

Rubin & Hays

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CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

May 2, 2012

Mr. Jeff Derouen, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

RECEIVED
MAY - 4 2012
PUBLIC SERVICE
COMMISSION

Re: McCreary County Water District PSC Application

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the McCreary County Water District for an Order authorizing the issuance of securities pursuant to KRS 278.300.

This Application requests approval of the issuance of securities for the purpose of refunding certain high interest Bonds of the Applicant.

Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jlm
Enclosures

cc: Mr. Steve Owens, McCreary County Water District
Ms. Kristen Millard, Morgan Keegan

RECEIVED

MAY - 4 2012

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF MCCREARY COUNTY)
 WATER DISTRICT TO ISSUE SECURITIES)
 IN THE APPROXIMATE PRINCIPAL AMOUNT)
 OF \$4,790,000 FOR THE PURPOSE OF REFUNDING) CASE No. 2012 - _____
 CERTAIN OUTSTANDING REVENUE BONDS OF)
 THE DISTRICT PURSUANT TO THE PROVISIONS)
 OF KRS 278.300 AND 807 KAR 5:001)

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

APPLICATION

The Applicant, McCreary County Water District (the "District"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the District to issue certain securities in the approximate principal sum \$4,790,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding waterworks revenue bonds of the District. In support of this Application, and in compliance with the rules and regulations of the Commission, the District states as follows:

1. The District was established in accordance with the provisions of Chapter 74 of the Kentucky Revised Statutes pursuant to an Order of the County Judge/Executive of McCreary County, which Order is on file in the County Court Order Books in the office of the Clerk of McCreary County, Kentucky. The District is now, and has been since its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to the District are

incorporated in this Application by reference. The District does not have any Articles of Incorporation due to the fact that it is a statutory entity.

2. The governing body of the District is its Board of Commissioners which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS 74.070 and all applicable law and regulations.

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

McCreary County Water District
c/o Mr. Steve Owens, Manager
P.O. Box 488
Whitley City, Kentucky 42653
Telephone: (606) 376-2540

4. A general description of the District's water system property, together with a statement of the original cost, is contained in the District's Annual Report for 2011 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The District proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an Assistance Agreement (the "KRWFC Loan"), in the estimated principal amount of \$4,790,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as the (i) McCreary County Water District Waterworks Revenue Bonds, Series 1993, dated June 21, 1994, in the original principal amount of \$794,000 (the "1993 Bonds"); (ii) McCreary County Water District Waterworks Revenue Bonds, Series 1997, dated February 13, 1998, in the original principal amount of \$390,000 (the "1997 Water Bonds"); (iii) McCreary County Water District Sewer System Revenue Bonds, Series 1997, dated January 14, 1998, in the original principal amount of \$972,000 (the "1997 Sewer Bonds"); (iv) McCreary County Water District Waterworks Revenue Bonds, Series 2001, dated February 6, 2002, in the original principal amount of \$2,500,000 (the "2001 Bonds"); and (v) McCreary County Water

District Sewer System Revenue Bonds, Series 2002A, dated September 6, 2002, in the original principal amount of \$850,000 (the "2002 Bonds") (hereinafter the 1993 Bonds, the 1997 Water Bonds, the 1997 Sewer Bonds, the 2001 Bonds and the 2002 Bonds shall be collectively referred to as the "Prior Bonds"). Said Prior Bonds are currently held by the U.S. Department of Agriculture, acting through Rural Development ("RD") and all bear interest at the rate of 4.50% per annum.

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

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

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

9. It is anticipated that the proposed refinancing will result in a net present value savings of approximately \$124,147.87. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit C**.

10. The final principal amount of the KRWFC Loan will be adjusted, based upon final interest rates which will be known on or about May 8, 2012, in order to provide funds sufficient to redeem, in full, the Prior Bonds. Final financial figures will be submitted to the Commission in a timely manner. The Applicant will not issue the securities if interest rates in the bond market shift to a point where the Applicant will not achieve any savings.

11. The Debt Service Schedule of the outstanding Prior Bonds being refunded is set forth in **Exhibit D**.

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

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

14. The detailed Statement of Revenue and Expenses, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2010 are attached hereto and incorporated herein by reference as **Exhibit E** respectively.

15. The remaining financial schedules and other information necessary for the Financial Exhibit required by 807 KAR 5:001, Section 6 and Section 11 (2) (a) are contained in the 2011 Annual Report which is on file with the Commission. The Annual Report is incorporated herein by reference.

