Audit Report for Years Ended December 31, 2011 and 2010.
- b. Kentucky Infrastructure Authority Repayment Schedule (Preliminary)
- c. Debt Service Coverage

NORTH MCLEAN COUNTY WATER DISTRICT

AUDIT REPORT

FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010

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**HOOVER AND MORRIS, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 399

LIVERMORE, KENTUCKY 42352

(270) 278-5118

## TABLE OF CONTENTS

<b>Independent Auditors' Report</b>	1-2
<b>Basic Financial Statements</b>	
Statements of Net Assets	3
Statements of Revenues, Expenses, and Changes in Net Assets	4
Statements of Cash Flows	5
<b>Notes to Financial Statements</b>	6-12
<b>Other Report:</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13-14

# HOOVER AND MORRIS, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 389

LIVERMORE, KENTUCKY 42352

Phone (270) 278-5118 Fax (270) 278-2416

CHESTER HOOVER, CPA  
chestercpa@bellsouth.net

MELISSA HOOVER MORRIS, CPA  
melissamorriscpa@bellsouth.net

Board of Commissioners  
North McLean County Water District  
McLean County, Kentucky

## Independent Auditors' Report

We have audited the statements of net assets of North McLean County Water District as of December 31, 2011 and 2010, and the related statements of revenue and expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of North McLean County Water District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North McLean County Water District as of December 31, 2011 and 2010, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The district has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2012, on our consideration of North McLean County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Obover and Morris, PLLC

May 2, 2012

NORTH MCLEAN COUNTY WATER DISTRICT  
STATEMENTS OF NET ASSETS  
December 31, 2011 and 2010

ASSETS	2011	2010
<b>CURRENT ASSETS</b>		
Cash in bank	\$ 255,555	\$ 241,420
Customer deposit checking	37,257	36,638
Certificates of deposit	165,112	163,061
Accounts receivable	60,878	53,373
Due from other governments	355	407
Inventory	21,342	20,287
Interest receivable	209	660
Prepaid insurance	5,188	5,004
<b>TOTAL CURRENT ASSETS</b>	<b>545,896</b>	<b>520,850</b>
<b>NONCURRENT ASSETS</b>		
Restricted Assets:		
Sinking fund reserve	31,246	31,282
Replacement and extension fund	32,842	31,208
Capital Assets:		
Utility plant	3,088,408	3,064,801
Accumulated depreciation	(918,616)	(868,869)
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,233,880</b>	<b>2,258,422</b>
<b>TOTAL ASSETS</b>	<b>2,779,776</b>	<b>2,779,272</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	19,903	20,035
Taxes payable	5,677	5,166
Employee IRA withholding	55	390
Accrued interest on customer deposits	-	161
Customer deposits	3,000	2,500
Bonds payable	7,000	7,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>35,635</b>	<b>35,252</b>
<b>NONCURRENT LIABILITIES</b>		
7 5/8% Revenue Bond, Series 1985	168,000	175,000
Customer deposits	28,395	29,140
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>196,395</b>	<b>204,140</b>
<b>TOTAL LIABILITIES</b>	<b>232,030</b>	<b>239,392</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,994,792	2,013,932
Restricted for debt requirements	56,000	56,000
Unrestricted	496,954	469,948
<b>TOTAL NET ASSETS</b>	<b>\$ 2,547,746</b>	<b>\$ 2,539,880</b>

The notes to the financial statements are an integral part of these statements.

