



**United States Department of Agriculture
Rural Development
Kentucky State Office**

RECEIVED
FEB 8 - 2013
PUBLIC SERVICE
COMMISSION

February 6, 2013

Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd
P O Box 615
Frankfort, KY 40602-0615

Attn: Jonathan Beyer

RE: FOIA A5-13-05

Enclosed are copies of documents from the Southern Water and Sewer District file. At total of 32 pages were found to be responsive to your request.

If you have further questions contact this office at 859/224-7324.

Sincerely,

A handwritten signature in black ink that reads "Michele Witt". The signature is fluid and cursive, with a long horizontal stroke at the end.

MICHELE WITT
Freedom of Information Coordinator

Enclosures

cc: Vernon Brown, Community Programs Director
USDA Rural Development



United States
Department of
Agriculture

Rural
Development

1 Corporate Drive, Suite 200
Lexington, KY 40503-5477
(859) 224-7336 TTY(859) 224-7422

3/22

May 31, 2001

Mr. Hubert Halbert, Chairman
Southern Water and Sewer District
P.O. Box 610
McDowell, Kentucky 41647

Dear Mr. Halbert:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. The loan and/or grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area office staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application. It should also be understood that Rural Development is under no obligation to provide additional funds to meet an overrun in construction costs.

This letter is not to be considered as loan and/or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$2,515,000, a RUS grant not to exceed \$450,000, an Appalachian Regional Commission (ARC) grant of \$433,900, a Kentucky State Surplus Grant of \$300,000, and a Floyd County Fiscal Court contribution in the amount of \$2,474,000.

If Rural Development makes the loan, you may make a written request that the interest rate be the lower of the rate in effect at the time of loan approval or the time of loan closing. If you do not request the lower of the two interest rates, the interest rate charged will be the rate in effect at the time of loan approval. The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you. If you want the lower of the two rates, your written request should be submitted to Rural Development as soon as practical. In order to avoid possible delays in loan closing, such a request should ordinarily be submitted at least 30 days before loan closing.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire that further consideration be given to your application.

The "Letter of Intent to Meet Conditions" must be executed within three weeks from the date of this letter or it becomes invalid unless a time extension is granted by Rural Development.

If the conditions set forth in this letter are not met within 240 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application.

In signing Form RD 1942-46, "Letter of Intent to Meet Conditions," you are agreeing to complete the following as expeditiously as possible:

1. Number of Users and Their Contribution:

There shall be 5,724 water users, of which 5,148 are existing users and 576 are new users. The Rural Development Manager will review and authenticate the number of users prior to advertising for construction bids. No contribution is required from the Water District.

1a. Grant Agreement:

Attached is a copy of RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

1b. Drug-Free Work Place:

Prior to grant approval, the Water District will be required to execute Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative I - For Grantees Other Than Individuals."

2. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed 40 years from the date of the bond. Principal payment will not be deferred for a period in excess of two (2) years from the date of the bond. Payments will be in accordance with applicable KRS, which requires interest to be paid semi-annually (January 1st and July 1st) and principal will be due on or before the first of January. Rural Development may require the Water District to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the bond is held or insured by RUS. Monthly payments will be approximate amortized installments.

Rural Development encourages the use of the Preauthorized Debit (PAD) payment process, which authorizes the electronic withdrawal of funds from your bank account on the exact installment payment due date (contact the Rural Development Manager for further information).

3. Funded Depreciation Reserve Account:

The Water District will be required to deposit \$1,165.00 per month into a "Funded Depreciation Reserve Account" until the account reaches \$139,800. The deposits are to be resumed any time the account falls below the \$139,800.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the Water District's prior bond resolutions.

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational.

4. Security Requirements:

A pledge of gross water revenue will be provided in the Bond Resolution.

5. Land Rights and Real Property:

The Water District will be required to furnish satisfactory title, easements, etc., necessary to install, maintain and operate the facility to serve the intended users. The pipelines will be on private rights-of-way where feasible. Easements and options are to be secured prior to advertising for construction bids.

6. Organization:

The Water District will be legally organized under applicable KRS which will permit them to perform this service, borrow and repay money.

7. Business Operations:

The Water District will be required to operate the system under a well-established set of resolutions, rules and regulations. A budget must be established annually and adopted by the Water District after review by Rural Development. At no later than loan pre-closing, the Water District will be required to furnish a prior approved management plan to include, as a minimum, provisions for management, maintenance, meter reading, miscellaneous services, billing, collecting, bookkeeping, making and delivering required reports and audits.

8. Accounts, Records and Audits:

The Water District will be required to maintain adequate records and accounts and submit statistical and financial reports, quarterly and annually, in accordance with subsection 1780.47 of RUS Instruction 1780 and RUS Staff Instruction 1780-4, a copy of which is enclosed. The enclosed audit booklet will be used as a guide for preparation of audits. The Water District will be required to establish and maintain separate accounts for each system. Annual audits, budgets, and reports will be submitted to Rural Development showing separate accounts. The Water District shall be required to submit a copy of its audit agreement for review and approval prior to pre-closing the loan. The Water District shall obtain the assistance of its accountant to establish the Water District's accounting system. Rural Development approval of the accounting system is required.

9. Accomplish Audits for Years in Which Federal Financial Assistance is Received:

The Water District will accomplish audits in accordance with OMB Circular A-133, during the years in which federal funds are received. The Water District will provide copies of the audits to the Area Office and the appropriate Federal cognizant agency as designated by OMB Circular A-133.

10. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the Water District. The Water District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The Water District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The Water District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$140,000.
- D. Real Property Insurance - The Water District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures. The amounts of coverage should be based on recommendations obtained by the Water District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The Water District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

11. Planning and Performing Development:

- A. The engineer should not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost shown in paragraph "21" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 210 days from this date, and prepare bid documents. The Rural Development Manager is prepared to furnish the necessary guide for him to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.
- B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:
 - 1. Final plans, specifications and bid documents.
 - 2. Applicant's letter on efforts to encourage small business and minority-owned business participation.
 - 3. Legal Service Agreements.
 - 4. Engineering Agreements.

Revision in these documents will be subject to Rural Development concurrence. Any agreements, contracts, etc. not reviewed and approved by Rural Development will not be eligible for payment from project funds or revenues from facilities financed by this Agency.

Prior to receipt of an authorization to advertise for construction bids, the Water District will obtain advance clearance from Bond Counsel regarding compliance with KRS 424 pertaining to publishing of the advertisement for construction bids in local newspapers and the period of time the notice is required to be published.

12. Compliance with Section 504 of the Rehabilitation Act of 1973:

The Water District will be required to comply with Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), in order to make sure no handicapped individual, solely by reason of their handicap, is excluded from participation in the use of the water system, be denied the benefits of the water system, or be subjected to discrimination.

13. Closing Instructions:

The Office of General Counsel, our Regional Attorney, will be required to write closing instructions in connection with this loan. Conditions listed therein must be met by the Water District.

14. Compliance with Special Laws and Regulations:

The Water District will be required to conform with any and all state and local laws and regulations affecting this type project.

15. Treatment Plant/System Operator:

The Water District is reminded that the treatment plant and/or system operator must have an Operator's Certificate issued by the State.

16. Prior to Pre-Closing the Loan, the Water District will be Required to Adopt:

- A. Form RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."
- B. Form RD 400-1, "Equal Opportunity Agreement."
- C. Form RD 400-4, "Assurance Agreement."
- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."