16. Pursuant to 807 KAR 5:001, the District hereby responds as follows:

- (a) Section 6(4) Mortgages: The District does not have any mortgages in effect as of the date hereof.

- (b) Section 6(5) Bonds: The KRWFC Loan will be secured by a pledge of the revenues of the District's System.
- (c) Section 11(2)(b): The District does not have any trust deeds in effect as of the date hereof.
- (d) Section 11(2)(c): No property is being acquired as the proceeds of the securities are being used for the refunding of the Prior Bonds.

17. The District hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the application. The District states that there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2010. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2010. This is the most recent published financial data available. Because of the volatility of the bond market, the District cannot run the risk of delaying the closing of the KRWFC Loan while more current financial data is compiled. Also, the refunding of the Prior Bonds will save the District significant revenues thus improving the District's financial position.

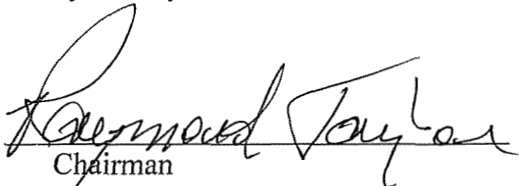
18. No rate adjustment will be necessary.

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

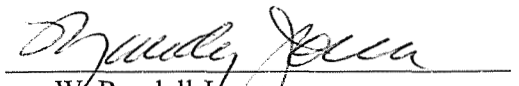
1. Authorize the issuance of the securities requested in the Application;
2. Grant the District a deviation, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the District's 2011 Annual Report and 2010 Audit in lieu of more recent financial data, there being no material change in the data in 2011 and 2012 and due to the volatility of the present bond market; and
3. Process this Application without a formal hearing in order to save time and expense.

The District will promptly respond to any inquiries or information requests by the Commission's staff.

McCreary County Water District

By 
Chairman
P.O. Box 488
Whitley City, Kentucky 42653
Phone: (606) 376-2540

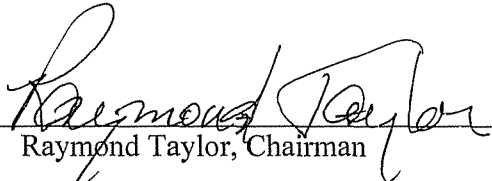
Rubin & Hays

By 
W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Counsel for McCreary County
Water District

STATE OF KENTUCKY)
) SS
COUNTY OF MCCREARY)

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 30 day of April, 2012.


Raymond Taylor, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Raymond Taylor, Chairman of the McCreary County Water District, on this the 30 day of April, 2012.

My Commission expires: 7/13/2014.


NOTARY PUBLIC

Preliminary
\$4,790,000

McCreary County Water District
 Potential Refunding through the
 Kentucky Rural Water Finance Corporation

