

Rubin & Hays

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

July 5, 2007

RECEIVED

JUL 6 2007

PUBLIC SERVICE
COMMISSION

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

Case No. 2007-00301

Re: Bracken County Water District - Kentucky Public Service Commission Application
for approval to issue securities

Dear Ms. O'Donnell:

Enclosed please find the original and ten (10) copies of the Application of the Bracken County Water District for approval to issue securities pursuant to KRS Chapter 278.

Please be advised that the proceeds of the securities being issued are being used to repay certain interim financing notes that mature on July 31, 2007. Therefore, we are asking the Commission to expedite this matter and issue it's Order no later than July 30, 2007.

Thank you for your cooperation 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. Diana Moran, Bracken County Water District
Ms. Kristen Millard, Morgan Keegan

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
JUL 6 2007
PUBLIC SERVICE
COMMISSION

In the matter of:

APPLICATION OF BRACKEN COUNTY WATER)
DISTRICT FOR AN ORDER APPROVING)
THE ISSUANCE OF SECURITIES)
PURSUANT TO KRS 278.300)

Case No. 2007-00301

APPLICATION

The Bracken County Water District (the "District"), by counsel, pursuant to KRS 278.300, petitions the Commission for an order approving the issuance of securities to retire certain outstanding interim loans. The following information is filed in accordance with the Commission's regulations:

1. The District's office address is P.O. Box 201, Brooksville, Kentucky 41004. Its principal officers are listed in its 2006 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 2006 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 Commission issued the District a Certificate of Public Convenience and Necessity to construct a waterworks improvements project (the "Project") pursuant to an Order dated April 19, 2006 in **Case No. 2006-00053**. The District financed the Project with the proceeds of an interim loan from the 2006C Kentucky Rural Water Finance Corporation ("KRWFC") flexible

term pool in the principal amount of \$2,790,000 (the "2006C KRWFC Interim Loan"). The District also borrowed funds from the 2006F KRWFC flexible term pool in the amount of \$300,000 (the "2006F KRWFC Interim Loan") to finance the construction of a 1,500 square foot office building to house the District's operations.

5. The 2006C KRWFC Interim Loan and 2006F KRWFC Interim Loan (hereinafter collectively referred to as the "KRWFC Interim Loans") mature on August 1, 2007 and the District desires to borrow funds, on a long term basis, from KRWFC in the principal amount of \$3,355,000 (the "Permanent Financing") to retire said KRWFC Interim Loans;

6. 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;

7. 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 2006 Annual Report;

b. The proceeds of the Permanent Financing will be used to retire the outstanding KRWFC Interim Financing - 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 KRWFC;

c. All funds are to be used in accordance with the Sources and Uses of Funds, see Exhibit "A" and no funds will be used for property acquisition;

d. Approximately \$3,235,263.89 of the proceeds of the Permanent Financing are being used to retire the outstanding KRWFC Interim Financing (see attached **Exhibit "B"**

which sets out the relevant financial information on the KRWFC Interim Financing). The remaining funds in the amount of \$119,736.11 will be used to fund the costs of issuance.

e. The Permanent Financing will be repaid out of the revenues of the District's system.

8. 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, 2006. The financial data filed herewith as **Exhibit "C"** (detailed Income Statement and Balance Sheet) is for the twelve (12) month period ending December 31, 2006. This is the most recent published financial data available. The District is in the process of upgrading their computer software and currently does not have the capability to generate up to date financial information in a timely manner.

b. There are no trust deeds or mortgages applicable;

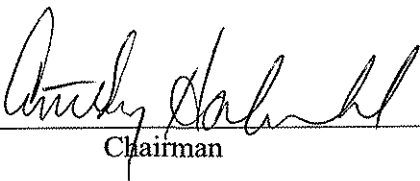
c. No property is being acquired in connection with the Permanent Financing.