NORTH MCLEAN COUNTY WATER DISTRICT  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 December 31, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Water sales	\$ 596,806	\$ 592,923
Penalties and miscellaneous	18,969	21,565
TOTAL OPERATING REVENUES	<u>615,775</u>	<u>614,488</u>
OPERATING EXPENSES		
Salaries and wages	142,656	134,383
Depreciation	76,791	59,518
Purchased water	267,386	276,905
Purchased power	4,084	4,248
Materials and supplies	32,890	31,428
Contractual services	33,552	32,395
Rents	2,040	2,060
Transportation expenses	18,629	14,614
Insurance	9,407	9,480
Employee benefits	2,446	1,986
Miscellaneous	1,280	1,617
Interest on customer deposits	9	167
Advertising	89	400
Taxes	12,624	11,807
TOTAL OPERATING EXPENSES	<u>603,883</u>	<u>581,008</u>
OPERATING INCOME (LOSS)	<u>11,892</u>	<u>33,480</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	3,922	5,080
Interest expense	(13,878)	(14,335)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(9,956)</u>	<u>(9,255)</u>
CHANGE IN NET ASSETS BEFORE CONTRIBUTIONS	1,936	24,225
CAPITAL CONTRIBUTIONS	<u>5,930</u>	<u>451,635</u>
CHANGE IN NET ASSETS	7,866	475,860
NET ASSETS- BEGINNING	<u>2,539,880</u>	<u>2,064,020</u>
NET ASSETS- ENDING	<u>\$ 2,547,746</u>	<u>\$ 2,539,880</u>

The notes to the financial statements are an integral part of these statements.

STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Receipts from customers	\$ 603,405	\$ 602,357
Other receipts	4,672	7,141
Payments to suppliers	(385,792)	(377,520)
Payments to employees	(142,656)	(134,383)
Net cash provided (used) by operating activities	<u>79,629</u>	<u>97,595</u>
Cash Flows from Noncapital Financing Activities		
Net cash provided(used) by noncapital financing activities	<u>-</u>	<u>-</u>
Cash Flows from Capital & Related Financing Activities		
Purchase of capital assets	(50,651)	(43,333)
Principal paid on bonds	(7,000)	(6,000)
Interest paid	(13,878)	(14,335)
Capital contributions from customers	5,930	2,642
Net cash provided (used) by capital & related financing activities	<u>(65,599)</u>	<u>(61,026)</u>
Cash Flows from Investing Activities		
Decrease(increase) in certificates of deposit	(2,487)	(27,571)
Interest on investments	4,373	4,588
Net cash provided (used) by investing activities	<u>1,886</u>	<u>(22,983)</u>
Net increase (decrease) in cash & cash equivalents	15,916	13,586
Balances- Beginning of year	<u>310,605</u>	<u>297,019</u>
Balances- End of year	<u>\$ 326,521</u>	<u>\$ 310,605</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:		
Operating income (loss)	\$ 11,892	\$ 33,480
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	76,791	59,518
(Increase) decrease in:		
Accounts receivable	(7,453)	(4,262)
Inventories	(1,055)	1,975
Prepaid insurance	(184)	58
Increase (decrease) in:		
Accounts payable	(132)	3,794
Taxes payable	511	3,203
Employee IRA withholding	(335)	390
Accrued interest on customer deposits	(161)	(11)
Customer deposits	(245)	(550)
Net cash provided (used) by operating activities	<u>\$ 79,629</u>	<u>\$ 97,595</u>
Non-Cash Capital and Financing Activities		
Capital assets contributed by other governments	<u>\$ -</u>	<u>\$ 448,993</u>
Total Non-Cash Capital and Financing Activities	<u>\$ -</u>	<u>\$ 448,993</u>

The notes to the financial statements are an integral part of these statements.



NORTH MCLEAN COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2011 and 2010

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

North McLean County Water District is a Kentucky water district that was organized in 1971. McLean County Fiscal Court appoints the Board of Commissioners that manages the water district. Accounting policies of the water district conform to generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The district applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The district's only fund is a proprietary fund which applies Financial Accounting Standards Board (FASB) Statements and Interpretations and Pronouncements issued on or before November 30, 1989, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

REPORTING ENTITY

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic- but not the only- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibilities include, but are not limited to the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no component units required to be reported by the District.

PROPRIETARY FUND ACCOUNTING

The activities of the Water District are similar to those found in the private sector. Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

INVENTORY

Inventory is stated at cost determined on a "first-in, first-out basis." Inventory consists mainly of supplies to be used for future repair and maintenance.