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/28/2012	-	-	-	-	-
01/01/2013	80,000.00	2.350%	121,942.54	201,942.54	-
07/01/2013	-	-	88,286.25	88,286.25	-
12/31/2013	-	-	-	-	290,228.79
01/01/2014	125,000.00	2.350%	88,286.25	213,286.25	-
07/01/2014	-	-	86,817.50	86,817.50	-
12/31/2014	-	-	-	-	300,103.75
01/01/2015	125,000.00	2.350%	86,817.50	211,817.50	-
07/01/2015	-	-	85,348.75	85,348.75	-
12/31/2015	-	-	-	-	297,166.25
01/01/2016	135,000.00	2.450%	85,348.75	220,348.75	-
07/01/2016	-	-	83,695.00	83,695.00	-
12/31/2016	-	-	-	-	304,043.75
01/01/2017	135,000.00	2.450%	83,695.00	218,695.00	-
07/01/2017	-	-	82,041.25	82,041.25	-
12/31/2017	-	-	-	-	300,736.25
01/01/2018	135,000.00	3.450%	82,041.25	217,041.25	-
07/01/2018	-	-	79,712.50	79,712.50	-
12/31/2018	-	-	-	-	296,753.75
01/01/2019	140,000.00	3.450%	79,712.50	219,712.50	-
07/01/2019	-	-	77,297.50	77,297.50	-
12/31/2019	-	-	-	-	297,010.00
01/01/2020	140,000.00	3.450%	77,297.50	217,297.50	-
07/01/2020	-	-	74,882.50	74,882.50	-
12/31/2020	-	-	-	-	292,180.00
01/01/2021	140,000.00	3.450%	74,882.50	214,882.50	-
07/01/2021	-	-	72,467.50	72,467.50	-
12/31/2021	-	-	-	-	287,350.00
01/01/2022	150,000.00	3.450%	72,467.50	222,467.50	-
07/01/2022	-	-	69,880.00	69,880.00	-
12/31/2022	-	-	-	-	292,347.50
01/01/2023	170,000.00	3.500%	69,880.00	239,880.00	-
07/01/2023	-	-	66,905.00	66,905.00	-
12/31/2023	-	-	-	-	306,785.00
01/01/2024	170,000.00	3.500%	66,905.00	235,905.00	-
07/01/2024	-	-	63,930.00	63,930.00	-
12/31/2024	-	-	-	-	300,835.00
01/01/2025	175,000.00	3.500%	63,930.00	238,930.00	-
07/01/2025	-	-	60,867.50	60,867.50	-
12/31/2025	-	-	-	-	299,797.50
01/01/2026	175,000.00	3.600%	60,867.50	235,867.50	-
07/01/2026	-	-	57,717.50	57,717.50	-
12/31/2026	-	-	-	-	299,585.00
01/01/2027	190,000.00	3.700%	57,717.50	247,717.50	-
07/01/2027	-	-	54,202.50	54,202.50	-
12/31/2027	-	-	-	-	301,920.00
01/01/2028	190,000.00	3.850%	54,202.50	244,202.50	-
07/01/2028	-	-	50,545.00	50,545.00	-
12/31/2028	-	-	-	-	294,747.50
01/01/2029	200,000.00	3.950%	50,545.00	250,545.00	-
07/01/2029	-	-	46,595.00	46,595.00	-
12/31/2029	-	-	-	-	297,140.00
01/01/2030	210,000.00	3.950%	46,595.00	256,595.00	-
07/01/2030	-	-	42,447.50	42,447.50	-
12/31/2030	-	-	-	-	299,042.50
01/01/2031	215,000.00	4.150%	42,447.50	257,447.50	-
07/01/2031	-	-	37,986.25	37,986.25	-
12/31/2031	-	-	-	-	295,433.75
01/01/2032	225,000.00	4.150%	37,986.25	262,986.25	-
07/01/2032	-	-	33,317.50	33,317.50	-
12/31/2032	-	-	-	-	296,303.75
01/01/2033	240,000.00	4.150%	33,317.50	273,317.50	-
07/01/2033	-	-	28,337.50	28,337.50	-
12/31/2033	-	-	-	-	301,655.00
01/01/2034	200,000.00	4.150%	28,337.50	228,337.50	-
07/01/2034	-	-	24,187.50	24,187.50	-
12/31/2034	-	-	-	-	252,525.00
01/01/2035	205,000.00	4.300%	24,187.50	229,187.50	-
07/01/2035	-	-	19,780.00	19,780.00	-
12/31/2035	-	-	-	-	248,967.50
01/01/2036	215,000.00	4.300%	19,780.00	234,780.00	-
07/01/2036	-	-	15,157.50	15,157.50	-
12/31/2036	-	-	-	-	249,937.50
01/01/2037	205,000.00	4.300%	15,157.50	220,157.50	-
07/01/2037	-	-	10,750.00	10,750.00	-
12/31/2037	-	-	-	-	230,907.50
01/01/2038	160,000.00	4.300%	10,750.00	170,750.00	-
07/01/2038	-	-	7,310.00	7,310.00	-
12/31/2038	-	-	-	-	178,060.00
01/01/2039	165,000.00	4.300%	7,310.00	172,310.00	-
07/01/2039	-	-	3,762.50	3,762.50	-
12/31/2039	-	-	-	-	176,072.50
01/01/2040	175,000.00	4.300%	3,762.50	178,762.50	-
12/31/2040	-	-	-	-	178,762.50
Total	\$4,790,000.00	-	\$2,970,397.54	\$7,760,397.54	-

Yield Statistics

Bond Year Dollars	\$74,318.17
Average Life	15.515 Years
Average Coupon	3.9988660%
Net Interest Cost (NIC)	4.1081449%
True Interest Cost (TIC)	4.1145952%
Bond Yield for Arbitrage Purposes	3.9532841%
All Inclusive Cost (AIC)	4.2613865%
IRS Form 8038	
Net Interest Cost	4.0250584%
Weighted Average Maturity	15.397 Years
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Morgan Keegan & Company, Inc.

