

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

OCT 20 2008

PUBLIC SERVICE
COMMISSION

2008-00448

In the Matter of:

The Application of Graves County Water
District for Approval of Financing

Case No. 2008-00

APPLICATION

Graves County Water District, by counsel, pursuant to KRS 278.300 petitions for approval of the refinancing of and assumption of certain debt of the former South Graves Water District.

1. Graves County Water District is formed pursuant to KRS Chapter 74 and by order of the Public Service Commission dated May 21, 2008 in Case No. 2007-00496. Its address is Graves County Courthouse, P.O. Box 329, Mayfield, KY 42066.

2. As a water district, it has no articles of incorporation.

3. The District proposes to refinance the Kentucky Infrastructure Authority (KIA) loan of the former South Graves Water District from Fund C to Fund B. As a result of this restructuring, the assets of Graves County Water District will be pledged to support the loan and the proceeds of the loan will be available to Graves County Water District. A copy of the loan documents from KIA are attached as exhibit 1.

4. Graves County Water District original cost is contained in information submitted in Case No. 2007-00496, which is incorporated by reference.

5. No stock or bonds are to be issued. The note from KIA is described in exhibit 1.

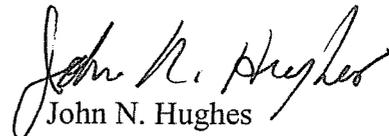
6. The terms, rates and amount of the note are described in exhibit 1.

7. The proceeds are to be used to refinance the existing loan of South Graves Water

District.

8. No property is to be acquired.
9. The proceeds are not to refund an outstanding obligation.
10. There are no trust deeds or mortgages.
11. No stock is authorized or issued.
12. All mortgages, bonds and other notes were filed in Case No. 2007-00496 and are incorporated by reference.
13. There is no other indebtedness.
14. No dividends have been paid.
15. A balance sheet and income statement are attached as exhibit 2.
16. A deviation pursuant to 807 KAR 5:001(14) is requested for use of financial information greater than 90 days old and for any other filing requirement not essential for the review and approval of the application.

For these reasons, the Applicant requests an order granting the assumption of debt and financing as described.



John N. Hughes
124 West Todd St.
502 227 7270
Frankfort, KY 40601

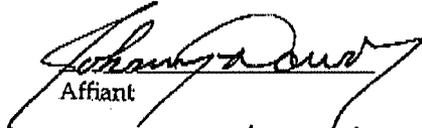
Attorney for Graves County
Water District

AFFIDAVIT

COMMONWEALTH OF KENTUCKY

COUNTY OF GRAVES

Affiant, JOHNNY DOWDY, Chairman Graves County Water District, after being first sworn, deposes and says that the information contained in the Application is true and correct to the best of his knowledge and belief except as to those matters that are based on information provided to him and as to those he believes to be true and correct.


Affiant

This instrument was produced, signed and declared by Johnny Dowdy, Chairman to be his act and deed the 16th day of October 2008.


Notary Public

My Commission expires: 3-8-2010

EXHIBIT 1



KENTUCKY INFRASTRUCTURE AUTHORITY

Steven L. Beshear
Governor

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

John E. Covington III
Executive Director

10/3/2008

Johnny Dowdy, Chairman
Graves County Water District
P.O. Box 329
Mayfield, Kentucky 42066

KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (B07-03)

Dear Chairman Dowdy:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On 10/2/2008, the Authority approved your Fund B loan request, the proceeds of which will be used to retire the Authority's Fund C loan (C92-07) to the now dissolved South Graves Water District (SGWD). The total cost of the project shall not exceed \$849,154 of which the Authority loan shall provide \$849,154 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Graves County Water District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (10/3/2009) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$849,154.



2. The loan shall bear interest at the rate of 0.40% per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period not to exceed 17 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on June 1 or December 1 immediately succeeding the date of the last draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1 or December 1 which is at least six months from the date of the last draw of funds. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable

state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.

3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding or any new sources of funding not reflected in Attachment A shall be immediately reported and may cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.
5. Based on the final "as bid" project budget, the community must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by your consultant engineer
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Authority.
8. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
9. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.
10. The Borrower must complete and return to the Authority the attached

"Authorization For Electronic Deposit of Vendor Payment" Form.

11. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
12. Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). If there is a significant deviation from the Final Design Plan during construction, As-built plans shall also be provided to the Authority in the same format.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We will assist you in a final evaluation of the financing plan when construction bids are available. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



Sandy Williams
Financial Analyst

Attachments

cc: Roger Recktenwald, Kentucky Association of Counties
Dirk Bedarff, Peck, Shaffer & Williams LLP
Lonnie Campbell, State and Local Debt Office, DLG
Borrower File – Graves County Water District – B07-03

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.

Accepted

Date

**AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND B07-03)**

Borrower Information:

Name: _____

Address: _____

City: _____ State: KY Zip: _____

Telephone: _____ Contact: _____

Federal I.D. # _____

Financial Institution Information:

Bank Name: _____

Branch: _____ Phone No: _____

City: _____ State: _____ Zip: _____

Transit / ABA No.: _____

Account Name: _____

Account Number: _____

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature: _____ Date: _____

Name Printed: _____ Job Title: _____

Please return completed form to:

**Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157**



Graves County Water District
P. O. Box 329
Mayfield, KY 42066

September 22, 2008

Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601-3646

Attn: Mr. John Covington, Executive Director

Dear Mr. Covington,

Please be advised that the Graves County Water District, pursuant to Kentucky Public Service Commission Order dated May 21, 2008 in Case No. 2007-00496, is the resultant entity of the approved merger of Consumers Water District, Fancy Farm Water District, Hardeman Water District and South Graves Water District, in Graves County.

The District is appreciative of the encouragement and support of the Kentucky Infrastructure Authority throughout this process. Specifically, as per agreement with the Authority, the District has received \$500,000 through the Graves County Fiscal Court and to date has expended \$199,823.07 in paying out all outstanding loans to the Rural Development Administration and local lending institutions that were carried by members of the merged District. The balance of the granted funds will be disbursed by the District to the Authority to pay down the Fund B loans (originated to Fancy Farm Water District and a refinance loan to South Graves Water District) when and as directed by the Authority.

To that end, on May 10, 2007 the Authority approved a \$500,000 merger incentive grant to Graves County Fiscal Court and authorized the refinancing of the original Fund C loan to South Graves Water District with a Fund B loan at the rate of .4 %. Both the grant and the refinancing were conditioned upon achievement of merger of the systems, as subsequently approved by the KIA Executive Committee. Though the period of one year has elapsed, the District has taken all steps, timely and diligently to effect the intended merger that was completed on September 3, 2008 and respectfully requests that the Authority extend the time frame of its approved action sufficient to allow completion of the loan refinancing and transfer.

Also, in that the original KIA loans were obtained in the names of Fancy Farm Water District and South Graves Water District, the District requests that these loans be transferred to the name of Graves County Water District. Secondly, is there any fiscal or administrative advantage to the District or the Authority in consolidating these loans at this time?

Again, we sincerely appreciate the Authority's support and assistance in the merger.

Respectfully,


Johnny Dowdy, Chair
Graves County Water District

KENTUCKY INFRASTRUCTURE
AUTHORITY

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ATTACHMENT A

**Graves County Water District
B07-03**

EXECUTIVE SUMMARY		Reviewer:	Sandy Williams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date:	10/2/2008	
FUND B, INFRASTRUCTURE REVOLVING FUND		KIA Loan Numbers:	B07-03 B05-04 B05-05	
BORROWER:	GRAVES COUNTY WATER DISTRICT			
	Graves County			
BRIEF DESCRIPTION:	The Graves County Water District (GCWD) is requesting to assume the outstanding KIA debt of the Fancy Farm Water District (B05-04 and B05-05) as a result of a recent merger / consolidation. Additionally, the GCWD also requests to reapply for a Fund B loan under the same terms and conditions that were approved by the KIA Board on May 10, 2007, in the name of South Graves Water District in the amount of \$849,154. This Fund B loan will be used to retire the Authority's Fund C loan (C92-07) to the now dissolved South Graves Water District (SGWD).			
PROJECT FINANCING:		PROJECT BUDGET		
KIA Fund B07-03	\$ 849,154	Retire Fund C92-07 Loan to SGWD	\$ 849,154	
KIA Fund B05-04	\$ 539,641	Assume Debt of Fancy Farm	\$ 539,641	
KIA Fund B05-05	\$ 131,810	Assume Debt of Fancy Farm	\$ 131,810	
TOTAL	\$ 1,520,605	TOTAL	1,520,605	
REPAYMENT			Est. Annual	
	Rate	See Attached	Payment	\$96,966
	Term	See Attached	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer			
	Bond Counsel Peck, Shafer, & Williams			
PROJECT SCHEDULE	PSC Approval of Merger May 21, 2008			
	Merger Finalized September 8, 2008			
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES			<u>Avg. Bill</u>	
	South Graves Water District Customers		\$27.99	(for 4,000 gallons)
	Consumers Water District		\$13.12	(for 4,000 gallons)
	Hardeman Water District		\$26.84	(for 4,000 gallons)
	Fancy Farm Water District		\$19.80	(for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Available for	Income after Debt		
	Debt Service	Debt Service	Service	Coverage Ratio
Projected 2009	158,190	96,966	61,224	1.63
Projected 2010	129,930	96,966	32,965	1.34
Projected 2011	125,532	96,966	28,567	1.29
Projected 2012	125,532	96,966	28,567	1.29

