

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF THE GRAVES COUNTY)
WATER DISTRICT FOR APPROVAL OF)
CONSTRUCTION AND ISSUANCE OF)
A CERTIFICATE OF CONVENIENCE)
AND NECESSITY FOR THE PURCHASE)
AND INSTALLATION OF AUTOMATED)
METER READING EQUIPMENT)

CASE NO. 2011--_____

APPLICATION

Graves County Water District (GCWD), by counsel, petitions for an order
Approving the acquisition and installation of automated meter reading equipment
Pursuant to KRS 273.

In support of the application, the following information is provided:

1. GCWD's office address is P.O Box 329 Mayfield, KY 42066. It's principal officers are listed in its current annual report, which is filed with the commission as are its prior years reports and attached hereto as Exhibit E.
 2. GCWD is a non-profit water district organized under Chapter 14 and has no Separate articles of incorporation;
 3. A description of GCWD water system and its property stated in at original cost contained in the 2010 Annual Report, which is incorporated by reference and attached hereto as Exhibit E,
 - 4, GCWD serves retail customers in Graves County.
 5. It proposes to acquire and install meter reading equipment as described in Exhibit A.
- The facilities include approximately 3100 transmitters and antenna as well as related equipment and software. Because no construction is involved Plans, and Drawings for the

facilities are not applicable. Specifications and bid documents are provided in Exhibit D. The estimated total cost for the first phase of the Automated Metering Infrastructure is \$1,000,000.00. The district is financing the estimated \$ 780,000.00. The district has been forgiven \$220,000 by Kentucky Infrastructure Authority. (See Attachment). The District has applied for the loan.

6. The construction is in the public interest and is required to allow GCWD to continue to provide adequate service to the customers. The project will provide enhanced meter reading, and customer service options. The project, its cost, need, and other details are contained in Exhibit A and D.

7. The first phase of total project cost is approximately \$1,000,000.00.

8. Easements and rights of way are not required.

9. The service will not compete with any other utility in the area.

10. The proposed project, identified in Exhibit A, is scheduled to begin construction upon PSC approval, and be completed within one year. Board approval of the project was given on the 26th day of April 2010, attached as Exhibit F.

11. No new franchises are required. No new DOW permit is required.

12. Facts relied on to justify the public need are included in the project descriptions provided in Exhibit A.

13. Maps of the area showing location of the proposed facilities are in Exhibit A.

14. The construction costs will be fund through loans as set out in Exhibit C.

15. Estimated operating costs for operation and maintenance depreciation and debt service after construction are shown in Exhibits A,B and D.

16. A description of the facilities and operation of the system are in Exhibits A and D.

17. A full description of the route, location of the project, description of construction and related information is in Exhibit B.
18. The start date for construction; proposed in-service date; and total estimated cost of Construction at completion are included in Exhibits A and D.
19. The salvage values are approximately \$ 25,400.00.
20. A rate adjustment is in the future.
21. The following information is provided in response to KRS 278.012
 - a. Articles of Incorporation-None. GCWD is a statutorily created water district under KRS Chapter 14.
22. The following information is supplied pursuant to KRS 278.012
 - a. Facts relied upon to show that the application is in the best public interest. See Exhibit A.
23. The following information is provided as required by KRS 278.220
 - a. A general description of the property is contained in the Annual Report, Exhibit E.
 - b. No stock is to be issued; No bonds are to be issued in this case;
 - c. There is no refunding or refinancing;
 - d. The proceeds of the financing are to construct the property described in Exhibit C.
 - e. The par value, expenses, use of proceeds, interest rates and other information is not applicable because no bonds are being issued at this time.
24. Following exhibits are provided pursuant to KRS 278.220
 - a. There are no trust deeds. All notes, indebtedness, and mortgages are included in Exhibit G.
 - b. Property is to be constructed as described in Exhibits B and D.

25. The Following information is provided pursuant to KRS 278.220

- a. No stock is authorized
- b. No stock is issued.
- c. There are no stock preferences
- d. Mortgages are listed in Exhibit G
- e. Bonds are listed in Exhibit G
- f. Notes are listed in Exhibit G
- g. Other indebtedness is listed in Exhibit G
- h. No dividends have been paid
- i. Current balance sheet; income statement and debt schedule are attached as Exhibit E.
- J. The facilities being constructed will be reflected in D.