Preliminary

\$4,790,000

McCreary County Water District
Potential Refunding through the
Kentucky Rural Water Finance Corporation

Total Issue Sources And Uses

Dated 04/25/2012 | Delivered 04/25/2012

	Ref of Series 1993	Ref of Series 1997	Ref of Series 2001	Ref of Sewer Series 1997	Ref of Sewer Series 2002 A	Issue Summary
Sources Of Funds						
Par Amount of Bonds	\$620,000.00	\$325,000.00	\$2,250,000.00	\$820,000.00	\$775,000.00	\$4,790,000.00
Reoffering Premium	2,232.25	188.00	-	723.40	-	3,143.65
Transfers from Prior Issue Debt Service Funds	11,045.00	5,390.63	34,536.25	13,477.50	11,721.25	76,170.63
Total Sources	\$633,277.25	\$330,578.63	\$2,284,536.25	\$834,200.90	\$786,721.25	\$4,869,314.28
Uses Of Funds						
Original Issue Discount (OID)	-	-	1,486.35	-	532.70	2,019.05
Total Underwriter's Discount (1.750%)	10,850.00	5,687.50	39,375.00	14,350.00	13,562.50	83,825.00
Costs of Issuance	8,680.00	4,550.00	31,500.00	11,480.00	10,850.00	67,060.00
Deposit to Current Refunding Fund	612,607.00	316,953.13	2,212,079.25	809,371.50	763,730.25	4,714,741.13
Rounding Amount	1,140.25	3,388.00	95.65	(1,000.60)	(1,954.20)	1,669.10
Total Uses	\$633,277.25	\$330,578.63	\$2,284,536.25	\$834,200.90	\$786,721.25	\$4,869,314.28

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Public Finance

Morgan Keegan & Company, Inc.

Preliminary

\$4,790,000

McCreary County Water District
Potential Refunding through the
Kentucky Rural Water Finance Corporation

Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/31/2012	-	-	-	104,591.25	104,591.25
12/31/2013	290,228.79	450.00	290,678.79	302,533.75	11,854.96
12/31/2014	300,103.75	450.00	300,553.75	303,612.50	3,058.75
12/31/2015	297,166.25	450.00	297,616.25	301,022.50	3,406.25
12/31/2016	304,043.75	450.00	304,493.75	303,718.75	(775.00)
12/31/2017	300,736.25	450.00	301,186.25	302,167.50	981.25
12/31/2018	296,753.75	450.00	297,203.75	303,391.25	6,187.50
12/31/2019	297,010.00	450.00	297,460.00	302,367.50	4,907.50
12/31/2020	292,180.00	450.00	292,630.00	303,585.00	10,955.00
12/31/2021	287,350.00	450.00	287,800.00	302,532.50	14,732.50
12/31/2022	292,347.50	450.00	292,797.50	302,232.50	9,435.00
12/31/2023	306,785.00	450.00	307,235.00	304,595.00	(2,640.00)
12/31/2024	300,835.00	450.00	301,285.00	301,665.00	380.00
12/31/2025	299,797.50	450.00	300,247.50	304,420.00	4,172.50
12/31/2026	293,585.00	450.00	294,035.00	302,326.25	8,291.25
12/31/2027	301,920.00	450.00	302,370.00	302,917.50	547.50
12/31/2028	294,747.50	450.00	295,197.50	302,148.75	6,951.25
12/31/2029	297,140.00	450.00	297,590.00	303,486.25	5,896.25
12/31/2030	299,042.50	450.00	299,492.50	302,907.50	3,415.00
12/31/2031	295,433.75	450.00	295,883.75	301,946.25	6,062.50
12/31/2032	296,303.75	450.00	296,753.75	303,046.25	6,292.50
12/31/2033	301,655.00	450.00	302,105.00	304,140.00	2,035.00
12/31/2034	252,525.00	450.00	252,975.00	256,330.00	3,355.00
12/31/2035	248,967.50	450.00	249,417.50	254,217.50	4,800.00
12/31/2036	249,937.50	450.00	250,387.50	252,278.75	1,891.25
12/31/2037	230,907.50	450.00	231,357.50	233,385.00	2,027.50
12/31/2038	178,060.00	450.00	178,510.00	182,172.50	3,662.50
12/31/2039	176,072.50	450.00	176,522.50	181,770.00	5,247.50
12/31/2040	178,762.50	450.00	179,212.50	182,030.00	2,817.50
12/31/2041	-	-	-	47,035.00	47,035.00
Total	\$7,760,397.54	\$12,600.00	\$7,772,997.54	\$8,054,572.50	\$281,574.96