Reviewer: Sandy Williams
Date: October 2, 2008
Loan Numbers: B07-03
B05-04
B05-05

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING FUND (FUND B)
GRAVES COUNTY WATER DISTRICT
GRAVES COUNTY
CREDIT ANALYSIS**

I. PROJECT DESCRIPTION

The Graves County Water District (GCWD) is requesting to assume the outstanding KIA debt of the Fancy Farm Water District (B05-04 and B05-05) as a result of a recent merger / consolidation. Additionally, the GCWD also requests to reapply for a Fund B loan under the same terms and conditions that were approved by the KIA Board on May 10, 2007, in the name of South Graves Water District in the amount of \$849,154. This Fund B loan will be used to retire the Authority's Fund C loan (C92-07) to the now dissolved South Graves Water District (SGWD). The original commitment on the Fund B loan expired May 12, 2008. A one time extension of up to six months could have been requested advancing the commitment to November 12, 2008 and allowing SGWD to retain the 0.4% interest rate originally offered with this loan commitment. Due to the evolving nature of this merger, the extension was not requested timely. However, the ability to retain this 0.4% interest rate is in the best interest of the newly formed water district's financial health.

Favorable Fund B terms were offered as incentive for the SGWD to participate in the consolidation and to reduce the interest rate on the outstanding Fund C loan therefore relieving some of the financial burden on the system. As additional incentive, a \$500,000 2020 grant to the Graves County Fiscal Court was also approved by the KIA Board on May 10, 2007 to be used to reduce outstanding debt of the systems to be merged.

The merger, approved by the Public Service Commission under Case Number 2007-00496 on May 21, 2008, consolidated the operations, assets and liabilities of Consumers Water District, Fancy Farm Water District, Hardeman Water District, and South Graves Water District under the newly created Graves County Water District. The merger was finalized on September 8, 2008.

The General Assembly, in KRS 74.361(1), has determined the "reduction of the number of operating water districts in the Commonwealth...[is] in the public interest, in that mergers of such districts will tend to eliminate wasteful duplication

of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public; and that the public policy favors the merger of water districts wherever feasible.”

As a result of this merger, GCWD will specifically be able to provide services to a larger area of residents, which should provide economies of scale and offset potential rate increases. The operational benefits that result from this larger utility are: better buying power for goods and services, better utilization of operations personnel, centralized district management, replacement of old lines and equipment, purchase of large equipment and tools, service expansion to presently unserved areas, economic development, future development of sewer service, and the financial ability to handle emergencies. The benefit to the public is access to a larger, more economical district with the potential for expanded services.

II. PROJECT BUDGET

	KIA Fund B07-03	KIA Fund B05-04	KIA Fund B05-05	Total
Retire C92-07 Loan to SGWD	849,154.00			849,154.00
Assume Debt of Fancy Farm		539,640.59		539,640.59
Assume Debt of Fancy Farm			131,810.26	131,810.26
Total	849,154.00	539,640.59	131,810.26	1,520,604.85

III. PROJECT FUNDING

	Amount	%
KIA Fund B07-03	849,154	56%
KIA Fund B05-04	539,641	35%
KIA Fund B05-05	131,810	9%
Total	1,520,605	100%

IV. KIA DEBT SERVICE

	KIA Fund B07-03	KIA Fund B05-04	KIA Fund B05-05
KIA Debt Service			
Loan Amount	\$ 849,154	539,641	131,810
Interest Rate	0.40%	0.48%	0.48%
Loan Term (Years)	17	18	12.5
Estimated Annual Debt Service	\$ 51,718	\$ 31,330	\$ 10,877
Administrative Fee (0.20%)	1,698	1,079	264
Total Estimated Annual Debt Service	\$ 53,416	\$ 32,409	\$ 11,141

Combined annual debt service payment will be \$96,966 for all outstanding debt.