The Water District must offer the opportunity for all residents in the service area to become users of the facilities regardless of race, creed, color, religion, sex, national origin, marital status, physical or mental handicap or level of income.

17. Refinancing and Graduation Requirements:

The Water District is reminded that if at any time it shall appear to the Government that the Water District is able to refinance the amount of the RUS indebtedness then outstanding, in whole or in part, by obtaining a loan from commercial sources at reasonable rates and terms, upon the request of the Government, the Water District will apply for and accept such loan in sufficient amount to repay the Government.

18. Commercial Interim Financing:

The Water District will be required to use commercial interim financing for the project during construction for the RUS loan portion of the financing, if available at reasonable rates and terms.

Before the loan is closed, the Water District will be required to provide Rural Development with statements from the contractor, engineer and attorneys that they have been paid to date in accordance with their contract or other agreements and, in the case of the contractor, that he has paid his suppliers and sub-contractors.

19. Disbursement of Project Funds:

A construction account for the purpose of disbursement of project funds (RUS) will be established by the Water District prior to start of construction. The position of officials entrusted with the receipt and disbursement of RUS project funds will be covered by a "Fidelity Bond," with USDA-Rural Development as Co-Obligee, in the amount of construction funds on hand at any one time during the construction phase.

During construction, the Water District shall disburse project funds in a manner consistent with subsection 1780.76 (e) of RUS Instruction 1780. Form RD 1924-18, "Partial Payment Estimate," or similar form approved by Rural Development, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to Rural Development for review and acceptance. Prior to disbursement of funds by the Water District, the Board of Directors shall review and approve each payment estimate. All bills and vouchers must be approved by Rural Development prior to payment by the Water District.

Form RD 440-11, "Estimate of Funds Needed for 30-Day Period Commencing _____," will be prepared by the Water District and submitted to Rural Development in order that a periodic advance of federal cash may be requested.

Monthly audits of the Water District's construction account records shall be made by Rural Development.

20. Disbursement of Grant Funds:

The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of obligations due and payable by the Water District. Interest earned on grant funds in excess of \$100 (as applicable) per year will be submitted to RUS at least quarterly, as required in 7CFR part 3016 (as applicable).

21. Cost of Facility:

Breakdown of Costs:

Development	\$ 2,942,500
Land and Rights	25,000
Legal and Administrative	32,200
Engineering	391,000
Interest	92,500
Contingencies	303,700
Refinancing	<u>2,386,000</u>
TOTAL	\$ 6,172,900

Financing:

RUS Loan	\$ 2,515,000 ✓
RUS Grant	450,000 ✓
ARC Grant	433,900 ✓
State of Kentucky Surplus Grant	300,000
Floyd County Fiscal Court	<u>2,474,000</u>
TOTAL	\$ 6,172,900

22. Debt Collection Improvement Act (DCIA) of 1996:

The Debt Collection Improvement Act (DCIA) of 1996 requires that all federal payments after January 1, 1999, must be made by Electronic Funds Transfer/Automated Clearing House (EFT/ACH). Borrowers receiving payments by EFT will have funds directly deposited to a specified account at a financial institution with funds being available to the recipient on the date of payment. The borrower should complete Form SF-3881, "Electronic Funds Transfer Payment Enrollment Form," for each account where funds will be electronically received. The completed form(s) must be received by Rural Development at least thirty (30) days prior to the first advance of funds.

23. Use of Remaining Project Funds:

After providing for all authorized costs, any remaining project funds will be considered to be RUS/ARC/State Surplus/Floyd County Fiscal Court grant funds and refunded in proportion to participation in the project. If the amount of unused grant funds exceeds the grants, that part would be RUS loan funds.

24. Rates and Charges:

Rates and charges for facilities and services rendered by the Water District must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

First	2,000	gallons @ \$	14.80 - Minimum Bill.
All Over	2,000	gallons @ \$	4.30 - per 1,000 gallons.

25. Water Purchase Contract:

The Water District will submit a Water Purchase Contract for approval by Rural Development before advertising for construction bids. If the contract is not on Form RD 442-30, "Water Purchase Contract," the contract will require approval by our Regional Attorney. The contract must meet the requirements of subsection 1780.62 of RUS Instruction 1780.

26. Commitment of Floyd County Fiscal Court, State Surplus and ARC Grants:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the Floyd County Fiscal Court contribution of \$2,474,000, for the State Surplus Grant in the amount of \$300,000, and for the ARC Grant in the amount of \$433,900.

27. Floodplain Construction:

The Water District will be required to pass and adopt a Resolution or amend its By-Laws whereby the Water District will deny any water service to any future customer wishing to build on or develop property located within a designated floodplain. If a customer or developer requests service for construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the Water District and Rural Development officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP) and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

28. Water Withdrawal Permit:

The Water District will be required to obtain satisfactory evidence that a revised water withdrawal permit has been secured from the Division of Water. The permit must be obtained prior to the commencement of construction on the water project.

29. Management Agreement:

The Agreement for Management Services between the Water District and the Management Company must comply with RUS Bulletin 1780-8. The Water District's Board of Directors is ultimately responsible for operating, maintaining and managing the facility even though the facility is managed by a third party under contract or management agreement. Our office of General Counsel (OGC) will need to review the contract for legal sufficiency prior to authorization to advertise for construction bids.

30. Mitigation Measures:

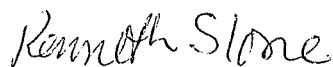
- A. The Water District shall be required to comply with the requirements of the Kentucky State Clearinghouse as detailed by letter to Ms. Holly Nicholas of PDR Engineers, Inc., dated January 10, 2001, and signed by Mr. Ronald W. Cook.
- B. The Water District shall be required to comply with the requirements, if any, of the U.S. Fish and Wildlife Service as requested by letter dated October 23, 2000, and signed by Lee A. Barclay, Ph.D., Field Supervisor.
- C. The Water District will comply with all applicable executive orders and regulations that are applicable to the preservation of prime farmlands and wetlands.

31. Final Approval Conditions:

Final approval of this loan will depend on your willingness, with the assistance of all your co-workers, to meet the conditions of this letter in an orderly and systematic manner. Then too, final approval will depend on funds being available.

If you desire to proceed with your application, the Rural Development Manager will allot a reasonable portion of time to provide guidance in application processing.

Sincerely,



KENNETH SLONE
State Director
Rural Development

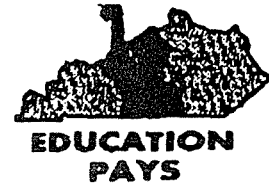
Enclosures

cc: Rural Development Manager - Morehead, Kentucky
Community Development Manager - Prestonsburg, Kentucky
Big Sandy ADD - Prestonsburg, Kentucky
Stacy Marshall - Prestonsburg, Kentucky
Rubin and Hays - Louisville, Kentucky
PDR Engineers, Inc. - Lexington, Kentucky
PSC - ATTN: Bob Amato - Frankfort, Kentucky

3/19



PAUL HUNT THOMPSON
JUDGE/EXECUTIVE of FLOYD COUNTY
COMMONWEALTH of KENTUCKY



Telephone (606) 886-9193
Fax (606) 886-1083

Floyd County Fiscal Court
149 South Central Avenue - Suite 9
Prestonsburg, Kentucky 41653

February 7, 2002

Mr. Robert A. Meyer
Project Manager
U.S. FILTER OPERATING SERVICES, INC.
P.O. Box 610
McDowell, Kentucky 41647

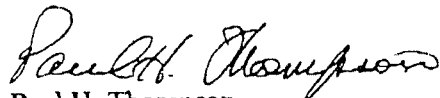
Re: Funding for Water Line Construction Projects

Dear Bob:

This correspondence will confirm that the Floyd County Fiscal Court currently has the sum of Two Million Dollars (\$2,000,000.00) available for use in the Southern Water & Sewer District of Floyd County, Kentucky. These funds are earmarked for construction projects in the District and were generated through a bond issue approved by the Department for Local Government.

