

# Rubin & Hays

ATTORNEYS AT LAW

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

January 8, 2007

RECEIVED

JAN 9 2007

PUBLIC SERVICE  
COMMISSION

Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

Re: Nebo Water District - Kentucky Public Service Commission Application for approval  
of issuance of securities

Dear Ms. O'Donnell:

*Case No. 2007-00015*

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

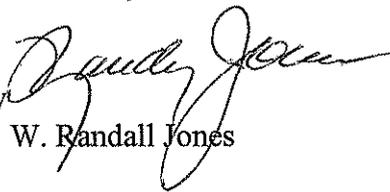
**Please be advised that this financing is part of a pooled issue through the Kentucky Rural Water Finance Corporation which is scheduled to close on January 30, 2007. We are therefore requesting that the Commission expedite this case and issue it's Order no later than January 30, 2007.**

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: Ms. Linda Neal, Nebo Water District

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED  
JAN 9 2007  
PUBLIC SERVICE  
COMMISSION

In the matter of:

APPLICATION OF THE NEBO WATER )  
DISTRICT FOR AN ORDER APPROVING ) Case No. 2007-00015  
THE ISSUANCE OF SECURITIES )  
PURSUANT TO KRS 278.300 )

APPLICATION

The Nebo Water District (the "District"), by counsel, pursuant to KRS 278.300, petitions the Commission for an order approving the issuance of securities to finance a waterworks improvement project. The following information is filed in accordance with the Commission's regulations:

1. The District's office address is P.O. Box 147, Nebo, Kentucky 42441. Its principal officers are listed in its 2005 Annual Report, which is on file with the Commission;
2. The District is a non-profit water district organized under KRS Chapter 74 and has no separate articles of incorporation or by-laws;
3. A description of the District's water system and its property stated at original cost by accounts is contained in its 2005 Annual Report, which is incorporated by reference pursuant to 807 KAR 5:001 Section (5)(5). All required normal financial schedules and other data are in the Annual Report;
4. The water improvements project (the "Project") consists of repainting an existing elevated water storage tank;
5. The Project is in the public interest and is required to allow the District to comply with applicable regulations;

6. The total project cost is approximately \$170,000, of which \$160,000 is budgeted for the Project and \$10,000 for financing expenses;

7. No easements are required for the Project;

8. This service will not compete with any other utility in the area;

9. Based on these facts, the District believes that it is in the public interest that the issuance of the securities be authorized;

10. The following information is provided in response to 807 KAR 5:001 Section (8)(3);

a. Articles of Incorporation - None, the District is a statutorily created water district under KRS Chapter 74;

11. The following information is provided as required by 807 KAR 5:001 Section (11)(1);

a. A general description of the property is contained in the 2005 Annual Report;

b. The Project will be funded from the proceeds of a loan in the approximate amount of \$170,000 from the Kentucky Rural Water Finance Corporation through its Flexible Term Program - the District files herewith as **Exhibit "A"** the Sources and Uses of Funds Schedule and the Estimated Debt Service Schedule, as prepared by Morgan Keegan, financial advisors to the Kentucky Rural Water Finance Corporation;

c. All funds are to be used in accordance with the Sources and Uses of Funds, see Exhibit "A";

d. No property is being acquired in connection with this Project;

e. No proceeds of the KRWFC Loan will be used to refund outstanding obligations.

f. The KRWFC Loan will be repaid out of the revenues of the District's system.

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

a. The District hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the application. The District states that there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2005. The financial data filed herewith as **Exhibit "B"** (detailed Income Statement and Balance Sheet) is for the twelve (12) month period ending December 31, 2005. This is the most recent published financial data available. Because the Project has been bid and the District is under a bid-hold period by the Contractors, the District cannot run the risk of delaying the commencement of the Project and losing the favorable bids while more current financial data is compiled;

b. There are no trust deeds or mortgages applicable;

c. No property is being acquired in connection with the Project.

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

**WHEREFORE**, the Applicant, Nebo Water District requests that the Public Service Commission of Kentucky grant to the Applicant the following:

- A. An order approving the issuance of securities in the form of a loan from the Kentucky Rural Water Finance Corporation in the approximate amount of \$170,000.
- B. Applicant's motion for a deviation from the 90 day requirement for financial information as required by 807 KAR 5:001 Section (11)(2)(a).