V. **PROJECT SCHEDULE**

PSC Approval of Merger
Merger Finalized

May 21, 2008
September 8, 2008

VI. **RATE STRUCTURE**

A. **Customers**

	<u>Consumers</u>	<u>Fancy Farm</u>	<u>Hardeman</u>	<u>SGWD</u>
Total Customers	1,669	652	336	670

B. **Rates**

SOUTH GRAVES COUNTY WD

First	2,000	\$ 14.25	Minimum Bill
Next	3,000	\$ 6.87	per 1,000 gallons
Next	5,000	\$ 6.62	per 1,000 gallons
Next	10,000	\$ 6.38	per 1,000 gallons
Next	30,000	\$ 5.89	per 1,000 gallons
Next	50,000	\$ 4.91	per 1,000 gallons
Over	100,000	\$ 3.43	per 1,000 gallons

Bill for 4,000 gallons \$ 27.99

Bill for 6,000 gallons \$ 41.48

CONSUMERS WATER DISTRICT

First	2,000	\$ 8.80	Minimum Bill
Next	8,000	\$ 2.16	per 1,000 gallons
Next	10,000	\$ 2.00	per 1,000 gallons
Next	30,000	\$ 1.85	per 1,000 gallons
Over	50,000	\$ 1.55	per 1,000 gallons

Monthly 4,000 gallon rate \$13.12

Monthly 6,000 gallon rate \$17.44

HARDEMAN WATER DISTRICT

First	2,000	\$ 13.10	Minimum Bill
Next	3,000	\$ 6.87	per 1,000 gallons
Next	15,000	\$ 6.62	per 1,000 gallons
Over	20,000	\$ 6.38	per 1,000 gallons

Monthly 4,000 gallon rate \$26.84

Monthly 6,000 gallon rate \$40.33

FANCY FARM WATER DISTRICT

First	2,000	\$13.10 per 1,000 gallons
Next	3,000	\$ 3.35 per 1,000 gallons
Next	5,000	\$ 3.18 per 1,000 gallons
Next	10,000	\$ 2.98 per 1,000 gallons
Over	20,000	\$ 2.70 per 1,000 gallons
Monthly 4,000 gallon rate		\$19.80
Monthly 6,000 gallon rate		\$26.33

The PSC ruling addressed the rates to be charged by the system. It states: For up to the first 18 months following PSC approval of the merger, the rates for each of the systems will remain unchanged. At the end of the first 12 months of operations, the merged district will perform a cost-of-service study to establish a new rate for all customers that will consist of a base rate and a debt surcharge rate. Within five years of the PSC approval the merged district will charge a uniform rate to all customers.

C. Demographics

Graves County is located in the Purchase or western-most area of Kentucky. The southern border is the Tennessee line and the adjoining counties are Hickman, Carlisle, McCracken, Marshall and Calloway Counties. The county seat is Mayfield.

VII. FINANCIAL ANALYSIS (See Exhibit 1)

Graves County is an area where ground water is plentiful and easily accessible. Due to the large amounts debt incurred for plant improvements and the rising cost to produce water, many consumers elected to drill wells which resulted in an increasing revenue problem for the water districts. With a small consumer base for each separate district, rates were increased to cover costs. Prior to the merger, even with the increase in rates these districts were struggling for existence.

The South Graves County Water District, Consumers Water District, Fancy Farm Water and Sewer District and Hardeman Water District agreed to merge into the Graves County Water District. This merger was approved by the Public Service Commission on May 21, 2008 and finalized on September 8, 2008. Prior to the finalization of the merger, three of the systems entered into a management contract with Mayfield Electric and Water Systems. As a result, the systems experienced improved system performance, stabilization in revenues, and a reduction in expenses. These improvements have strengthened the overall

financial position, but unfavorable loan terms on outstanding debt are still an issue. The merged system is under contract with Mayfield and is proceeding as planned.

The \$500,000 2020 grant was used to repay outstanding debts including bank loans, KADD bonds, and USDA loans. Retiring the Fund C loan and assumption of the two Fancy Farm loans are the final steps needed to complete the financial restructuring that will reduce the debt service to an acceptable level for the newly merged systems.

Given the drastic but improved changes brought about by the merger and the stabilization in revenues and reduction in expenses, historical financial information for the individual systems can not be used to adequately represent a historical picture for the newly created Graves County Water District.