UTILITY PLANT IN SERVICE

Utility plant in service is stated at cost. Depreciation has been provided using the straight line method. Pumping, distribution equipment, and meters are being depreciated over a 20 to 40 year life. The transmission lines are being depreciated over a 60 to 80 year life and tanks are being depreciated over a 40 to 60 year life. Vehicles are depreciated over a 5 year life and other equipment is depreciated over 5 to 10 years.

NORTH MCLEAN COUNTY WATER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 For the Years Ended December 31, 2011 and 2010

---

CONTRIBUTION IN AID OF CONSTRUCTION

With approval of the water district, customers have in some cases constructed their own water lines and donated them to the district for future maintenance, control, etc. Those assets have been recorded on the water district's books and are being depreciated under the same policy as other assets.

The water district has implemented GASB Statement No. 33, which requires capital contributions to be recognized as revenue effective for periods beginning after June 15, 2000.

CASH AND EQUIVALENTS

For purposes of the statements of cash flows, the district considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Below is a reconciliation of cash on the balance sheets to cash on the statements of cash flows.

	2011	2010
Cash in bank	\$ 255,555	\$ 241,420
Customer deposit checking	37,257	36,638
Sinking fund reserve	5,899	6,371
Replacement fund	27,810	26,176
	\$ 326,521	\$ 310,605

CASH AND INVESTMENTS

Cash includes amounts in bank accounts. The only investments include certificates of deposit. These investments are reported at cost, which reasonably estimates fair value.

KRS 66.480 authorizes the district to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

COMPENSATED ABSENCES

The District does not allow employees to accumulate unused personal or vacation days. Sick leave is earned at the rate of one day per month with a maximum accumulation of sixty days. Sick leave may only be used pursuant to a doctor's excuse and may not be converted to cash. It is impractical to estimate the amount of compensation for future sick leave and accordingly no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of compensated absences when paid to employees.

CAPITALIZED INTEREST

The District capitalizes net interest cost as part of the cost of constructing various utility projects when material. All interest was expensed since no construction projects were financed during the current year.

NORTH MCLEAN COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2011 and 2010

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ACCOUNTS RECEIVABLE

The District has not provided for an allowance for bad debts. It is management's opinion based on prior history that any uncollectible accounts would have no significant effect on the financial statements. Uncollectible accounts are written off annually directly to sales. Bad debt expense was \$1,735 for 2011 and \$2,435 for 2010.

2. DEPOSITS AND INVESTMENTS

A. Deposits

The District maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (C) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law.

*Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240 (4). As of December 31, 2011 all deposits including the certificates of deposit held as investments were covered by FDIC insurance or a properly executed collateral security agreement.

B. Investments

As of December 31, 2011, the District had the following investment:

<u>Investment</u>	<u>Maturity</u>		<u>Fair Value (Cost)</u>
Certificates of Deposit	Greater than 90 days	\$	195,491

*Interest Rate Risk*

The District does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates. In general, non-negotiable certificates of deposit are not subject to interest rate risk.

*Credit Risk*

KRS 66.489 limits the District's investments in the following: obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity. Uncollateralized certificates of deposit issued by a bank or savings and loan institutions rated in one of the three highest categories by a nationally recognized rating agency. Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency. Commercial paper rated in the highest category by a nationally recognized rating agency.

NORTH MCLEAN COUNTY WATER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 For the Years Ended December 31, 2011 and 2010

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Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities, securities issued by a state or local government, or any instrumentality or agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency. Shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments. Also, the District is limited to investing no more than 20% in any one of the preceding investments as allowed by KRS 66.480. The District had no investment policy that would further limit its investments choices. In general, non-negotiable certificates of deposit are not subject to investment credit risk.

3. RESTRICTED ASSETS

Under the terms of the revenue bond ordinances, certain funds were created to set aside money for future bond payments. The funds that were created and a brief description follows:

Replacement and Extension Fund- Monthly transfers will be made in the amount of \$125.00 until the sum of \$32,000.00 is accumulated. The transfers for 2011 and 2010 were timely made.

1985 Sinking Fund- Monthly transfers will be made to equal the next bond and interest payment until the sum of \$24,000.00 is accumulated. During 2011 and 2010, transfers were made to provide for the next bond and interest payment.