Should you need any additional information regarding this matter, please do not hesitate to contact me.

Sincerely,


Paul H. Thompson,
Floyd County Judge/Executive



September 22, 2004

Paul Hunt Thompson
Floyd County Judge-Executive
Floyd County Courthouse
149 South Central Avenue
Prestonsburg, KY 41653

RE: Floyd County Bond Issue

Judge Thompson:

This letter is to advise you of Southern Water & Sewer District's intent with regard to assisting Floyd County Fiscal Court in repaying the debt it incurred several years ago for the purpose of expanding public water service in southern Floyd County. At a regular meeting held on August 23, 2004, Southern Water & Sewer District commissioners reviewed and approved a budget for the next fiscal year. Included with the District's budget projection is a line item in the amount of \$100,000.00 per year for payment to Floyd County Fiscal Court for this debt.

This budget and associated documentation will have to be approved by several state agencies. Regardless of state approval timing constraints, the District will be able to implement the budget and generate sufficient cash flow to make payments to the Fiscal Court for its share of the bond payments no later than September 2005.

I have enclosed a copy of the annual budget for your use. Please call me if you need any further information or clarification.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Meyer", written over a horizontal line.

Robert L. Meyer, Project Manager

Enclosures

Cc: Hubert Halbert, Chairman, Southern Water & Sewer District

1 AL OFFICIAL STATEMENT

DATED SEPTEMBER 24, 2004

**NEW ISSUE
BANK ELIGIBLE**

NO RATING REQUESTED

In the opinion of Bond Counsel, based upon present laws, regulations, rulings and decisions in effect on the date of delivery of the Notes, and assuming continuing compliance with certain covenants made by the Corporation and the County, interest on the Notes is excludable from gross income for federal income tax purposes upon the conditions and subject to the limitations set forth herein under "Tax Treatment." Interest on the Notes held by corporations is includable in the computation of such corporation's adjusted current earnings and modified alternative minimum taxable income. Receipt of interest on the Notes may result in other federal income tax consequences to certain holders of the Notes. The Notes and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Tax Treatment" herein).

**\$2,455,000
FLOYD COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BOND ANTICIPATION RENEWAL NOTES
SERIES 2004B**

Dated: With Delivery

Due: June 30 as shown below

Interest on the Notes is payable on June 30, 2005. The Notes will mature as to principal on June 30, 2005 as shown below. The Notes are being issued as book-entry only and will be available for purchase in principal amounts of \$25,000 and multiples of \$5,000 thereof.

<u>Maturing June 30</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price to Yield</u>	<u>CUSIP</u>
2005	\$2,455,000	2.25%	2.25%	34365T DJ 0

Principal and interest on the Notes are payable at the principal office of Citizens National Bank, Paintsville, Kentucky, as Paying Agent and Registrar. The Notes are subject to redemption prior to maturity above as described herein.

The Notes are being issued by the Floyd County, Kentucky Public Properties Corporation (the "Corporation") to: i) refund the Series 2003 Notes, the proceeds of this were used to construct and install waterlines in the southern portions of Floyd County, and, ii) pay the costs of issuance on the Notes.

The Notes are being issued in anticipation of the issuance of, and are secured by and payable from the proceeds of the Corporation's First Mortgage Revenue Bonds, Series 2005 (the "Series 2005 Bonds" or the "Bonds"). The Corporation has covenanted to issue and deliver the Bonds or renewal notes (the "Renewal Notes") in such a manner as to pay and retire the Notes when due. The Notes are further secured by a first mortgage on the Project (as hereinafter described) [see "The Mortgage Deed of Trust herein] and an annually renewable Lease Agreement between the Corporation and the County [see "The Lease" herein].

The Notes are special and limited obligations of the Corporation, a nonprofit, non-stock public corporation and agency of the County of Floyd, Kentucky (the "County"), issued at the request of the County, and do not constitute a debt, liability or general obligation of the Corporation or the County within the meaning of the Constitution and laws of the Commonwealth of Kentucky, or a pledge of the faith and credit or the taxing power of the County.

The Notes are offered when, as, and if issued subject of the approving legal opinion of Cox Bowling & Johnson PLLC, Lexington, Kentucky, Note Counsel.

The Corporation deems this Official Statement to be near final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1).



**COUNTY OF FLOYD, KENTUCKY
PUBLIC PROPERTIES CORPORATION**

Paul H. Thompson, Director
Gerald DeRossen, Director
James "Alan" Williams, Director
Larry Foster Stumbo, Director
Jackie Edford Owens, Director

COUNTY OF FLOYD, KENTUCKY

Paul H. Thompson, County Judge/Executive
Gerald DeRossen, Magistrate
James "Alan" Williams, Magistrate
Larry Foster Stumbo, Magistrate
Jackie Edford Owens, Magistrate

Keith Bartley, Esquire
County Attorney

Chris Waugh
County Clerk

BOND COUNSEL

Cox Bowling & Johnson PLLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

Citizens National Bank
Paintsville, Kentucky

FINANCIAL ADVISOR

Ross, Sinclair & Associates, Inc.
Frankfort, Kentucky
Louisville, Kentucky
Cincinnati, Ohio

81

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Notes of the Floyd County, Kentucky Public Properties Corporation identified on the cover page hereof. No person has been authorized by the Corporation to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Notes by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation since the date hereof.

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Corporation and the County, will pass upon the accuracy or adequacy of this Official Statement or approve the Notes for sale.

This Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

TABLE OF CONTENTS

	Page
Introduction	1
The County	1
The Corporation	2
The Notes	3
General	3
Registration, Payment and Transfer	3
Book-Entry Only System	4
DTC Letter of Representations	6
Revision of Book-Entry System; Replacement Notes	6
Optional Redemption	7
Defeasance	7
Estimated Sources and Uses of Funds	7
Estimated Net Debt Service Schedule	8
Security and Sources of Payment	8
Security	8
Sources of Payment	8
The Project	9
Additional Bonds	9
State Supervision	9
Budget Process	9
Bond Issue Approval	10
The Mortgage	10
Funds and Accounts	10
Investment of Funds	11
Additional Covenants	11
Release of Land	13
Amendments	13
Events and Remedies of Default	14
Continuing Disclosure	15
Litigation	16
Tax Treatment	16
Financial Advisor	17
Bond Rating	17
Concluding Statement	17
Demographic and Economic Data	APPENDIX A
Financial Data	APPENDIX B
Continuing Disclosure Agreement	APPENDIX C
Form of Bond Counsel Opinion	APPENDIX D

OFFICIAL STATEMENT
Relating to the Issuance of

\$2,455,000

**FLOYD COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BOND ANTICIPATION RENEWAL NOTES
SERIES 2004B**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Floyd County, Kentucky Public Properties Corporation, First Mortgage Revenue Bond Anticipation Renewal Notes, Series 2004B (the "Series 2004B Notes" or the "Notes").

The County of Floyd plans to adopt a Resolution on September 17, 2004, which authorizes and directs the Floyd County, Kentucky Public Properties Corporation (the "Corporation") to issue Notes to (i) refund the Series 2003 Notes the proceeds of which were used to construct and install water lines in Floyd County (the "Project"); and, ii) pay the costs of issuance of the Notes. The Corporation was created by the County to act as the agency and instrumentality of the County in acquiring, developing and financing the Project and related public projects.