Projections for GCWD are based on information compiled by the auditing firm of Romaine and Associates in Mayfield, Kentucky. This information was provided to the Public Service Commission to use in evaluating the merger application.

Projections are based on the following:

- Operating revenue and expenses were provided by Romaine and Associates.
- Graves County Water District will assume the debt of the Fund B loans (B05-04 and B05-05) currently in the name of Fancy Farm Water District. These loans will be assumed under the same interest rate and remaining term as the original loans.
- Graves County Water District will use the proceeds from KIA loan B07-03 to pay off the Fund C loan (C92-07) currently in the name of South Graves Water District. The new Fund B loan will have an interest rate of 0.4% and a term of 17 years.
- The total outstanding debt of the Graves County Water District will be \$1,520,604.85 and will have interest rates ranging from 0.40% to 0.48% with terms ranging from 12.5 to 18 years.
- Total annual debt service will be \$96,966.

Based on the projections, the GCWD will have a debt service coverage of 1.34 in 2010 and sufficient cashflow to repay the three Fund B loans.

VIII. DEBT OBLIGATIONS

<u>Issuance</u>	<u>Outstanding</u>	<u>Maturity</u>
KIA Fund B07-03	\$ 849,154.00	2025
KIA Fund B05-04	\$ 539,640.59	2026
KIA Fund B05-05	\$ 131,810.26	2020
Total	\$ 1,520,604.85	

IX. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

Entity	Project	Amount	Type
Graves County Fiscal Court	Debt Reduction - Graves Co WD	\$500,000.00	2020 Grant
Fancy Farm Water and Sewer District	Fancy Farm Water and Sewer District - Waste Water Treatment Plant Upgrade	\$255,000.00	HB 267 Grant
Hardemon Water District	Hardemon Water District - Water Tank Repairs	\$100,000.00	HB 267 Grant
Consumers Water District	Consumers Water District - Cuba Water Transmission Project	\$280,000.00	HB 267 Grant
Fancy Farm Water and Sewer District	Fancy Farm Water and Sewer District - KY 339 and Carrico Road Sanitary Sewer Extension	\$320,000.00	HB 267 Grant
Fancy Farm Water and Sewer District	Fancy Farm Water and Sewer District - Mayfield/Fancy Farm Water Interconnect and KY 80 Extension	\$495,000.00	HB 267 Grant
Hardemon Water District	Hardemon Water District - Water Tank Repairs	\$50,000.00	HB 267 Grant
Graves County Fiscal Court	Graves County Fiscal Court - Pressure and Interconnection Study	\$65,000.00	HB 267 Grant
Graves County Fiscal Court	Graves County Fiscal Court - Mayfield Interconnect - Hardman and Mayfield Electric Water System (WX21083010)	\$400,000.00	HB 608 Grant

X. CONTACTS

Johnny Dowdy
Chairman
Graves County Water District
P.O. Box 329
Mayfield, Kentucky 42066

XI. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions and the following special conditions.

1. The Graves County Water District must inform the Authority of any changes to the rates charged to customers for services provided.

GRAVES COUNTY WATER DISTRICT

CASHFLOW ANALYSIS

	Projected 2009	Projected 2010	Projected 2011
Revenues			
Metered Sales	1,030,379	1,030,379	1,030,379
Penalties	18,000	18,000	18,000
Service Charges and Misc.	47,400	47,400	47,400
Total Revenues	1,095,779	1,095,779	1,095,779
Expenses			
Administrative & Operating Expense	941,987	970,247	970,247
Depreciation & Amortization	211,329	217,669	217,669
Total Expenses	1,153,316	1,187,915	1,187,915
Net Income Cash	(57,537)	(92,136)	(92,136)
Non-Operating Revenues and Expenses			
Investment Income	4,398	4,398	-
Total Non-Operating Rev & Exp	4,398	4,398	-
Add Non-Cash Expenses			
Depreciation	211,329	217,669	217,669
Cash Available for Debt Service	158,190	129,930	125,532
Debt Service			
KIA Fund B07-03	53,416	53,416	53,416
KIA Fund B05-04	32,409	32,409	32,409
KIA Fund B05-05	11,141	11,141	11,141
Total Debt Service	96,966	96,966	96,966
Income After Debt Service	61,224	32,965	28,567
Debt Coverage Ratio	1.63	1.34	1.29