When restricted and unrestricted resources are available for use, it is the district's policy to use restricted resources first.

A summary of the changes in restricted assets is as follows:

	1985 Sinking Fund	Reserve Replacement Fund
FUND BALANCE, JANUARY 1, 2010	\$ 5,971	\$ 29,581
CASH RECEIPTS		
Transfers from operations	45,181	1,500
Interest income	465	127
CASH DISBURSEMENTS		
Bond and interest payments	20,335	-
FUND BALANCE, DECEMBER 31, 2010	31,282	31,208
CASH RECEIPTS		
Transfers from operations	20,348	1,500
Interest income	494	134
CASH DISBURSEMENTS		
Bond and interest payments	20,878	-
FUND BALANCE, DECEMBER 31, 2011	\$ 31,246	\$ 32,842

NORTH MCLEAN COUNTY WATER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 For the Years Ended December 31, 2011 and 2010

4. PROPERTY AND EQUIPMENT

A summary of the property and equipment as of December 31, 2011 and 2010, is as follows:

	Jan. 1 2010	Increases	Decreases	Dec. 31 2010
Capital assets not being depreciated:				
Land	\$ 17,186	\$ -	\$ -	\$ 17,186
Capital assets being depreciated:				
Buildings and improvements	163,837	2,819	-	166,656
Equipment	187,731	-	1,653	186,078
Water distribution system	2,151,402	489,507	-	2,640,909
Vehicles	53,972	-	-	53,972
Total capital assets being depreciated	<u>2,556,942</u>	<u>492,326</u>	<u>1,653</u>	<u>3,047,615</u>
Less accumulated depreciation for:				
Buildings and improvements	9,855	4,557	-	14,412
Equipment	80,654	6,743	1,653	85,744
Water distribution system	673,917	45,261	-	719,178
Vehicles	46,578	2,957	-	49,535
Total accumulated depreciation	<u>811,004</u>	<u>59,518</u>	<u>1,653</u>	<u>868,869</u>
Total capital assets being depreciated, net	<u>1,745,938</u>	<u>432,808</u>	<u>-</u>	<u>2,178,746</u>
Capital assets, net	<u>\$ 1,763,124</u>	<u>\$ 432,808</u>	<u>\$ -</u>	<u>\$ 2,195,932</u>

	Jan. 1 2011	Increases	Decreases	Dec. 31 2011
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 14,901	\$ -	\$ 14,901
Land	17,186	-	-	17,186
Total capital assets being depreciated	<u>17,186</u>	<u>14,901</u>	<u>-</u>	<u>32,087</u>
Capital assets being depreciated:				
Buildings and improvements	166,656	-	-	166,656
Equipment	186,078	-	-	186,078
Water distribution system	2,640,909	35,750	27,044	2,649,615
Vehicles	53,972	-	-	53,972
Total capital assets being depreciated	<u>3,047,615</u>	<u>35,750</u>	<u>27,044</u>	<u>3,056,321</u>
Less accumulated depreciation for:				
Buildings and improvements	14,412	4,569	-	18,981
Equipment	85,744	8,782	-	94,526
Water distribution system	719,178	60,483	27,044	752,617
Vehicles	49,535	2,957	-	52,492
Total accumulated depreciation	<u>868,869</u>	<u>76,791</u>	<u>27,044</u>	<u>918,616</u>
Total capital assets being depreciated, net	<u>2,178,746</u>	<u>(41,041)</u>	<u>-</u>	<u>2,137,705</u>
Capital assets, net	<u>\$ 2,195,932</u>	<u>\$ (26,140)</u>	<u>\$ -</u>	<u>\$ 2,169,792</u>

5. LONG-TERM DEBT

Revenue Bonds

The 1985 bondholders hold a statutory mortgage lien against the assets of the water district. There is also a pledge of net revenues of the water district for future bond and interest payments.