The Notes are to be issued pursuant to the terms of a certain Mortgage Deed of Trust dated September 1, 2004 (the "Mortgage") by and between the Corporation and Citizens National Bank, Paintsville, Kentucky, as Trustee (the "Trustee, Paying Agent and Registrar") and are secured by a foreclosable first mortgage lien on the Project and by the assignment by the Corporation of all its right, title and interest to the Project.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered more or less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents. Prior to issuance and delivery of the Notes, copies of the Mortgage and Deed of Trust may be obtained at the office of Cox Bowling & Johnson PLLC, Lexington, Kentucky, Note Counsel.

THE COUNTY

The County of Floyd, Kentucky (the "County"), is a public body corporate and politic duly created and existing as a County and political subdivision of the Commonwealth of Kentucky (the "Commonwealth").

The County is governed by a Fiscal Court consisting of an elected County Judge/Executive and four (4) elected Magistrates. These five (5) members comprise the Fiscal Court and are elected to four (4) year terms. There is no limitation for succession by any member of the Fiscal Court.

Demographic and economic data regarding the County is included in Appendix A.

THE CORPORATION

The Floyd County, Kentucky Public Properties Corporation is a nonprofit, no-stock public and governmental corporation organized and existing under the law of the Commonwealth, including particularly Section 58.180 and Sections 273.161 to 273.390, inclusive, of the Kentucky Revised Statutes ("KRS").

The Corporation's principal purpose is to act as an agency and instrumentality of the County in the planning, promotion, development, financing and acquisition by the Corporation for and on behalf of the County of public improvements and public projects for the County which may properly be undertaken by the County pursuant to the general statutory laws of the Commonwealth, including Chapter 58 of the KRS.

Any notes or other indebtedness issued or contracted by the Corporation for or on behalf of the County shall, prior to the issuance thereof or incurrence thereon, be specifically approved by the County, acting by and through its Fiscal Court as its duly authorized and empowered governing body.

The members of the Board of Directors of the Corporation are members of the Fiscal Court. Each member is appointed to staggered terms from two to five years.

THE NOTES

General

The Notes will be dated with delivery, and will accrue interest from that date as described herein. Interest on the Notes is payable on June 30, 2005. The Notes will mature on June 30, 2005 in the principal amount as set forth on the cover page of this Official Statement.

Registration, Payment and Transfer

The Notes are to be issued in minimum denominations of \$25,000 and any multiples of \$5,000 thereof.

Interest on each Note shall be payable by check or draft mailed to the Registered Owner thereof as of the fifteenth date of the month immediately preceding that date for payment of such interest at the address shown on the registration books kept by the Trustee as Registrar. The principal of and premium, if any, on the Notes shall be payable, without exchange or collection charges, in lawful money of the United States of America upon their presentation and surrender as they respectively become due and payable, whether at maturity or by prior redemption, at the principal corporate trust office of the Paying Agent.

Book-Entry Only System

The Notes initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Notes and, except as otherwise provided herein with respect to Beneficial Owners of Beneficial Ownership Interests Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Notes under the Mortgage.

The following information about the book-entry only system applicable to the Notes has been supplied by DTC. Neither the Corporation, the Trustee, or the Financial Advisor makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Notes. The Notes initially will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Note certificate will be issued, in the aggregate principal amount of the Notes, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking or organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings; from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes ("Beneficial Ownership Interests") are to be accomplished by entries made on the book's of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their Beneficial Ownership Interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Notes to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to DTC. DTC's practice is to credit Direct Participants accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the

Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Notes in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Notes are transferred by Direct Participants on DTC's records. DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered, as described below under "THE NOTES-Revision of Book-Entry System; Replacement Notes."

NEITHER THE CORPORATION, THE COUNTY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE NOTES; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED NOTES OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE NOTES; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE MORTGAGE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE NOTES; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Notes as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, election to tender Notes or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Notes.

The Corporation cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Notes made to DTC or its nominee as the registered owner or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

DTC Letter of Representations

Certain duties of DTC and procedures to be followed by DTC, the Trustee and the Corporation will be set forth in a Letter of Representations (the "DTC Letter of Representations") among the Corporation, the Trustee, the Underwriter and DTC. In the event of any conflict between the provisions of the Mortgage and the provisions of the DTC Letter of Representations relating to delivery of Notes to the Trustee, the provisions of the DTC Letter of Representations shall control.

Revision of Book-Entry System; Replacement Notes

The Mortgage provides for the issuance and delivery of fully registered Notes (the "Replacement Notes") directly to owners other than DTC only in the event that DTC determines not to continue to act as securities depository for the Notes.

Upon occurrence of such event, the Corporation may attempt to establish a securities depository book entry relationship with another securities depository. If the Corporation does not do so, or is unable to do so, and after the Trustee has notified the owners of book-entry interests with respect to the Notes by appropriate notice to DTC, the Corporation will issue and the Trustee will authenticate and deliver Replacement Notes with a minimum denomination

\$5,000 and multiples of \$5,000 thereafter to the assignees of DTC or its nominee. Such withdrawal, authentication and delivery (including printing and delivery costs) will be at the expense of the Corporation.

In the event that the book-entry only system is discontinued, the principal or redemption price of and interest on the Notes will be payable in the manner described above in the third paragraph under "THE NOTES - General," and the following provisions would apply. The Notes may be transferred or exchanged for one or more Notes in different authorized denominations upon surrender thereof at the designated office of the Trustee as Registrar or at the designated office of any Authenticating Agent (initially, the Trustee) by the registered owners or their duly authorized attorneys or legal representatives. Upon surrender of any Notes to be transferred or exchanged, the Corporation will authenticate, and the Registrar will record the transfer or exchange in its registration books and the Registrar or Authenticating Agent shall authenticate and deliver new Notes appropriately registered and in appropriate authorized denominations. Neither the Corporation, the Registrar nor any Authenticating Agent shall be required to transfer or exchange any Note during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of the Notes and ending at the close of business on the day of such mailing, nor any Note all or part of which has been selected for redemption.

Optional Redemption

The Notes are callable in whole or in part on any date beginning February 1, 2005 at par (100%) plus accrued interest to the call date. The Trustee must provide no less than 30 days notice to the holder of the Notes.

The Trustee shall, upon being indemnified to its satisfaction, and receiving funds necessary to redeem such Notes, cause notice of the call for the redemption identifying the Notes to be sent by United States mail, postage prepaid, at least thirty days prior to the date fixed for redemption to the Registered Owners of the Notes the address set forth in the registration books maintained by the Registrar. Failure to give such notice by mailing or any defect therein in respect of any Note shall not affect the validity of any proceedings for the redemption of any Note.

Prepayment

The Corporation reserves the right at all times during the term of the Project, to make provision for discharge of all Notes by depositing into the Sinking Fund moneys sufficient to pay all principal and interest requirements on the Notes to and on the first or next date of redemption, or to the date of maturity, together with sufficient additional moneys to redeem and discharge all outstanding Notes on such redemption date, or to deposit into the Sinking Fund an amount of permissible Investment Obligations as shall, with earnings thereon, produce the identical result.