**GRAVES COUNTY WATER DISTRICT
BALANCE SHEETS**

	ASSETS	Post Merger 2008
Current Assets		
Cash and Cash Equivalents		304,361
Cash - Restrictive		
Accounts Receivable		67,882
Inventory		3,024
Prepaid Expenses		14,505
Total Current Assets		<u>389,772</u>
Utility Plant		
Utility Plant in service		5,258,347
Less Accumulated Depreciation		0
Total Utility Plant		<u>5,258,347</u>
Unamortized Debt Discount and Expense		68,392
Total Deferred Charges		<u>68,392</u>
Total Assets		<u><u>5,716,511</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable		37,325
Customer Deposits		66,029
Accrued Taxes		2,844
Current Portion of Long Term Debt		106,198
Total Current Liabilities		<u>106,198</u>
Long-Term Debt		
Long Term, Debt net of Current Portion		1,520,605
Total Long-Term Debt		<u>1,520,605</u>
Total Liabilities		<u><u>1,626,803</u></u>
Net Assets		
Proceeds From Capital Contribution		4,077,843
Advances For Construction		11,865
Unrestricted		
Total Net Assets		<u>4,089,708</u>
Total Liabilities and Net Assets		<u><u>5,716,511</u></u>
Balance Sheet Analysis		
Current Ratio		3.67
Debt to Equity		0.40

EXHIBIT 2

Graves County Water District
Compiled Balance Sheet
September 30, 2008

	<u>September 30, 2008</u>
ASSETS	
Current Assets	
Cash	\$ 800,227
Accounts Receivable	88,472
Prepaid Insurance	15,991
Total Current Assets	<u>904,690</u>
Noncurrent Assets	
Utility Plant in Service	5,258,347
Accumulated Depreciation	(20,000)
Unamortized Debt Discount and Expense	68,392
Total Noncurrent Assets	<u>5,306,739</u>
Total Assets	<u>\$ 6,211,429</u>
LIABILITIES & EQUITY	
Current Liabilities	
Accounts Payable	\$ 47,096
Customer Deposits	66,029
Advances for Construction	9,971
Total Current Assets	<u>123,096</u>
Noncurrent Liabilities	
KIA Long-Term Debt	1,520,605
Total Noncurrent Liabilities	<u>1,520,605</u>
Equity	
Contributions	4,577,843
Net Income	(10,115)
Total Equity	<u>4,567,728</u>
Total Liabilities & Equity	<u>\$ 6,211,429</u>

Graves County Water District
 Compiled Income Statement
 September 30, 2008

	<u>Consumers</u> <u>Area</u>	<u>Fancy Farm</u> <u>Area</u>	<u>South Graves</u> <u>Area</u>	<u>Hardeman</u> <u>Area</u>	<u>Total</u>
Operating Revenue					
Water Metered Sales	36,611	12,526	20,507	7,811	77,455
Sewer Sales	-	8,832	-	-	8,832
Penalties	587	243	491	864	2,185
Service Revenue	1,372	96	232	-	1,700
Miscellaneous	<u>1,075</u>	<u>400</u>	<u>400</u>	<u>10</u>	<u>1,885</u>
Total Operating Revenue	<u>39,645</u>	<u>22,097</u>	<u>21,630</u>	<u>8,685</u>	<u>92,057</u>
Operating Expenses					
Purchased Water	17,312	21	-	-	17,333
Purchased Power	518	2,391	1,386	888	5,183
Commissioner Pay	900	400	500	750	2,550
Contract Labor	7,695	5,601	2,655	5,062	21,013
Chemicals & Analysis	63	2,058	3,422	704	6,247
Materials & Supplies	2,405	996	404	160	3,965
Maintenance	7,733	7,582	4,278	4,429	24,022
Miscellaneous	<u>546</u>	<u>154</u>	<u>1,402</u>	<u>147</u>	<u>2,249</u>
Total Operating Expenses	<u>37,172</u>	<u>19,203</u>	<u>14,047</u>	<u>12,140</u>	<u>82,562</u>
Operating Income (Loss)	2,473	2,894	7,583	(3,455)	9,495
Other Income (Expenses)					
Interest Income	299	91	-	-	390
Depreciation Expense	<u>(8,875)</u>	<u>(6,274)</u>	<u>(3,454)</u>	<u>(1,397)</u>	<u>(20,000)</u>
Total Other Income (Expense)	<u>(8,576)</u>	<u>(6,183)</u>	<u>(3,454)</u>	<u>(1,397)</u>	<u>(19,610)</u>
Net Income (Loss)	<u>(6,103)</u>	<u>(3,289)</u>	<u>4,129</u>	<u>(4,852)</u>	<u>(10,115)</u>