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

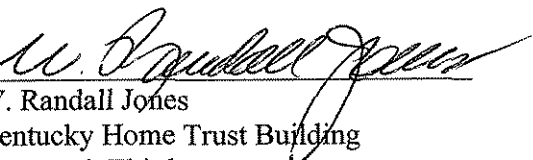
A. An order approving the issuance of securities in the form of a permanent loan from the Kentucky Rural Water Finance Corporation in the approximate amount of \$3,355,000.

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).

Bracken County Water District

By 
Chairman

Rubin & Hays

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

\$3,355,000

*Bracken County Water District
Kentucky Rural Water Finance Corporation
Flexible Term Finance Program, Series 2007 D*

Sources & Uses

Dated 07/30/2007 | Delivered 07/30/2007

SOURCES OF FUNDS

Par Amount of Bonds.....	\$3,355,000.00
TOTAL SOURCES.....	\$3,355,000.00

USES OF FUNDS

Original Issue Discount (OID).....	14,323.80
Total Underwriter's Discount (1.037%).....	34,777.00
Costs of Issuance.....	51,147.50
Gross Bond Insurance Premium (31.0 bp).....	16,055.06
Payoff of Series 2006 C Note.....	2,925,797.22
Payoff of Series 2006 F Note.....	309,466.67
Rounding Amount.....	3,432.75
TOTAL USES.....	\$3,355,000.00

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\$3,355,000
 Bracken County Water District
 Kentucky Rural Water Finance Corporation
 Flexible Term Finance Program, Series 2007 D

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/30/2007	-	-	-	-	-
02/01/2008	-	-	75,124.43	75,124.43	-
08/01/2008	110,000.00	4.125%	74,709.38	184,709.38	-
12/30/2008	-	-	-	-	259,833.81
02/01/2009	-	-	72,440.63	72,440.63	-
08/01/2009	115,000.00	4.125%	72,440.63	187,440.63	-
12/30/2009	-	-	-	-	259,881.26
02/01/2010	-	-	70,068.75	70,068.75	-
08/01/2010	120,000.00	4.125%	70,068.75	190,068.75	-
12/30/2010	-	-	-	-	260,137.50
02/01/2011	-	-	67,593.75	67,593.75	-
08/01/2011	125,000.00	4.125%	67,593.75	192,593.75	-
12/30/2011	-	-	-	-	260,187.50
02/01/2012	-	-	65,015.63	65,015.63	-
08/01/2012	130,000.00	4.125%	65,015.63	195,015.63	-
12/30/2012	-	-	-	-	260,031.26
02/01/2013	-	-	62,334.38	62,334.38	-
08/01/2013	135,000.00	4.125%	62,334.38	197,334.38	-
12/30/2013	-	-	-	-	259,668.76
02/01/2014	-	-	59,550.00	59,550.00	-
08/01/2014	140,000.00	4.250%	59,550.00	199,550.00	-
12/30/2014	-	-	-	-	259,100.00
02/01/2015	-	-	56,575.00	56,575.00	-
08/01/2015	145,000.00	4.250%	56,575.00	201,575.00	-
12/30/2015	-	-	-	-	258,150.00
02/01/2016	-	-	53,493.75	53,493.75	-
08/01/2016	150,000.00	4.250%	53,493.75	203,493.75	-
12/30/2016	-	-	-	-	256,987.50
02/01/2017	-	-	50,306.25	50,306.25	-
08/01/2017	160,000.00	4.250%	50,306.25	210,306.25	-
12/30/2017	-	-	-	-	260,612.50
02/01/2018	-	-	46,906.25	46,906.25	-
08/01/2018	165,000.00	4.375%	46,906.25	211,906.25	-
12/30/2018	-	-	-	-	258,812.50
02/01/2019	-	-	43,296.88	43,296.88	-
08/01/2019	170,000.00	4.375%	43,296.88	213,296.88	-
12/30/2019	-	-	-	-	256,593.76
02/01/2020	-	-	39,578.13	39,578.13	-
08/01/2020	180,000.00	4.500%	39,578.13	219,578.13	-
12/30/2020	-	-	-	-	259,156.26
02/01/2021	-	-	35,528.13	35,528.13	-
08/01/2021	190,000.00	4.500%	35,528.13	225,528.13	-
12/30/2021	-	-	-	-	261,056.26
02/01/2022	-	-	31,253.13	31,253.13	-
08/01/2022	195,000.00	4.625%	31,253.13	226,253.13	-
12/30/2022	-	-	-	-	257,506.26
02/01/2023	-	-	26,743.75	26,743.75	-
08/01/2023	205,000.00	4.625%	26,743.75	231,743.75	-
12/30/2023	-	-	-	-	258,487.50
02/01/2024	-	-	22,003.13	22,003.13	-
08/01/2024	215,000.00	4.750%	22,003.13	237,003.13	-
12/30/2024	-	-	-	-	259,006.26
02/01/2025	-	-	16,896.88	16,896.88	-
08/01/2025	225,000.00	4.750%	16,896.88	241,896.88	-
12/30/2025	-	-	-	-	258,793.76
02/01/2026	-	-	11,553.13	11,553.13	-
08/01/2026	235,000.00	4.750%	11,553.13	246,553.13	-
12/30/2026	-	-	-	-	258,106.26
02/01/2027	-	-	5,971.88	5,971.88	-
08/01/2027	245,000.00	4.875%	5,971.88	250,971.88	-
12/30/2027	-	-	-	-	256,943.76
Total	\$3,355,000.00	-	\$1,824,052.67	\$5,179,052.67	-