Nebo Water District

By  \_\_\_\_\_  
Chairman

Rubin & Hays

By  \_\_\_\_\_  
W. Randall Jones  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
(502) 569-7525





**\$170,000**

*Nebo Water District  
Proposed Loan through the  
Kentucky Rural Water Finance Corporation*

**Sources & Uses**

Dated 11/15/2006 | Delivered 11/15/2006

**Sources Of Funds**

Par Amount of Bonds.....	\$170,000.00
<b>Total Sources.....</b>	<b>\$170,000.00</b>

**Uses Of Funds**

Total Underwriter's Discount (1.500%).....	2,550.00
Costs of Issuance.....	6,475.00
Gross Bond Insurance Premium ( 31.0 bp).....	705.98
Deposit to Project Construction Fund.....	160,000.00
Rounding Amount.....	269.02
<b>Total Uses.....</b>	<b>\$170,000.00</b>

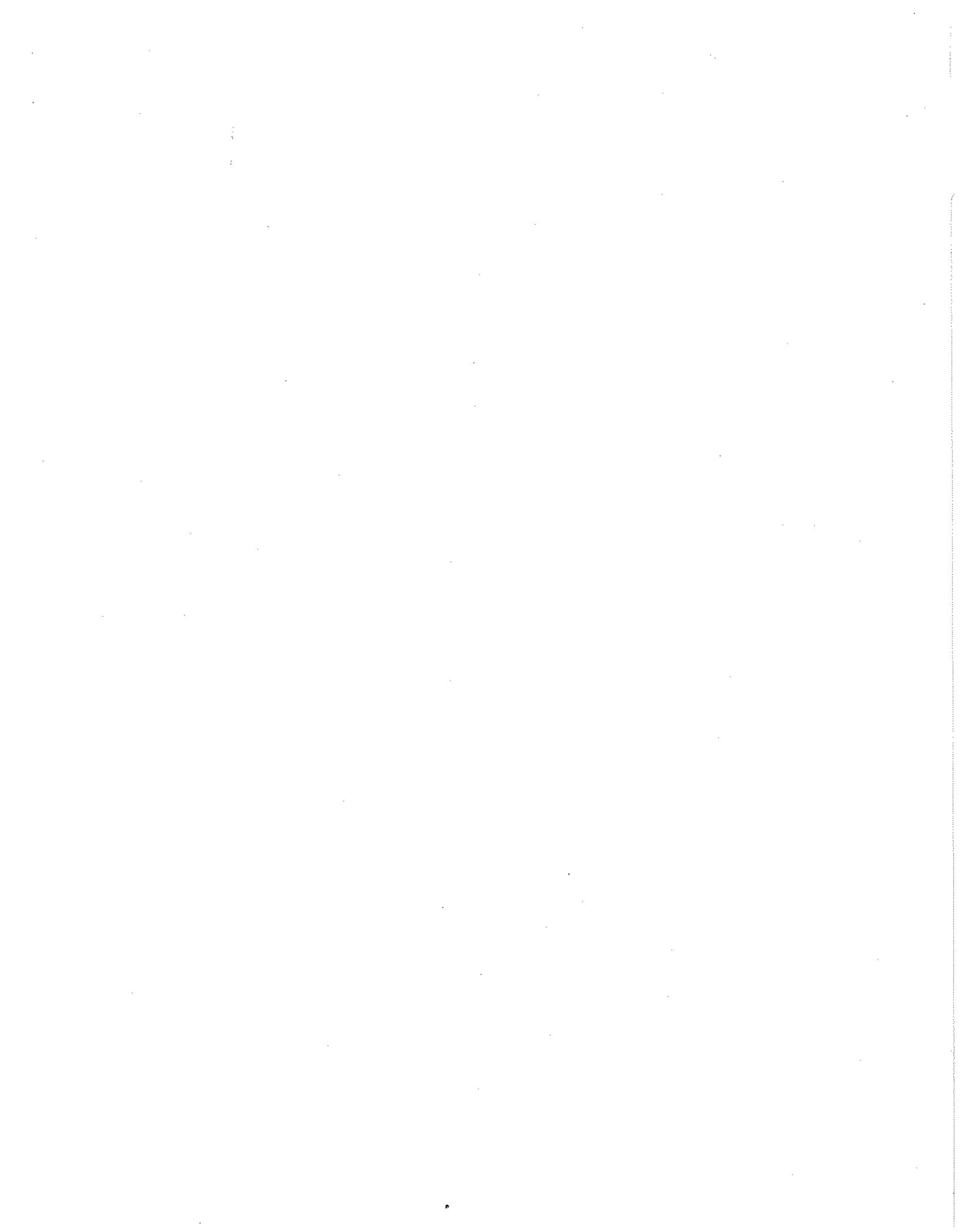
**\$170,000**  
*Nebo Water District*  
*Proposed Loan through the*  
*Kentucky Rural Water Finance Corporation*