ESTIMATED SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of proceeds of the Notes, other than any portions thereof representing accrued interest:

Sources:	
Note Proceeds	<u>\$2,455,000.00</u>
Total Sources	\$2,455,000.00
Uses:	
Deposit to 2003 Note Fund	\$2,411,475.00
Underwriter's Discount	24,550.00
Deposit to Cost of Issuance Fund	<u>\$18,975.00</u>
Total Uses	\$2,455,000.00

ESTIMATED NET DEBT SERVICE SCHEDULE

The following table sets forth the projected annual net debt service of the Notes.

<u>FY Ending</u> <u>June 30</u>	<u>Principal</u> <u>Payment</u>	<u>Interest</u> <u>Payment</u>	<u>Net Debt</u> <u>Service</u>
2005	<u>\$2,455,000</u>	<u>\$ 5,031</u>	<u>\$2,501,031</u>
Totals:	\$2,455,000	\$46,031	\$2,501,031

Note: Projections are based on an average interest rate of 2.56%.

SECURITY AND SOURCES OF PAYMENT**Security**

The Notes are secured by and payable from the proceeds of the issuance of the Floyd County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds, Series 2005 (the "Bonds") which are pledged for such purpose to the extent necessary.

Furthermore, the Notes will, upon their issuance, be secured by a foreclosable first mortgage lien on the Project. The Notes will also be secured by the assignment by the Corporation of its right, title, and interest in and to the Lease Agreement, dated as of September 1, 2004 with the Corporation providing for the lease of the Project and the Project Site to the County on an automatically renewable annual basis and rental payments adequate to meet the maturing principal and interest payments of the Notes to the due date of the Notes (for a further description of such payments see "The Lease" herein).

Sources of Payment

The only source of payment for the Notes will be the issuance of the Bonds or Renewal Notes. The County has covenanted that it will take all necessary action sell the Bonds or Renewal Notes to meet the debt service requirements on the Notes.

THE PROJECT

The County in conjunction with the Southern Water District, plans to run additional water lines in the southern portion of Floyd County. The current plan calls for 22 miles of lines to be installed which will bring water service to approximately 400 residences and the southern portion of Floyd County.

The Project has been bid in accordance with state laws and contractors have posed 100% completion bonds.

ADDITIONAL BONDS

The Corporation reserves the right and authority, but only upon specific direction of the County, to issue additional notes or bonds which shall rank on a basis of parity and equality as to security and source of payment with the Notes now being issued or authorized by the Corporation, but only for the purpose of i) completing the project; ii) making necessary repairs; and, iii) reconstructing the project in the event that issuance proceeds are insufficient to make repairs or reconstruct portions of the Project which have been damaged. Prior to the issuance of such parity bonds: (a) there shall be procured and filed with the Secretary of the Corporation and with the Trustee, a certificate of an Authorized Official of the County explaining in detail the reason or reasons for the deficiency in the proceeds, and making detailed recommendations as to the issuance of the additional parity bonds, together with the amount thereof; and (b) the issuance thereof shall be approved by the State Local Debt Officer of Kentucky and the Board of Directors of the Corporation.

STATE SUPERVISION

Budget Process

The State Department for Local Government (DLG) is an independent agency of the Commonwealth of Kentucky attached to the Governor's office. A principal function of the DLG is to provide technical support, monitoring and evaluation of local units of government (cities, counties, and special districts).

The Division of County and Municipal Accounting of the DLG has established a uniform system of accounting that all counties in the state must use in reporting their revenues and expenditures. The counties are required to prepare and submit an annual budget for each fiscal year.

The county budget is required to have a fund known as the "sinking fund principal account" and a fund known as the "sinking fund interest account." There shall be allocated annually to the sinking fund principal account a sum equal to the proportional yearly amount necessary to retire each note issue of the county at maturity, and to the sinking fund interest account a sum equal to the interest on bonded indebtedness payable during the current budget year.

Bond Issue Approval

Kentucky Revised Statutes 66.310 stipulates that no county may lease a public facility that is to be financed at the county's request through the issuance of bonds or notes by another public body or by a non-profit corporation serving as an agency and instrumentality of the county, if the indebtedness of the county, is in excess of one-half one percent (.5%) of the value of taxable property therein, without first securing the written approval of the State Local Debt Officer. The County has notified the State Local Debt Officer of its intention to fund the Project to be financed by its Notes and has provided public notice thereof. The Notes do not extend past the current fiscal year. Therefore no public hearing is required.

THE LEASE

The following is a summary of certain of the terms and provisions of the Lease.

Lease Period and Amount

The Lease provides that the County will lease from the Corporation, the Project and the Project Site, together with all of the improvements thereon for an initial period ending June 30, 2004 at an agreed and stipulated rental equal to (i) the aggregate of the interest on and principal of the Notes which will become due and payable during such period together with (ii) the cost of operation and maintenance of such leased premises, and (iii) the cost of insuring the leased premises. Rent will be payable on the twentieth (20th) day of the month preceding any date on which a payment of interest or principal is due on the Notes.

Following the initial term of the Lease, nothing in the Lease will be construed as binding the County for the payment of annual rentals beyond the rental for the current term or year, but the County will in each year become indebted to the Corporation for the rentals stipulated for such year only upon the exercise of its option to renew.

Option to Renew

The Lease may be renewed for another period of one year, provided that if the Lease is so renewed, the rental for each fiscal year during which the Lease remains in effect shall be a sum equal to (i) the amount of the interest and principal payments due on the Notes during such year, (ii) the cost of operation and maintenance of such leased premises, and (iii) the cost of insuring the leased premises. The Lease renewal will automatically be considered to have been affirmatively exercised each year by the County, unless notice of its election not to exercise the option for the succeeding year is given by the County to the Corporation and the Trustee in writing at least 60 days prior to the renewal date.

Intent to Renew

In the Lease the County expresses its present intention to renew the Lease in accordance with its terms, and in accordance with the options to renew as set forth therein, from year to year until all of the Notes to be issued by the Corporation at the direction of the County are fully paid, canceled and retired, whether at maturity or by call for redemption, but such expression of intention will not be construed as a present election on the part of the County to extend the Lease beyond the original term.

Operation, Maintenance and Repair

The Lease, provides among other things, that the County agrees to maintain and repair in good order the leased premises at the expense of the County, to keep all of the said premises and improvements thereon in good repair, working order and first-class condition, and to return the same in as good condition as when received by the County, ordinary wear and tear, accident, damage by fire and the elements, and other unavoidable casualties excepted.

14
15
16
17
18

Insurance

The Lease provides that the County will, during the original term of the Lease and during each extended term year, keep all insurable improvements presently existing, and all insurable improvements to be constructed and located upon the Project Site, insured to the full insurable value thereof against fire, flood and windstorm to the extent insurance is obtainable (with standard comprehensive coverage endorsement) in good and solvent insurance companies, to be approved by the Trustee; and the County will make said policies payable to the County, the Corporation, and the Trustee as their respective interests may appear, or cause said policies to be endorsed in an appropriate manner so that in the event of loss the proceeds thereof will be payable to the County, the Corporation, or the Trustee, as their respective interests may appear.

Rights of the County Survive Events of Default

Should the County fail to pay the stipulated rentals due under the Lease, or during any year for which it is provided, all rights of the County and all future options granted to the County in respect of payments in whole of the Notes will in any event remain in full force and effect; provided that the Trustee under the Mortgage will, upon occurrence of an event of default, be entitled to take certain actions for the benefit of the holders of the Notes, including foreclosure of the mortgage lien on the Project and decretal sale thereof, but no such decretal sale will result in a deficiency judgement of any type or in any amount against the County or the Corporation, and until the County may at any time by the discharge of the Notes and interest thereon receive an unencumbered fee simple title to the Project Site and the Project.