Yield Statistics

Bond Year Dollars.....	\$39,889.32
Average Life.....	11.890 Years
Average Coupon.....	4.5727846%
Net Interest Cost (NIC).....	4.6958772%
True Interest Cost (TIC).....	4.7215177%
Bond Yield for Arbitrage Purposes.....	4.6878876%
All Inclusive Cost (AIC).....	4.9602181%

IRS Form 8038

Net Interest Cost.....	4.6411704%
Weighted Average Maturity.....	11.857 Years

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\$3,355,000

Bracken County Water District
Kentucky Rural Water Finance Corporation
Flexible Term Finance Program, Series 2007 D

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
08/01/2008	Serial Coupon	4.125%	3.790%	110,000.00	100.326%	110,358.60
08/01/2009	Serial Coupon	4.125%	3.890%	115,000.00	100.448%	115,515.20
08/01/2010	Serial Coupon	4.125%	3.950%	120,000.00	100.490%	120,588.00
08/01/2011	Serial Coupon	4.125%	4.020%	125,000.00	100.384%	125,480.00
08/01/2012	Serial Coupon	4.125%	4.070%	130,000.00	100.246%	130,319.80
08/01/2013	Serial Coupon	4.125%	4.110%	135,000.00	100.078%	135,105.30
08/01/2014	Serial Coupon	4.250%	4.150%	140,000.00	100.602%	140,842.80
08/01/2015	Serial Coupon	4.250%	4.200%	145,000.00	100.336%	145,487.20
08/01/2016	Serial Coupon	4.250%	4.250%	150,000.00	100.002%	150,003.00
08/01/2017	Serial Coupon	4.250%	4.250%	160,000.00	100.002%	160,003.20
08/01/2018	Serial Coupon	4.375%	4.440%	165,000.00	99.438%	164,072.70
08/01/2019	Serial Coupon	4.375%	4.490%	170,000.00	98.941%	168,199.70
08/01/2020	Serial Coupon	4.500%	4.540%	180,000.00	99.610%	179,298.00
08/01/2021	Serial Coupon	4.500%	4.600%	190,000.00	98.975%	188,052.50
08/01/2022	Serial Coupon	4.625%	4.640%	195,000.00	99.839%	194,686.05
08/01/2023	Serial Coupon	4.625%	4.700%	205,000.00	99.162%	203,282.10
08/01/2024	Serial Coupon	4.750%	4.850%	215,000.00	98.850%	212,527.50
08/01/2025	Serial Coupon	4.750%	4.860%	225,000.00	98.689%	222,050.25
08/01/2026	Serial Coupon	4.750%	4.860%	235,000.00	98.645%	231,815.75
08/01/2027	Serial Coupon	4.875%	4.940%	245,000.00	99.179%	242,988.55
Total	-	-	-	\$3,355,000.00	-	\$3,340,676.20