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	281,574.96
Gross PV Debt Service Savings	206,248.00
Effects of changes in Expenses	(7,598.61)
Net PV Cashflow Savings @ 3.953%(Bond Yield)	198,649.40
Transfers from Prior Issue Debt Service Fund	(76,170.63)
Contingency or Rounding Amount	1,669.10
Net Future Value Benefit	\$207,073.43
Net Present Value Benefit	\$124,147.87
Net PV Benefit / \$4,648,500 Refunded Principal	2.671%
Net PV Benefit / \$4,790,000 Refunding Principal	2.592%

Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012
3/28/2012 11:02 AM	

Morgan Keegan & Company, Inc.

Preliminary

\$604,000

McCreary County Water District

Waterworks Revenue Bonds

Series 1993

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	13,590.00	13,590.00
12/30/2013	17,000.00	-	26,797.50	43,797.50
12/30/2014	18,000.00	-	26,010.00	44,010.00
12/30/2015	18,000.00	-	25,200.00	43,200.00
12/30/2016	20,000.00	-	24,345.00	44,345.00
12/30/2017	20,000.00	-	23,445.00	43,445.00
12/30/2018	22,000.00	-	22,500.00	44,500.00
12/30/2019	22,000.00	-	21,510.00	43,510.00
12/30/2020	24,000.00	-	20,475.00	44,475.00
12/30/2021	25,000.00	-	19,372.50	44,372.50
12/30/2022	26,000.00	-	18,225.00	44,225.00
12/30/2023	28,000.00	-	17,010.00	45,010.00
12/30/2024	29,000.00	-	15,727.50	44,727.50
12/30/2025	30,000.00	-	14,400.00	44,400.00
12/30/2026	32,000.00	-	13,005.00	45,005.00
12/30/2027	33,000.00	-	11,542.50	44,542.50
12/30/2028	35,000.00	-	10,012.50	45,012.50
12/30/2029	37,000.00	-	8,392.50	45,392.50
12/30/2030	39,000.00	-	6,682.50	45,682.50
12/30/2031	40,000.00	-	4,905.00	44,905.00
12/30/2032	43,000.00	-	3,037.50	46,037.50
12/30/2033	46,000.00	4.500%	1,035.00	47,035.00
Total	\$604,000.00	-	\$347,220.00	\$951,220.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	5/30/2012
Average Life	12.611 Years
Average Coupon	4.5584809%
Weighted Average Maturity (Par Basis)	12.611 Years

Refunding Bond Information

Refunding Dated Date	5/30/2012
Refunding Delivery Date	5/30/2012

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Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$312,500

McCreary County Water District
Wateworks Revenue Bonds, Series 1997

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2012	-	-	7,031.25	7,031.25
12/31/2013	7,500.00	-	13,893.75	21,393.75
12/31/2014	8,000.00	-	13,545.00	21,545.00
12/31/2015	8,000.00	-	13,185.00	21,185.00
12/31/2016	8,500.00	-	12,813.75	21,313.75
12/31/2017	9,000.00	-	12,420.00	21,420.00
12/31/2018	9,500.00	-	12,003.75	21,503.75
12/31/2019	10,000.00	-	11,565.00	21,565.00
12/31/2020	10,000.00	-	11,115.00	21,115.00
12/31/2021	11,000.00	-	10,642.50	21,642.50
12/31/2022	11,000.00	-	10,147.50	21,147.50
12/31/2023	12,000.00	-	9,630.00	21,630.00
12/31/2024	12,000.00	-	9,090.00	21,090.00
12/31/2025	13,000.00	-	8,527.50	21,527.50
12/31/2026	13,500.00	-	7,931.25	21,431.25
12/31/2027	14,000.00	-	7,312.50	21,312.50
12/31/2028	14,500.00	-	6,671.25	21,171.25
12/31/2029	15,500.00	-	5,996.25	21,496.25
12/31/2030	16,000.00	-	5,287.50	21,287.50
12/31/2031	16,500.00	-	4,556.25	21,056.25
12/31/2032	17,500.00	-	3,791.25	21,291.25
12/31/2033	18,000.00	-	2,992.50	20,992.50
12/31/2034	19,000.00	-	2,160.00	21,160.00
12/31/2035	20,000.00	-	1,282.50	21,282.50
12/31/2036	18,500.00	4.500%	416.25	18,916.25
Total	\$312,500.00	-	\$204,007.50	\$516,507.50