NORTH MCLEAN COUNTY WATER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 For the Years Ended December 31, 2011 and 2010

The annual requirements to amortize revenue bonds outstanding as of December 31, 2011, follows:

	Series 1985			Totals	
	Interest Jan. 1	Interest July 1	Principal Jan. 1	Interest	Principal
2012	\$ -	\$ 6,672	-	\$ 6,672	\$ -
2013	6,672	6,405	7,000	13,077	7,000
2014	6,405	6,100	8,000	12,505	8,000
2015	6,100	5,757	9,000	11,857	9,000
2016	5,757	5,376	10,000	11,133	10,000
2017-2021	22,303	19,825	65,000	42,128	65,000
2022-2025	7,511	4,613	76,000	12,124	76,000
	<u>\$ 54,748</u>	<u>\$ 54,748</u>	<u>\$ 175,000</u>	<u>\$ 109,496</u>	<u>\$ 175,000</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2011:

	Amount of Original Obligation	Range of Final Maturity Dates	Range of Interest Rates	Balance Jan 1, 2011	Retired	Issued	Balance Dec 31, 2011	Amount Due
								within One Year
1985 Revenue bonds	\$ 245,000	2011-2025	7 5/8%	\$ 182,000	\$ (7,000)	\$ -	\$ 175,000	\$ 7,000
Customer Deposits				31,640	(3,395)	3,150	31,395	3,000
<b>TOTAL LONG TERM LIABILITIES</b>				<u>\$ 213,640</u>	<u>\$ (10,395)</u>	<u>\$ 3,150</u>	<u>\$ 206,395</u>	<u>\$ 10,000</u>

NORTH MCLEAN COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2011 and 2010

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6. INCOME TAXES

The water district is a local government unit which is exempt from income taxes.

7. PURCHASE COMMITMENTS

The water district is committed to purchasing a minimum of 3,000,000 gallons of water each month from the City of Calhoun until approximately August 1, 2016. The District's water purchases from the City of Calhoun exceeded this minimum amount each month

8. RESTRICTED NET ASSETS

The District's net assets equivalent to the restricted assets of the revenue bonds has been restricted for revenue bond retirement.

9. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District has obtained insurance coverage through a commercial insurance company.

## OTHER REPORTS



# HOOVER AND MORRIS, PLLC

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners  
North McLean County Water District  
Livermore, KY 42352

We have audited the Statement of Net Assets of North McLean County Water District as of and for the year ended December 31, 2011, and the statements of revenues, expenses and changes in net assets, and cash flows, and have issued our report thereon dated May 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether North McLean County Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered North McLean County Water District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North McLean County Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North McLean County Water District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

- With an office staff of only two employees, the bookkeeping, payroll, cash collections, accounts receivable, and disbursements of funds can not be completely segregated.
- The auditee lacks the expertise in financial reporting to draft its own financial statements and related note disclosures.

The District offered the following responses:

- The District does not feel it is economically feasible to hire additional staff.
- District personnel will carefully review the draft financial statements for errors.

A material weakness is a significant deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we consider the combination of the significant deficiencies described above to be a material weakness.

We noted certain matters that we reported to management of North McLean County Water District in a separate letter dated May 2, 2012.

North McLean County Water District's response to the findings identified in our audit is described above. We did not audit North McLean County Water District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Above and Morris, PLLC*

May 2, 2012

KENTUCKY INFRASTRUCTURE AUTHORITY  
 REPAYMENT SCHEDULE  
 LOAN # B11-08  
 MCLEAN COUNTY FISCAL COURT OR NORTH MCLEAN COUNTY  
 PRELIMINARY