Bid Information

Par Amount of Bonds.....	\$3,355,000.00
Reoffering Premium or (Discount).....	(14,323.80)
Gross Production.....	\$3,340,676.20
Total Underwriter's Discount (1.037%).....	\$(34,777.00)
Bid (98.536%).....	3,305,899.20
Total Purchase Price.....	\$3,305,899.20
Bond Year Dollars.....	\$39,889.32
Average Life.....	11.890 Years
Average Coupon.....	4.5727846%
Net Interest Cost (NIC).....	4.6958772%
True Interest Cost (TIC).....	4.7215177%

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\$2,785,000

Kentucky Rural Water Finance Corporation

(Flexible Term Program)

Public Projects Revenue Bonds, Series 2006 C

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/26/2006	-	-	-	-	-
08/01/2007	2,785,000.00	4.000%	140,797.22	2,925,797.22	-
12/30/2007	-	-	-	-	2,925,797.22
Total	\$2,785,000.00	-	\$140,797.22	\$2,925,797.22	-

Yield Statistics

Bond Year Dollars.....	\$3,519.93
Average Life.....	1.264 Years
Average Coupon.....	3.9999999%
Net Interest Cost (NIC).....	4.0284835%
True Interest Cost (TIC).....	3.9695406%
Bond Yield for Arbitrage Purposes.....	3.7278856%
All Inclusive Cost (AIC).....	4.8985734%

IRS Form 8038

Net Interest Cost.....	3.7811386%
Weighted Average Maturity.....	1.264 Years

\$2,785,000

*Kentucky Rural Water Finance Corporation
(Flexible Term Program)
Public Projects Revenue Bonds, Series 2006 C*

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
08/01/2007	Serial Coupon	4.000%	3.780%	2,785,000.00	100.264%	2,792,352.40
Total	-	-	-	\$2,785,000.00	-	\$2,792,352.40

Bid Information

Par Amount of Bonds.....	\$2,785,000.00
Reoffering Premium or (Discount).....	7,352.40
Gross Production.....	\$2,792,352.40
Total Underwriter's Discount (0.300%).....	\$(8,355.00)
Bid (99.964%).....	2,783,997.40
Total Purchase Price.....	\$2,783,997.40
Bond Year Dollars.....	\$3,519.93
Average Life.....	1.264 Years
Average Coupon.....	3.9999999%
Net Interest Cost (NIC).....	4.0284835%
True Interest Cost (TIC).....	3.9695406%