Release of the Project

If the County renews the Lease from year to year and pays the rentals for each year as provided, then the Corporation covenants and agrees that it will immediately procure the release, on the records of the clerk of the County, of the Mortgage securing the Notes, and the Corporation further covenants and agrees that it will thereupon convey the Project and the Project Site to the County free and clear of all liens and encumbrances created by and under the Mortgage, such steps to be taken at the expense of the County.

Assignment of Rights to Trustee

The Corporation has assigned (i) the Lease, (ii) the lease rentals and all other rights, title and interests of the Corporation arising under the terms of the Lease, as additional security for the Notes. The County has agreed to make all payments in the amounts stipulated, directly to the Trustee, for application in strict accordance with the terms and provisions of the Mortgage.

THE MORTGAGE DEED OF TRUST

The following is a summary of certain of the terms and provisions of the Mortgage Deed of Trust entered into by the Corporation as Trustor and the Trustee in order to secure the payment of principal and interest on the Notes. Terms not otherwise defined herein will have the meanings given in the Mortgage Deed of Trust. See "Introduction" for availability of copies of the Mortgage Deed of Trust.

Funds and Accounts

Upon the delivery of the Notes to the purchaser or purchasers thereof and receipt of the purchase price, the same will forthwith in each case be deposited with the Trustee, as trust funds, and the Trustee will hold, treat and manage the same, as follows:

- (1) **Cost of Issuance Fund.** There will be deposited in the Cost of Issuance Fund the amount of moneys

necessary to pay the Cost of Issuance of the Notes from the proceeds of the Notes as specified and determined in the resolution of the Corporation authorizing the issuance of the Notes or in written instructions of an Authorized Officer of the Corporation delivered to the Trustee.

(2) **2004 Note Fund.** A special fund created by the Mortgage Deed of Trust and designated the "Note Fund" will be held and maintained by the Trustee as the primary source of payment of the interest requirements on the Notes. All moneys from any source at any time deposited in the Note Fund shall constitute Pledged Receipts for the benefit of the Registered Owners of the Notes.

Sums from time to time in the Note Fund shall be continuously invested by the Trustee in Investment Obligations as defined in the definition of Investment Obligations hereinafter described. The Trustee will sell or present for redemption any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to effectuate the purposes of the Note Fund.

All Pledged Receipts have been assigned by the Corporation to the Trustee and upon receipt thereof the same will immediately be deposited in the Note Fund so long as the Notes are Outstanding and the same will be treated by the Trustee as Pledged Receipts, and will be used and applied to the payment of the Notes, including accrued interest, principal and redemption premium, if any.

The Trustee shall set aside into the Note Fund, all sums received from the purchaser of the Notes representing accrued interest from the date of the Notes to the date of delivery and payment plus an additional amount from Note proceeds so that the total deposit will equal interest on the Notes through April 1, 2004.

In the event of the issuance of the Bonds and the subsequent retirement of the Notes, any remaining balance in the Note Fund shall be transferred to the Sinking Fund and the Note Fund shall be closed. In the event of the issuance of Renewal Notes said Note Fund shall be maintained until the retirement thereof.

Investment of Funds

Moneys held in any of the aforementioned funds may be invested until required for the purposes intended in one or more of the following "Investment Obligations:"

- (a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):
 - (i) Farmers Home Administration (FmHA) Certificates of beneficial Ownership
 - (ii) Federal Housing Administration Debentures (FHA)
 - (iii) General Services Administration Participation certificates
 - (iv) Government National Mortgage Association (GNMA or "Ginnie Mae"), GNMA guaranteed mortgage-backed bonds, GNMA- guaranteed pass-through obligation (participation certificates)
 - (v) U.S. Maritime Administration Guaranteed Title XI financing
 - (vi) U.S. Department of Housing and Urban Development (HUD);
- (c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-federal U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- (i) Federal Home Loan Bank System Senior debt obligation (Consolidated debt
 - (ii) obligations)
 - (iii) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mae") Participation Certificates (Mortgage-backed securities) senior debt obligations
 - (iv) Federal National Mortgage Association (FMA or "Fannie Mae") Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal)
 - (v) Student Loan Marketing Association (SLMA or "Sallie Mae") Senior debt obligations
 - (vi) Resolution Funding Corp. (REFCORP) [Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable]
 - (vii) Farm Credit System Consolidated systemwide bonds and notes;
- (d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's, rated Aa1 or Aa2;
- (e) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. CD's must have a one year or less maturity. Such certificates must be issued by commercial banks, savings and loan associates or mutual savings banks whose short term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's;
- (f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SIF;
- (g) Investment Agreements, including GIC, acceptable to MBIA;
- (h) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P;
- (i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies;
- (j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1+" by S&P.
- (k) Repurchase agreements that provide for the transfer of securities from dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date. Repurchase Agreements must satisfy the following criteria:
- (i) Must be between the municipal entity and a dealer bank or securities firm meeting one of the following criteria: (1) primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the SIPC and which are rated A or better by Standard & Poor's Ratings Group and Moody's; or (2) Banks rated "A" or above by Standard & Poor's Ratings Group and Moody's Investor Services.
 - (ii) The written contract must include the following: (1) Securities which are acceptable for transfers are: (a) Direct U.S. governments, (b) Federal agencies backed by the full faith and credit of the U.S. Government (and FNMA & FHLMC), (2) the term of the repurchase agreement may be up to 30 days; (3) the collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting

as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities); (4) the trustee has a perfected first priority security interest in the collateral; (5) collateral is free and clear of third-party liens and in the case of SIPC broker was not acquired pursuant to a repurchase agreement or a reverse repurchase agreement; (6) the trustee has the right to liquidate collateral in case of failure to maintain the requisite collateral percentage after a two-day restoration period; and (7) valuation standards for collateral: (a) the securities must be valued weekly, market-to-market at current market price plus accrued interest; (b) the value of collateral must be equal to 104% of the amount of cash transferred by the trustee to the dealer bank or security firm under the repurchase agreement plus accrued interest; (c) if the value of securities held as collateral falls below 104% of the value of the cash transferred by the trustee, additional cash and/or acceptable securities must be transferred; and if the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

- (iii) A legal opinion which must be delivered to the trustee to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds.
- (I) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

Additional Covenants

In the Mortgage Deed of Trust, the Corporation, among other covenants, has covenanted, as follows:

(1) **Payments.** To punctually pay the principal of and interest on the Notes when due, and at the place and in the manner prescribed in the Mortgage Deed of Trust from the funds pledged. The Notes and the interest thereon are payable from the "Pledged Receipts" defined under the Mortgage Deed of Trust.

- (i) shall mean all payments paid to or upon the order of the Corporation, including both timely and delinquent payments with late charges, if any;
- (ii) shall mean and include any and all appropriations made to the Corporation by the County or any unit of government to the extent not otherwise required to be applied, nor otherwise committed and budgeted by the Corporation during any fiscal period of the Corporation;
- (iii) shall include all interest earned and gains realized on Investment Obligations unless the terms hereof specifically require such interest earned and gains realized to remain in or to be transferred to the Rebate Fund;
- (iv) shall mean and include all amounts in all funds and accounts created hereunder, including capitalized interest; provided that amounts in the Rebate Fund shall not constitute Pledged Receipts; and
- (v) shall mean and include any amounts realized from the foreclosure and decretal sale of the Project.

(2) **Assessments and Maintenance.** To cause the County to pay any and all improvement assessments against the Project and to properly maintain the Project.