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/25/2012
Average Life	14.191 Years
Average Coupon	4.6004191%
Weighted Average Maturity (Par Basis)	14.191 Years

Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012

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Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$798,000

McCreary County Water District
Sewer System Revenue Bonds, Series 1997

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2012	-	-	17,955.00	17,955.00
12/31/2013	18,000.00	-	35,505.00	53,505.00
12/31/2014	19,000.00	-	34,672.50	53,672.50
12/31/2015	19,000.00	-	33,817.50	52,817.50
12/31/2016	21,000.00	-	32,917.50	53,917.50
12/31/2017	21,000.00	-	31,972.50	52,972.50
12/31/2018	23,000.00	-	30,982.50	53,982.50
12/31/2019	23,000.00	-	29,947.50	52,947.50
12/31/2020	25,000.00	-	28,867.50	53,867.50
12/31/2021	25,000.00	-	27,742.50	52,742.50
12/31/2022	27,000.00	-	26,572.50	53,572.50
12/31/2023	28,000.00	-	25,335.00	53,335.00
12/31/2024	29,000.00	-	24,052.50	53,052.50
12/31/2025	31,000.00	-	22,702.50	53,702.50
12/31/2026	32,000.00	-	21,285.00	53,285.00
12/31/2027	33,000.00	-	19,822.50	52,822.50
12/31/2028	35,000.00	-	18,292.50	53,292.50
12/31/2029	36,000.00	-	16,695.00	52,695.00
12/31/2030	38,000.00	-	15,030.00	53,030.00
12/31/2031	40,000.00	-	13,275.00	53,275.00
12/31/2032	41,000.00	-	11,452.50	52,452.50
12/31/2033	44,000.00	-	9,540.00	53,540.00
12/31/2034	45,000.00	-	7,537.50	52,537.50
12/31/2035	46,000.00	-	5,490.00	51,490.00
12/31/2036	49,000.00	-	3,352.50	52,352.50
12/31/2037	50,000.00	4.500%	1,125.00	51,125.00
Total	\$798,000.00	-	\$545,940.00	\$1,343,940.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/25/2012
Average Life	14.886 Years
Average Coupon	4.5957253%
Weighted Average Maturity (Par Basis)	14.886 Years

Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012

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Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$2,181,000

McCreary County Water District

Wateworks Revenue Bonds, Series 2001

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2012	-	-	49,072.50	49,072.50
12/31/2013	40,000.00	-	97,245.00	137,245.00
12/31/2014	42,000.00	-	95,400.00	137,400.00
12/31/2015	44,000.00	-	93,465.00	137,465.00
12/31/2016	46,000.00	-	91,440.00	137,440.00
12/31/2017	48,000.00	-	89,325.00	137,325.00
12/31/2018	50,000.00	-	87,120.00	137,120.00
12/31/2019	53,000.00	-	84,802.50	137,802.50
12/31/2020	55,000.00	-	82,372.50	137,372.50
12/31/2021	57,000.00	-	79,852.50	136,852.50
12/31/2022	60,000.00	-	77,220.00	137,220.00
12/31/2023	63,000.00	-	74,452.50	137,452.50
12/31/2024	65,000.00	-	71,572.50	136,572.50
12/31/2025	69,000.00	-	68,557.50	137,557.50
12/31/2026	71,000.00	-	65,407.50	136,407.50
12/31/2027	75,000.00	-	62,122.50	137,122.50
12/31/2028	78,000.00	-	58,680.00	136,680.00
12/31/2029	82,000.00	-	55,080.00	137,080.00
12/31/2030	85,000.00	-	51,322.50	136,322.50
12/31/2031	89,000.00	-	47,407.50	136,407.50
12/31/2032	93,000.00	-	43,312.50	136,312.50
12/31/2033	97,000.00	-	39,037.50	136,037.50
12/31/2034	102,000.00	-	34,560.00	136,560.00
12/31/2035	106,000.00	-	29,880.00	135,880.00
12/31/2036	111,000.00	-	24,997.50	135,997.50
12/31/2037	117,000.00	-	19,867.50	136,867.50
12/31/2038	122,000.00	-	14,490.00	136,490.00
12/31/2039	128,000.00	-	8,865.00	136,865.00
12/31/2040	133,000.00	4.500%	2,992.50	135,992.50
Total	\$2,181,000.00	-	\$1,699,920.00	\$3,880,920.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/25/2012
Average Life	17.004 Years
Average Coupon	4.5838047%
Weighted Average Maturity (Par Basis)	17.004 Years

Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012

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Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$753,000

McCreary County Water District
Sewer System Revenue Bonds, Series 2002 A

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2012	-	-	16,942.50	16,942.50
12/31/2013	13,000.00	-	33,592.50	46,592.50
12/31/2014	14,000.00	-	32,985.00	46,985.00
12/31/2015	14,000.00	-	32,355.00	46,355.00
12/31/2016	15,000.00	-	31,702.50	46,702.50
12/31/2017	16,000.00	-	31,005.00	47,005.00
12/31/2018	16,000.00	-	30,285.00	46,285.00
12/31/2019	17,000.00	-	29,542.50	46,542.50
12/31/2020	18,000.00	-	28,755.00	46,755.00
12/31/2021	19,000.00	-	27,922.50	46,922.50
12/31/2022	19,000.00	-	27,067.50	46,067.50
12/31/2023	21,000.00	-	26,167.50	47,167.50
12/31/2024	21,000.00	-	25,222.50	46,222.50
12/31/2025	23,000.00	-	24,232.50	47,232.50
12/31/2026	23,000.00	-	23,197.50	46,197.50
12/31/2027	25,000.00	-	22,117.50	47,117.50
12/31/2028	25,000.00	-	20,992.50	45,992.50
12/31/2029	27,000.00	-	19,822.50	46,822.50
12/31/2030	28,000.00	-	18,585.00	46,585.00
12/31/2031	29,000.00	-	17,302.50	46,302.50
12/31/2032	31,000.00	-	15,952.50	46,952.50
12/31/2033	32,000.00	-	14,535.00	46,535.00
12/31/2034	33,000.00	-	13,072.50	46,072.50
12/31/2035	34,000.00	-	11,565.00	45,565.00
12/31/2036	35,000.00	-	10,012.50	45,012.50
12/31/2037	37,000.00	-	8,392.50	45,392.50
12/31/2038	39,000.00	-	6,682.50	45,682.50
12/31/2039	40,000.00	-	4,905.00	44,905.00
12/31/2040	43,000.00	-	3,037.50	46,037.50
12/31/2041	46,000.00	4.500%	1,035.00	47,035.00
Total	\$753,000.00	-	\$608,985.00	\$1,361,985.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/25/2012
Average Life	17.655 Years
Average Coupon	4.5807116%
Weighted Average Maturity (Par Basis)	17.655 Years

Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012

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Morgan Keegan & Company, Inc.

Public Finance

**MCCREARY COUNTY WATER DISTRICT,
WATER AND SEWER DIVISIONS
COMBINED STATEMENTS OF NET ASSETS
DECEMBER 31, 2010 and 2009**

ASSETS

	2010	2009
Current assets:		
Cash and cash equivalents	\$ 656,297	\$ 580,933
Unbilled revenues	212,586	217,811
Accounts receivable	504,865	492,973
Other receivables	88,065	282,415
Inventory	156,352	186,230
Prepaid expenses	37,424	34,724
Total current assets	1,655,589	1,795,086
Non-current assets:		
Restricted assets:		
Cash	1,210,766	864,150
Investments	107,991	105,829
Capital assets:		
Utility plant	54,153,073	46,541,579
Less accumulated depreciation	(13,009,060)	(11,662,452)
Construction in process	198,426	3,877,390
Bond issue costs, net	61,575	64,774
Total non-current assets	42,722,771	39,791,270
Total assets	\$ 44,378,360	\$ 41,586,356

LIABILITIES

Current liabilities:		
Accounts payable	\$ 318,890	\$ 406,957
Accrued interest	125,647	125,036
Taxes payable	17,676	16,677
Other accrued expenses	84,943	67,592
Customer deposits	24,118	24,469
Capital equipment lease - current	3,054	12,032
Notes payable - current	40,154	38,473
Revenue bonds - current portion	244,515	231,429
Total current liabilities	858,997	922,665
Non-current liabilities:		
Capital equipment lease - non current	4,910	7,738
Notes payable - long term	179,851	220,010
Revenue bonds - net current portion	8,792,858	9,042,773
Total non-current liabilities	8,977,619	9,270,521
Total liabilities	\$ 9,836,616	\$ 10,193,186

NET ASSETS

Invested in capital assets, net of related debt	\$ 32,077,097	\$ 29,204,062
Restricted for debt service and construction	1,318,757	969,979
Unrestricted	1,145,890	1,219,129
Total net assets	\$ 34,541,744	\$ 31,393,170

The accompanying notes are an integral part of the financial statements.