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM SERIES 2006 F

Borrower: Bracken County Water District
Closing Date: 10/17/06

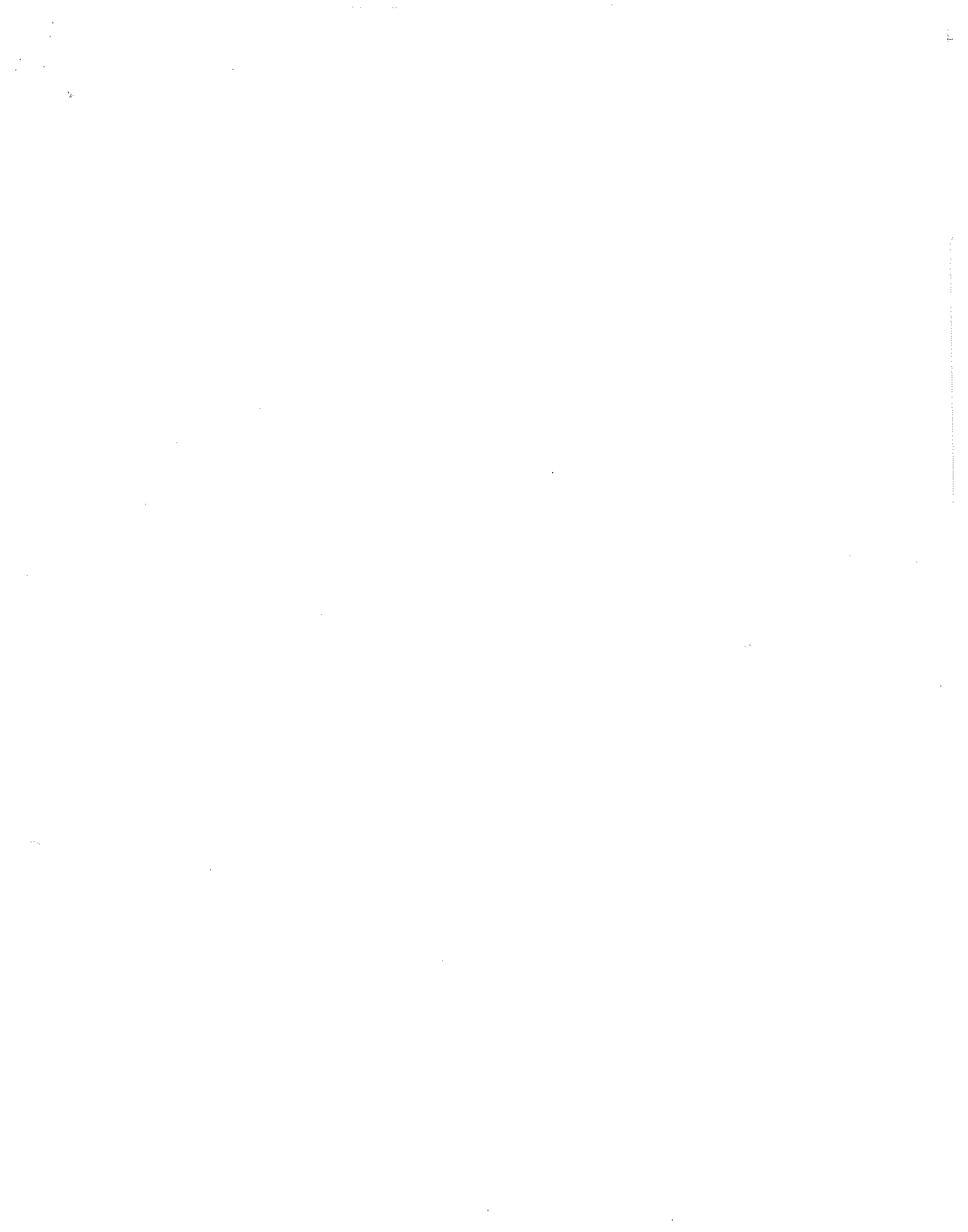
Borrower Payment Schedule

Payment Date	Principal	Interest Rate	Interest	Trustee Fees	Total	Fiscal Total
10/17/06						
08/01/06						
02/01/07		4.000%	9,466.67	450.00	309,916.67	309,916.67
08/01/07	300,000.00					
Totals	<u>300,000.00</u>		<u>9,466.67</u>	<u>450.00</u>	<u>309,916.67</u>	

Final Sources and Uses
 October 17, 2006

<u>Borrower</u>	<u>Construction Funds</u>	<u>Underwriter's Discount</u>	<u>Cost of Issuance</u>	<u>Capitalized Interest Fund</u>	<u>Contingency</u>	<u>Total Uses</u>
Bracken Co. WD	290,000.00	1,125.00	7,250.00	0.00	2,543.00	300,918.00
	290,000.00	1,125.00	7,250.00	0.00	2,543.00	300,918.00

<u>Bonds</u>	<u>Less OID/ Plus Premium</u>	<u>Total Sources</u>
300,000.00	918.00	300,918.00
300,000.00	918.00	300,918.00



**BRACKEN COUNTY WATER DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
December 31, 2006**

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted	\$ 78,253
Cash and Cash Equivalents - Restricted	362,073
KIA Sinking Fund	56,918
Accounts Receivable - Customers, Net of Allowance for Uncollectible (\$3,500)	101,940
Inventory of Supplies - at cost	40,536
Prepaid Insurance	15,141
TOTAL CURRENT ASSETS	654,861