(3) **Tax Covenant.** The Corporation covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Notes under Section 103(a) of the Code. The Corporation will not directly or indirectly use or permit the use of any

proceeds of the Notes or any other funds of the Corporation, or take or omit to take any action that would cause the Notes to be "arbitrage notes" within the meaning of Sections 103(b)(2) and 148 of the Code. To that end, the Corporation will comply with all requirements of Sections 103(b)(2) and 148 of the Code to the extent applicable to the Notes. In the event that at any time the Corporation is of the opinion that for purposes of the Mortgage Deed of Trust it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Mortgage Deed of Trust the Corporation will so instruct the Trustee in writing, and the Trustee will take such action as may be necessary in accordance with such instructions.

(4) **Insurance of Project.** The Corporation further covenants and agrees that it will, at all times hereafter until the Notes will be fully paid, require the County (to the extent such insurance is obtainable) to keep all insurable real properties and improvements thereon to be insured against loss or damage by fire and windstorm to their full insurable value, with standard comprehensive coverage endorsement, and the Corporation will cause all such insurance policies to be made payable in case of loss to the Trustee.

(5) **Accounts and Reports.** The Corporation will keep, or cause to be kept, proper books of record and account in which complete and accurate entries will be made of all its transactions relating to the Project, and all Funds established by the Mortgage Deed of Trust, which will at all reasonable times be subject to the inspection of the Trustee and the Owners of an aggregate of not less than five percent (5%) in a principal amount of Notes then Outstanding or their representatives duly authorized in writing.

(6) **Enforcement of Contracts.** To enforce all contracts and agreements in respect of the Project to which the Corporation is or will be a party, to the fullest extent provided and permitted by law.

Release of Land

The parties have reserved the right, by mutual written consent at any time and from time to time, to amend the Mortgage Deed of Trust for the purpose of effectuating the release of one or more parcels of or interest in land constituting a part of the Project Site and the removal from the lien of the Mortgage Deed of Trust of such parcel or parcels of or interest in land subject to the following conditions:

- (i) the parcel or parcels of or interest in land thus released or removed shall be used to construct public improvements, or for the granting of an easement, or other interest or title to a public utility, public or private carrier or public body for providing or improving utility services or transportation facilities, or for the acquisition or construction of any "public project" within the meaning of §58.010 of the Kentucky Revised Statutes; and
- (ii) there shall be filed with the Trustee a copy of the instrument providing for such release together with a certificate of an Authorized Officer of the Corporation describing the improvements or other facilities which will be constructed thereon or the utility or other facilities and services which will be provided or improved thereby and that, in the opinion of such Authorized Officer (i) such parcel or parcels of land are not otherwise needed for the operation of the Project and that (ii) the release will not materially impair the efficiency or utilitarian value of the Project or the Project Site and will not impede the means of egress of any material extent and (iii) evidence satisfactory to the trustee that the value of the project following such release shall not be less than the principal amount of notes then outstanding;
- (iii) the Corporation at the written direction of the County shall sell a portion of said Project Site not needed for public purposes as provided by law so long as the rentals are not diminished by reason of such sale and release of a portion of the lien created by the Mortgage Deed of Trust and provided that the Corporation shall have furnished the Trustee with evidence satisfactory to the Trustee that the value of the Project following such release shall be not less than the principal amount of Notes then outstanding. In determining the value of the Project, the Trustee shall be entitled to require, at the sole cost and expense of the Corporation, and shall be entitled to reply upon an appraisal by an appraiser licensed in the Commonwealth of Kentucky.

Amendments

Notwithstanding any other provisions of the Mortgage Deed of Trust, the parties may at any time and from time to time supplement or make any amendment or change in the Mortgage Deed of Trust:

- (i) to cure any formal defect or ambiguity if, in the opinion of the Trustee, such amendment or change is not adverse to the interest of the Owners of the Notes
- (ii) to grant to or confer upon the Trustee for the benefit of the Owners of the Notes any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Mortgage Deed of Trust
- (iii) to make necessary or advisable amendments in connection with the issuance of additional bonds in accordance with the terms of the Mortgage Deed of Trust
- (iv) to permit the Trustee to comply with any obligations imposed on it by law
- (v) to achieve compliance with any federal tax law; or
- (vi) to provide for the release of land pursuant to and subject to the conditions specified in the Mortgage Deed of Trust.

Any other amendment or change will be subject to the written consent of the Owners of at least two-thirds (2/3) in principal amount of the Notes outstanding at the time such consent is given, or in case less than all of the Notes then outstanding are affected by the modification or amendment, of the Owners of at least two-thirds (2/3) of the principal amount of the Notes so affected.

Nothing will permit, however, or be construed as permitting without consent of the Owners of each Note so affected, (i) an extension of the maturity of the principal of or the interest on any Note, (ii) a reduction in the principal amount of any Note or the rate of interest or premium thereon, or (iii) a reduction in the aggregate principal amount of the Notes required for consent to amendments.

An amended or supplemental Mortgage Deed of Trust for the purposes described in the Mortgage Deed of Trust will be effective upon the execution thereof by the Corporation and the Trustee and delivery thereof to the Trustee, together with any necessary consent of Owners of the Notes.

Events and Remedies of Default

Events of Default. Each of the following events is hereby declared an "Event of Default:"

(a) the Corporation will default in the payment of the principal of any Notes when and as the same will become due, whether at maturity or upon call for redemption or otherwise or the County will default on the payment of the Notes;

(b) payment of any installment of interest on any of the Notes will not be made when and as the same will become due or the County will default on the payment of the Notes; or

(c) the Corporation or the County will fail or refuse to comply with the provisions of the Act, or will default in the performance or observance of any other of the covenants, agreements or conditions on their part contained in the Mortgage Deed of Trust, any authorizing resolution of the Corporation or the County, or the Notes, and such failure, refusal or default will continue for a period of forty-five (45) days after written notice thereof by the Trustee or by Owners of not less than twenty-five percent (25%) in a principal amount of the Outstanding Notes to the Corporation or the County, as applicable.

Remedies. Upon the happening and continuance of any Event of Default to protect and enforce its rights and the rights of the Owners of the Notes by such of the following remedies, as the Trustee, being advised by counsel, will deem most effectual to protect and enforce such rights:

(a) by enforcement of the foreclosable mortgage lien on the Project Site and improvements granted by the Mortgage Deed of Trust, and in such events the Trustee will take over possession, custody and control of the Project Site and will operate or carry out decretal sale of same with due regard to State and Federal law for the benefit of the Owners of the Notes. Provided, however, that no such foreclosure sale will result in a deficiency judgement of any type or in any amount against the County or the Corporation, and until such sale the County may at any time by the discharge of the Notes and interest thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the Trustee, there will first be paid all expenses incident to said document, and thereafter the Notes then outstanding will be paid and retired;

(b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Owners of the Notes, including the right to require the Corporation to charge, collect and fully account for the Pledged Receipts, and to require the Corporation to carry out any and all other covenants or agreements with the Noteholders and to perform its duties under the Act;

(c) by bringing suit upon the Notes;

(d) by action or suit in equity, require the Corporation to account as if it were the trustee of an express trust for the Owners of the Notes;

(e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Notes;

(f) by declaring all Notes due and payable, and if all defaults will be made good, then, with the written consent of the Owners of not less than fifty percent (50%) in a principal amount of the Outstanding Notes, by annulling such declaration and its consequences; and

(g) in the event that all Notes are declared due and payable, by selling Investment Obligations of the Corporation (to the extent not theretofore set aside for redemption of the Notes for which call has been made), and enforcing all choices in action of the Corporation to the fullest legal extent in the name of the Corporation for the use and benefit of the Owners of the Notes.