2.00% Rate  
 \$1,522.78 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
06/01/12	\$1,022.78	\$500.00	2.00%	\$1,522.78	\$50.00	\$0.00	\$1,572.78	\$48,977.22	\$0.00	\$0.00
12/01/12	\$1,033.01	\$489.77	2.00%	\$1,522.78	\$48.98	\$0.00	\$1,571.76	\$47,944.21	\$625.00	\$625.00
06/01/13	\$1,043.34	\$479.44	2.00%	\$1,522.78	\$47.94	\$0.00	\$1,570.72	\$46,900.87	\$0.00	\$625.00
12/01/13	\$1,053.77	\$469.01	2.00%	\$1,522.78	\$46.90	\$0.00	\$1,569.68	\$45,847.10	\$625.00	\$1,250.00
06/01/14	\$1,064.31	\$458.47	2.00%	\$1,522.78	\$45.85	\$0.00	\$1,568.63	\$44,782.79	\$0.00	\$1,875.00
12/01/14	\$1,074.95	\$447.83	2.00%	\$1,522.78	\$44.78	\$0.00	\$1,567.56	\$43,707.84	\$625.00	\$1,875.00
06/01/15	\$1,085.70	\$437.08	2.00%	\$1,522.78	\$43.71	\$0.00	\$1,566.49	\$42,622.14	\$0.00	\$2,500.00
12/01/15	\$1,096.56	\$426.22	2.00%	\$1,522.78	\$42.62	\$0.00	\$1,565.40	\$41,525.58	\$625.00	\$2,500.00
06/01/16	\$1,107.52	\$415.28	2.00%	\$1,522.78	\$41.53	\$0.00	\$1,564.31	\$40,418.06	\$0.00	\$3,125.00
12/01/16	\$1,118.60	\$404.18	2.00%	\$1,522.78	\$40.42	\$0.00	\$1,563.20	\$39,293.46	\$625.00	\$3,125.00
06/01/17	\$1,129.79	\$392.99	2.00%	\$1,522.78	\$39.30	\$0.00	\$1,562.08	\$38,169.67	\$0.00	\$3,750.00
12/01/17	\$1,141.08	\$381.70	2.00%	\$1,522.78	\$38.17	\$0.00	\$1,560.95	\$37,028.59	\$625.00	\$3,750.00
06/01/18	\$1,152.49	\$370.29	2.00%	\$1,522.78	\$37.03	\$0.00	\$1,559.81	\$35,876.10	\$0.00	\$4,375.00
12/01/18	\$1,164.02	\$358.76	2.00%	\$1,522.78	\$35.88	\$0.00	\$1,558.66	\$34,712.08	\$625.00	\$4,375.00
06/01/19	\$1,175.66	\$347.12	2.00%	\$1,522.78	\$34.71	\$0.00	\$1,557.49	\$33,536.42	\$0.00	\$5,000.00
12/01/19	\$1,187.42	\$335.36	2.00%	\$1,522.78	\$33.54	\$0.00	\$1,556.32	\$32,349.00	\$625.00	\$5,000.00
06/01/20	\$1,199.29	\$323.49	2.00%	\$1,522.78	\$32.35	\$0.00	\$1,555.13	\$31,149.71	\$0.00	\$5,625.00
12/01/20	\$1,211.28	\$311.50	2.00%	\$1,522.78	\$31.15	\$0.00	\$1,553.93	\$29,988.43	\$625.00	\$5,625.00
06/01/21	\$1,223.40	\$299.38	2.00%	\$1,522.78	\$29.94	\$0.00	\$1,552.72	\$28,715.03	\$0.00	\$6,250.00
12/01/21	\$1,235.63	\$287.15	2.00%	\$1,522.78	\$28.72	\$0.00	\$1,551.49	\$27,479.41	\$625.00	\$6,250.00
06/01/22	\$1,247.99	\$274.79	2.00%	\$1,522.78	\$27.48	\$0.00	\$1,550.26	\$26,231.42	\$0.00	\$6,875.00
12/01/22	\$1,260.47	\$262.31	2.00%	\$1,522.78	\$26.23	\$0.00	\$1,549.01	\$24,970.95	\$625.00	\$6,875.00
06/01/23	\$1,273.07	\$249.71	2.00%	\$1,522.78	\$24.97	\$0.00	\$1,547.75	\$23,697.88	\$0.00	\$7,500.00
12/01/23	\$1,285.80	\$236.98	2.00%	\$1,522.78	\$23.70	\$0.00	\$1,546.48	\$22,412.08	\$625.00	\$7,500.00