Fixed Assets - Utility Plant - at cost

Property, Plant and Equipment	8,344,652
Less Accumulated Depreciation	(2,588,005)
Construction-in-Progress	2,850,395
	8,607,042

Other Assets

Bond Issue Costs	2,938
	2,938

TOTAL ASSETS

\$ 9,264,841

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 128,379
Customer Deposits	59,261
Accrued Wages and Vacation Pay	15,540
Taxes Payable	8,509
Notes Payable	2,652,913
Current Portion of Long-Term Debt	60,672
TOTAL CURRENT LIABILITIES	2,925,274

Long-term Debt

Notes Payable, Net of Current Portion	2,008,590
	2,008,590

TOTAL LIABILITIES

4,933,864

Net Assets

Investment in Capital Assets, Net of Related Debt	3,884,867
Restricted Net Assets	362,073
Unrestricted Net Assets	84,037
TOTAL NET ASSETS	4,330,977

TOTAL LIABILITIES AND NET ASSETS

\$ 9,264,841

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

BRACKEN COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For The Year Ended December 31, 2006

OPERATING INCOME	
Water Sales	\$ 788,660
Bulk Water Sales	3,361
Surcharge	109,242
Other Service	29,224
Total Operating Income	<u>930,487</u>
OPERATING EXPENSES	
Water Purchased	269,445
Salaries	163,548
Electricity	30,934
Maintenance	22,882
Operation Supplies and Expenses	8,686
Insurance	70,609
Office Supplies and Expense	16,371
Outside Services	31,476
Rent	7,200
Miscellaneous	15,042
Regulatory Commission Expense	1,446
Payroll Taxes	12,192
Total Operating Expenses	<u>649,831</u>
Operating Income Before Depreciation	280,656
Depreciation Expense	(253,795)
Amortization Expense	(489)
OPERATING INCOME	26,372
Non-operating Income (Expenses)	
Customer Tap Fees	49,375
Interest Income	796
Interest Expense	(86,331)
NET LOSS	<u>(9,788)</u>
NET ASSETS, BEGINNING OF YEAR AS PREVIOUSLY STATED	67,920
PRIOR PERIOD AUDIT ADJUSTMENT	<u>4,272,845</u>
NET ASSETS, BEGINNING OF YEAR AS RESTATED	<u>4,340,765</u>
NET ASSETS, END OF YEAR	<u><u>\$ 4,330,977</u></u>

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

**BRACKEN COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For The Year Ended December 31, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers	\$ 880,003
Payments to Suppliers	(379,117)
Payments to Employees	(168,566)
Other Receipts (Payments)	<u>29,224</u>
Net Cash (Used) Provided by Operating Activities	361,544
CASH FLOWS FROM INVESTING ACTIVITIES	
KIA Sinking Fund	(27,144)
Interest Income	<u>796</u>
Net Cash (Used) Provided by Investing Activities	(26,348)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds From Capital Debt	2,652,913
Principal Paid on Capital Debt	(162,780)
Purchases of Capital Assets	(21,577)
Payments for New Line Extensions	(2,573,509)
Contributed Capital - Tap Fees	49,375
Interest Paid on Capital Debt	<u>(86,331)</u>
Net Cash (Used) Provided by Financing Activities	(141,909)
NET INCREASE (DECREASE) IN CASH	193,287
Cash and Cash Equivalents - At Beginning of Year	<u>247,039</u>
CASH AND CASH EQUIVALENTS - AT END OF YEAR	<u>\$ 440,326</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ 26,372
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation Expense	253,795
Amortization Expense	489
Change in Assets and Liabilities:	
Accounts Receivable, Net	(31,579)
Inventories	(2,761)
Prepaid Expense	(2,018)
Accounts Payable and Other Payables	99,753
Customer Deposits	10,319
Accrued Wages and Vacation	<u>7,174</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 361,544</u>

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