CONTINUING DISCLOSURE

As a result of the County and issuing agencies acting on behalf of the County having outstanding, at the time the Notes referred to herein are offered for public sale, municipal securities in the aggregate of more than \$10,000,000, the County and the Corporation will enter into a written agreement for the benefit of all parties who may become Registered Owners of the Notes, whereunder said Corporation and County will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Corporation Rule 15c2-12, in making annual financial information available upon request and will notify those agencies specified in the Rule in the event of occurrence of any of the following "material events."

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) unscheduled draws on credit enhancements reflecting financing difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (g) modifications to right of the Noteholders
- (h) bond calls;
- (i) defeasance;

- (j) release, substitution or sale of property securing repayment of the Notes; and/or
- (k) rating change.

The Corporation may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgement of the Corporation, such other event is material with respect to the Notes, but the Corporation does not undertake to commit to provide any such notice of material event except those events listed above.

Financial information regarding the County may be obtained from the office of the Treasurer, Floyd County Courthouse, Prestonsburg, Kentucky (606)886-9193.

The County has never failed under previous written agreements to comply in all material respects with any previous undertaking with regard to compliance with the Rule.

LITIGATION

No litigation or administrative action or proceeding is pending or, to the best of the knowledge of the County or the Corporation, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Notes, the collection of revenues or the use of revenues to pay debt service on the Notes, or contesting or questioning the proceedings and authority under which the Notes have been authorized and are to be issued or delivered, or the validity of the Notes, or to prevent or restrict the operations of the Corporation.

TAX TREATMENT

In the opinion of Note Counsel, based upon certain covenants, representations, and certifications of the Corporation, which Note Counsel has not independently verified, and assuming continuing compliance therewith, as set forth below, interest on the Notes is excludable from gross income for federal income tax purposes under existing laws, regulations, rulings and decisions in effect on the date of delivery of the Notes.

The County and the Corporation are required by the Internal Revenue Code of 1986, as amended (the "Code"), to comply on an ongoing basis with certain obligations in order for the interest on the Notes to be and remain excludable from gross income for federal income tax purposes. Failure to meet those obligations could result in the interest on the Notes becoming subject to federal income taxation, retroactive to the date of the Notes. The County and the Corporation have covenanted to comply with all such obligations. Provisions of the Code applicable to corporations (as defined for federal income tax purposes), would impose an alternative minimum tax on a portion of the excess of "adjusted current earnings" over "alternative minimum taxable income" for taxable years beginning after 1989, and could therefore subject all or a portion of the interest on the Notes received by corporations to alternative minimum taxation.

Note Counsel has not opined on any other federal income tax consequences arising for Owners of the Notes. However, it should be noted that certain other provisions of the Code applicable to corporations would impose an environmental tax equal to the excess of "modified alternative minimum taxable income" over \$2,000,000. The environmental tax is not an alternative tax. Interest on the Notes will be included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States. In addition, the Code disallows certain federal income tax deductions of certain financial institutions and property and casualty insurance companies which acquire the Notes.

The Corporation has designated the Notes as "qualified tax-exempt obligations" under Section 265 (b) (3) of the Code.

In the opinion of Note Counsel, the Notes are exempt from *ad valorem* taxation and interest thereon is exempt from income taxation by the Commonwealth of Kentucky and any political subdivisions thereof.

71
51
91
71
81

Prior to any purchase of the Bonds prospective purchasers of the Notes are advised to consult their own tax advisors as to the impact of the Code, upon their acquisition, holding or disposition of the Notes.

FINANCIAL ADVISOR

Prospective bidders are advised that Ross, Sinclair and Associates, Inc. ("Ross Sinclair") has been employed as Financial Advisor in connection with the issuance of the Notes. Ross Sinclair's fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery thereof. Bidders, including Ross Sinclair, who submit a bid for the purchase of the Notes at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Notes.

CONCLUDING STATEMENT

The Corporation has approved and caused this Official Statement to be executed and delivered by its President. In making this Official Statement the Corporation relied upon information furnished to it by the County and the Corporation, and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except as to copies of documents denominated "Notice of Note Sale," "Official Bid Form," and "Official Terms and Conditions of Note Sale." The financial information supplied by the County of Floyd and the Administrative Office of the Courts and reproduced herein, is represented by the County to be correct.

No dealer, broker, salesman, or other person has been authorized by the Corporation, the County, or the Financial Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the County and believed to be reliable, however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Financial Advisor or by Note Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

By: /s/ Paul Hunt Thompson
President



SOUTHERN WATER AND SEWER DISTRICT
WATERWORKS REVENUE BOND, SERIES 2002
 Interest Rate: 4.50%

REGIS



KNOW ALL PERSONS BY THESE PRESENTS: That the Southern Water and Sewer District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body of Floyd and Knott Counties, Kentucky, for value received, hereby promises to pay to the UNITED STATES OF AMERICA, acting by and through the U.S. DEPARTMENT OF AGRICULTURE, 771 Corporate Drive, Lexington, Kentucky 40503-5477, the Registered Owner hereof, or to its registered assigns, as hereinafter provided, solely from the fund hereinafter identified, the sum of

TWO MILLION FIVE HUNDRED FIFTEEN THOUSAND DOLLARS (\$2,515,000)

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

Payment Due January 1,	Principal Payment	Payment Due January 1,	Principal Payment	Payment Due January 1,	Principal Payment
2005	\$26,000	2018	546,000	2031	\$ 82,000
2006	27,000	2019	49,000	2032	86,000
2007	29,000	2020	51,000	2033	90,000
2008	30,000	2021	53,000	2034	94,000
2009	31,000	2022	55,000	2035	98,000
2010	33,000	2023	58,000	2036	103,000
2011	34,000	2024	60,000	2037	107,000
2012	36,000	2025	63,000	2038	112,000
2013	37,000	2026	66,000	2039	117,000
2014	39,000	2027	69,000	2040	122,000
2015	41,000	2028	73,000	2041	128,000
2016	43,000	2029	75,000	2042	130,000
2017	44,000	2030	79,000		

and interest being payable, without deduction for exchange or collection charges, in law of the States of America, at the address of the Registered Owner shown on the registration book.

This Bond is issued by the District under and in full compliance with the Constitution of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes ("Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing said Bond (the "Resolution"), to which Current Bond Resolution reference is hereby made for a description of the security thereby created, the rights and limitations of rights of the Register and the rights, obligations and duties of the District, for the purpose of financing the construction of extensions, additions and improvements to the existing waterworks system (said existing waterworks system, together with said extensions, additions and improvements hereinafter referred to as the "System").

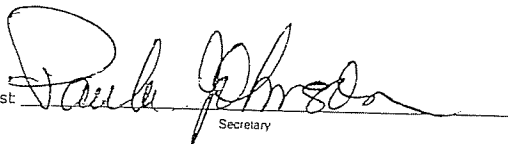
[FURTHER PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF.]

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

IN WITNESS WHEREOF said Southern Water and Sewer District, by its Board of Commissioners, caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed and its Secretary, on the date of this Bond, which is December 17, 2002.

and in like manner, solely from said fund, to pay interest on the balance of said principal sum, from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal

SOUTHERN WATER AND SEWER DISTRICT
 Floyd and Knott Counties, Kentucky

Attest: 
 Secretary

By: 
 Chairman