06/01/24	\$1,298.66	\$224.12	2.00%	\$1,522.78	\$22.41	\$0.00	\$1,545.19	\$21,113.42	\$0.00	\$8,125.00
12/01/24	\$1,311.65	\$211.13	2.00%	\$1,522.78	\$21.11	\$0.00	\$1,543.89	\$19,801.78	\$625.00	\$8,125.00
06/01/25	\$1,324.76	\$198.02	2.00%	\$1,522.78	\$19.80	\$0.00	\$1,542.58	\$18,477.02	\$0.00	\$8,750.00
12/01/25	\$1,338.01	\$184.77	2.00%	\$1,522.78	\$18.48	\$0.00	\$1,541.26	\$17,139.01	\$625.00	\$8,750.00
06/01/26	\$1,351.39	\$171.39	2.00%	\$1,522.78	\$17.14	\$0.00	\$1,539.92	\$15,787.62	\$0.00	\$9,375.00
12/01/26	\$1,364.90	\$157.88	2.00%	\$1,522.78	\$15.79	\$0.00	\$1,538.57	\$14,422.71	\$625.00	\$9,375.00
06/01/27	\$1,378.55	\$144.23	2.00%	\$1,522.78	\$14.42	\$0.00	\$1,537.20	\$13,044.16	\$0.00	\$10,000.00
12/01/27	\$1,392.34	\$130.44	2.00%	\$1,522.78	\$13.04	\$0.00	\$1,535.82	\$11,651.82	\$625.00	\$10,000.00
06/01/28	\$1,406.26	\$116.52	2.00%	\$1,522.78	\$11.65	\$0.00	\$1,534.43	\$10,245.56	\$0.00	\$10,625.00
12/01/28	\$1,420.32	\$102.46	2.00%	\$1,522.78	\$10.25	\$0.00	\$1,533.03	\$8,825.24	\$625.00	\$10,625.00
06/01/29	\$1,434.53	\$88.25	2.00%	\$1,522.78	\$8.83	\$0.00	\$1,531.61	\$7,390.71	\$0.00	\$11,250.00
12/01/29	\$1,448.87	\$73.91	2.00%	\$1,522.78	\$7.39	\$0.00	\$1,530.17	\$5,941.83	\$625.00	\$11,250.00
06/01/30	\$1,463.36	\$59.42	2.00%	\$1,522.78	\$5.94	\$0.00	\$1,528.72	\$4,478.47	\$0.00	\$11,875.00
12/01/30	\$1,478.00	\$44.78	2.00%	\$1,522.78	\$4.48	\$0.00	\$1,527.26	\$3,000.48	\$625.00	\$11,875.00
06/01/31	\$1,492.78	\$30.00	2.00%	\$1,522.78	\$3.00	\$0.00	\$1,525.78	\$1,507.70	\$0.00	\$12,500.00
12/01/31	\$1,507.70	\$15.08	2.00%	\$1,522.78	\$1.51	\$0.00	\$1,524.29	\$0.00	\$625.00	\$12,500.00
<b>Totals</b>	<b>\$50,000.00</b>	<b>\$10,911.20</b>		<b>\$60,911.20</b>	<b>\$1,091.12</b>	<b>\$0.00</b>	<b>\$62,002.32</b>		<b>\$6,250.00</b>	

Created by KIA on 7/13/2012

**North McLean County Water District  
Debt Service Coverage  
Based on Fiscal Year Ended December 31, 2011**

Information obtained from North McLean County Water District, Audit Report for the Years Ended December 31, 2011 and 2010, Page 4

	2011-Proforma	2011
Total Operating Revenue	\$ 615,775	\$ 615,775
Total Operating Expense	\$ 603,883	\$ 603,883
Operating Income (Loss)	\$ 11,892	\$11,892
Add / Add Back		
Depreciation	\$ 76,791	\$ 76,791
Interest Income	\$ 3,922	\$ 3,922
	\$ 80,713	\$ 80,713
Available for Debt Service	\$ 92,605	\$92,605
Interest Expense	\$ 13,878	\$13,878
KIA Loan	\$ 1,573	-
Total Obligations	\$ 15,451	\$ 13,878
Debt Service Coverage	5.22	6.32