**Debt Service Schedule**

Date	Principal	Coupon	Interest	Total P+i	Fiscal Total
11/15/2006	-	-	-	-	-
07/01/2007	-	-	4,057.77	4,057.77	-
12/30/2007	-	-	-	-	4,057.77
01/01/2008	9,000.00	3.840%	3,231.85	12,231.85	-
07/01/2008	-	-	3,068.05	3,068.05	-
12/30/2008	-	-	-	-	15,299.90
01/01/2009	9,000.00	3.700%	3,068.05	12,068.05	-
07/01/2009	-	-	2,901.55	2,901.55	-
12/30/2009	-	-	-	-	14,969.60
01/01/2010	9,000.00	3.690%	2,901.55	11,901.55	-
07/01/2010	-	-	2,735.50	2,735.50	-
12/30/2010	-	-	-	-	14,637.05
01/01/2011	10,000.00	3.690%	2,735.50	12,735.50	-
07/01/2011	-	-	2,551.00	2,551.00	-
12/30/2011	-	-	-	-	15,286.50
01/01/2012	10,000.00	3.690%	2,551.00	12,551.00	-
07/01/2012	-	-	2,366.50	2,366.50	-
12/30/2012	-	-	-	-	14,917.50
01/01/2013	10,000.00	3.700%	2,366.50	12,366.50	-
07/01/2013	-	-	2,181.50	2,181.50	-
12/30/2013	-	-	-	-	14,548.00
01/01/2014	11,000.00	3.710%	2,181.50	13,181.50	-
07/01/2014	-	-	1,977.45	1,977.45	-
12/30/2014	-	-	-	-	15,158.95
01/01/2015	11,000.00	3.730%	1,977.45	12,977.45	-
07/01/2015	-	-	1,772.30	1,772.30	-
12/30/2015	-	-	-	-	14,749.75
01/01/2016	12,000.00	3.760%	1,772.30	13,772.30	-
07/01/2016	-	-	1,546.70	1,546.70	-
12/30/2016	-	-	-	-	15,319.00
01/01/2017	12,000.00	3.800%	1,546.70	13,546.70	-
07/01/2017	-	-	1,318.70	1,318.70	-
12/30/2017	-	-	-	-	14,865.40
01/01/2018	12,000.00	3.840%	1,318.70	13,318.70	-
07/01/2018	-	-	1,088.30	1,088.30	-
12/30/2018	-	-	-	-	14,407.00
01/01/2019	13,000.00	3.890%	1,088.30	14,088.30	-
07/01/2019	-	-	835.45	835.45	-
12/30/2019	-	-	-	-	14,923.75
01/01/2020	13,000.00	3.940%	835.45	13,835.45	-
07/01/2020	-	-	579.35	579.35	-
12/30/2020	-	-	-	-	14,414.80
01/01/2021	14,000.00	3.980%	579.35	14,579.35	-
07/01/2021	-	-	300.75	300.75	-
12/30/2021	-	-	-	-	14,880.10
01/01/2022	15,000.00	4.010%	300.75	15,300.75	-
12/30/2022	-	-	-	-	15,300.75
<b>Total</b>	<b>\$170,000.00</b>	<b>-</b>	<b>\$57,735.82</b>	<b>\$227,735.82</b>	<b>-</b>

**Yield Statistics**

Bond Year Dollars.....	\$1,496.72
Average Life.....	8.804 Years
Average Coupon.....	3.8574840%
Net Interest Cost (NIC).....	4.0278563%
True Interest Cost (TIC).....	4.0611056%
Bond Yield for Arbitrage Purposes.....	3.9076855%
All Inclusive Cost (AIC).....	4.9380036%
<b>IRS Form 8038</b>	
Net Interest Cost.....	3.8574840%
Weighted Average Maturity.....	8.804 Years