**McCREARY COUNTY WATER DISTRICT,
WATER AND SEWER DIVISIONS
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues		
Residential sales	\$ 2,111,061	\$ 2,055,876
Commercial sales	286,377	266,718
Industrial sales	6,067	21,649
Governmental sales	1,254,388	1,228,925
Other sales	<u>137,941</u>	<u>84,852</u>
Total operating revenues	<u>3,795,834</u>	<u>3,658,020</u>
Operating expenses		
General and administrative costs	126,096	150,739
Payroll and related expenses	1,643,020	1,498,470
Repairs and maintenance	115,038	95,118
Other supplies and expenses	1,027,898	1,002,403
Depreciation and amortization	<u>1,373,165</u>	<u>1,238,875</u>
Total operating expenses	<u>4,285,217</u>	<u>3,985,605</u>
Operating loss	<u>(489,383)</u>	<u>(327,585)</u>
Nonoperating revenues (expenses)		
Interest income	32,381	40,218
Other income	166,103	142,656
Impairment of fixed assets	(23,358)	-
Interest expense	<u>(368,904)</u>	<u>(368,173)</u>
Net nonoperating revenues (expenses)	<u>(193,778)</u>	<u>(185,299)</u>
Loss before contributions	(683,161)	(512,884)
Capital grants received	<u>3,831,735</u>	<u>1,268,802</u>
Change in net assets	3,148,574	755,918
Total net assets beginning of year	<u>31,393,170</u>	<u>30,637,252</u>
Total net assets end of year	<u>\$ 34,541,744</u>	<u>\$ 31,393,170</u>

The accompanying notes are an integral part of the financial statements

**McCREARY COUNTY WATER DISTRICT
WATER AND SEWER DIVISIONS
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
Cash Flows from Operating Activities		
Cash received from customers	\$ 3,982,045	\$ 3,479,488
Operating expenses:		
General and administrative	(126,096)	(150,739)
Payroll and related expenses	(1,643,020)	(1,498,470)
Repairs and maintenance	(115,038)	(95,118)
Other supplies and expenses	(1,070,788)	(994,269)
Net cash provided by operating activities	1,027,103	740,892
 Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(3,979,243)	(1,548,008)
Acquisition of debt	-	139,556
Principal paid on debt	(287,113)	(255,530)
Interest paid on debt	(368,293)	(329,164)
Capital contributions	3,831,735	1,268,802
Net cash used in capital and related financing activities	(802,914)	(724,344)
 Cash Flows from Investing Activities		
Interest income from investments	33,850	40,454
Other cash receipts	166,103	142,656
Net cash provided by investing activities	199,953	183,110
 Net increase in cash and cash equivalents	424,142	199,658
 Cash and cash equivalents, at beginning of year	1,550,912	1,351,254
 Cash and cash equivalents, at end of year	\$ 1,975,054	\$ 1,550,912
 Unrestricted cash and cash equivalents	\$ 656,297	\$ 580,933
Restricted cash and cash equivalents	1,318,757	969,979
 Total cash and cash equivalents, at end of year	\$ 1,975,054	\$ 1,550,912

The accompanying notes are an integral part of the financial statements.

**McCREARY COUNTY WATER DISTRICT,
 WATER AND SEWER DIVISIONS
 COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (489,383)	\$ (327,585)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	1,373,165	1,238,875
Change in assets and liabilities:		
(Increase) decrease in receivables	186,211	(178,532)
Decrease (increase) in inventories	29,878	(22,522)
(Increase) in prepaids	(2,700)	(609)
(Decrease) increase in accounts payable	(88,067)	73,271
(Decrease) increase in customer deposits	(351)	6,132
Increase(decrease) in accrued expenses	18,350	(48,138)
Net cash provided by operating activities	\$ 1,027,103	\$ 740,892