**NEBO WATER DISTRICT  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ -	\$ 437,289	\$ 437,289
Accounts receivable	-	50,254	50,254
Inventories	-	23,206	23,206
Prepaid insurance	-	4,293	4,293
Total current assets	-	515,042	515,042
<b>Noncurrent Assets</b>			
Restricted cash	-	187,614	187,614
Capital assets, net of depreciation	-	1,395,445	1,395,445
Unamortized bond issue costs	-	11,070	11,070
Total noncurrent assets	-	1,594,129	1,594,129
Total assets	-	2,109,171	2,109,171
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	-	23,099	23,099
Accrued expenses	-	3,728	3,728
Compensated absences	-	990	990
Current portion of bonds payable	-	36,000	36,000
Total current liabilities	-	63,817	63,817
<b>Noncurrent Liabilities</b>			
Noncurrent portion of bonds payable	-	733,000	733,000
Total noncurrent liabilities	-	733,000	733,000
Total liabilities	-	796,817	796,817
<b>Net Assets</b>			
Contributed capital	-	1,457,159	1,457,159
Retained earnings (deficit)			
Reserve for unrestricted assets	-	456,457	456,457
Unrestricted	-	(301,262)	(301,262)
Total net assets	\$ -	\$ 1,612,354	\$ 1,612,354

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



**NEBO WATER DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
DECEMBER 31, 2005**

	<u>Business-type Activities Enterprise Fund</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 437,289
Accounts receivable	50,254
Inventories	23,206
Prepaid insurance	<u>4,293</u>
Total current assets	<u>515,042</u>
<b>Noncurrent Assets</b>	
Restricted cash	187,614
Capital assets	3,125,913
Less accumulated depreciation	(1,730,468)
Unamortized bond issue costs	<u>11,070</u>
Total noncurrent assets	<u>1,594,129</u>
Total assets	<u>2,109,171</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	23,099
Accrued expenses	3,728
Compensated absences	990
Current portion of bonds payable	<u>36,000</u>
Total current liabilities	<u>63,817</u>
<b>Noncurrent Liabilities</b>	
Noncurrent portion of bonds payable	<u>733,000</u>
Total noncurrent liabilities	<u>733,000</u>
Total liabilities	<u>796,817</u>
<b>Net Assets</b>	
Contributed capital	1,457,159
Retained earnings (deficit)	
Reserved for restricted assets	156,457
Unreserved	<u>(301,262)</u>
Total net assets	<u>\$ 1,312,354</u>

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

NEBO WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
DECEMBER 31, 2005

	Business-type Activities <u>Enterprise Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 646,660
Other income	<u>14,408</u>
Total operating revenues	<u>661,068</u>
<b>Operating Expenses:</b>	
Purchased water	334,911
Purchased power	10,327
Salaries and wages	56,654
Contract services	95,912
Depreciation	96,672
Material and supplies	46,536
Insurance	23,964
Payroll taxes	10,230
Miscellaneous expense	8,233
Utilities	6,912
Equipment rent	6,814
Office expense	7,291
Bad debt expense	958
Vehicle expense	9,591
Advertising	<u>2,368</u>
Total operating expenses	<u>717,373</u>
<b>Operating income (loss)</b>	<u>(56,305)</u>
<b>Nonoperating revenues (expenses):</b>	
Interest income	13,347
Interest expense	(40,575)
Amortization of bond issue costs	(540)
Tap on fees	<u>23,800</u>
Total nonoperating revenues (expenses)	<u>(3,968)</u>
Change in net assets	(60,273)
<b>Total net assets, beginning</b>	<u>1,372,627</u>
<b>Total net assets, ending</b>	<u>\$ 1,312,354</u>

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

NEBO WATER DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-type Activities Enterprise Fund
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 646,660
Payments to suppliers	(564,047)
Payments to employees	(56,654)
Other receipts (payments)	<u>12,671</u>
<b>Net cash provided by operating activities</b>	<u>38,630</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal paid on bonds payable	(35,000)
Interest paid on bonds payable	(40,575)
Capital contributions from customers	<u>23,800</u>
<b>Net cash (used) in capital and related financing activities</b>	<u>(51,775)</u>
<b>Cash Flows from Investing Activities</b>	
Interest income	<u>13,347</u>
<b>Net increase in cash and cash equivalents</b>	202
<b>Balances, beginning of year</b>	<u>624,702</u>
<b>Balances, ending of year</b>	<u>\$ 624,904</u>

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

NEBO WATER DISTRICT  
STATEMENT OF CASH FLOWS, Continued  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

		Business-type Activities Enterprise Fund
Reconciliation of operating income loss to net cash (used in) operating activities		
Operating (loss)	\$	(56,305)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization		96,672
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable		(2,193)
(Increase) decrease in inventory		(1,040)
(Increase) decrease in prepaid insurance		(1,448)
Increase (decrease) in accounts payable		1,426
Increase (decrease) in accrued expense		2,238
Increase (decrease) in compensated absences		(720)
<b>Net cash provided by operating activities</b>	<b>\$</b>	<b>38,630</b>

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



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