KRS 278.220

- | | | |
|---------------|---|-------------------|
| Section 8 (1) | Full name and post office address of the applicant
and a reference to the particular provision of law
requiring Commission approval | Applicator |
| Section 8 (2) | The original and 10 copies of the application with an
additional copy of any party named therein as an
interested party | Yes |
| Section 8 (3) | If applicant is a corporation, a certified copy of the
Articles of incorporation and all amendments thereto
or if the articles were filed with the PSC in a prior
proceeding, a reference to the style and case number
of the prior proceeding. | Not a Corp |

- Section 9 (2)
- (a) The Facts relied upon to show that the proposed new construction is or will be required by public convenience or necessity. **Ex. A**
 - (b) Copies of franchises or permits, if any, from the proper public authority for the proposed new construction or extension, if not previously filed with the commission. **Not Applicable**
 - (c) a full description of the proposed location, route or routes of the new construction or extension, including a description of the manner in which same will be constructed, and also the names of all public utilities, corporations, or persons with whom proposed new construction or extension is likely to complete. **Ex. B**
 - (d) Three (3) maps to suitable scale (preferably not more than two (2) miles per inch) showing the location or route of the proposed new construction or extension, as well as the location to scale of any like facilities owned by others located anywhere within the map area with adequate identification as to the ownership of such facilities **Ex.B**
 - (e) The manner, in detail, in which it is proposed to finance the new construction or extension. **Application and Ex. C**

(f) An estimated cost of operation after the proposed facilities are completed.

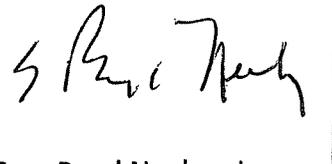
Ex. D

Engineering plans, specifications, plats and report for the proposed construction. The engineering documents prepared by a register engineer, requires that they be signed, sealed, and dated by an engineer registered in Kentucky.

**Not
Applicable**

For the reasons, the District requests authorization to construct the facilities and any other order or authorization that may be necessary to obtain Commission approval for construction.

SUBMITTED BY:



Sam Boyd Neeley, Jr,
Attorney for Graves County
Water District

MONEY: Presently Graves County Water District is reading all water meters, approximately 3000, on a bimonthly basis. This takes one (1) man 12-14 days to read all districts. The cost is approximately \$5500.00. With AMI, reads can be pinged from the office and will take 2-3 hrs. Reports will be available for high/low use and also checks for leaks.

PRODUCTIVITY: By using AMI, customers will be provided better customer service, a serviceman would not have to go out and turn water on/off. Leaks would also be determined quicker for customers.

ACCURACY: As we all know, even the best meter readers can make mistakes when visually reading meters. Manual reads are hindered by inclement weather, car being parked over meters, leaves covering, etc. AMI reads will not be affected by such adverse conditions. Tampering with meters will also lessen as an alert will notify personnel, thus only small amounts of water would be used illegally.

SAFETY: Our current meter reader drives a large number of miles, starting and stopping along high traffic areas, which increases the danger of traffic accidents. Physical injuries are always a concern when reading meters as meter locations are not always easily accessible.

Date: September 28th, 2010
 To: Graves County Water Board
 Attn: Kevin Leonard

Re: Graves County Water Board
 Cost Estimate of Advanced Meter Infrastructure Project
 Proposal for Implementing and Completion of AMI County Project

Pros

\$ 50,000 estimated annual savings of meter reading/ offset the cost of Project
 Use of Mayfield existing infrastructure RNI \$45, 454.00
 Better control and knowledge of your cash registers
 Advanced customer service
 Advanced leak detection
 Detection of theft of service
 Increased revenue with full meter changeout
 The most advanced and accurate water meter on the market
 AMI Infrastructure will be established and should last through multiple meter changes
 GPS location of all meters
 MEWS employee oversee county meters daily for alarms and non-communicating meters
 Salvage est. of water meters \$25,466.00, salvage value as of 6/21/11, can be deducted from cost of project

Quantity	Description	Unit Price(\$)	Total
3100	iPerl 3/4" water meter	100.00	310,000.00
30	iPerl 1" water meter	149.00	4,470.00
10	1.5" Omni com. water meter	667.23	6,672.30
50	2" Omni com. water meter	751.45	35,572.00
3	3" Omni com. water meter	936.70	2,811.00
5	6" Omni T2 com. water meter	3,283.20	16,416.00
3100	520m smartpoints	120.00	372,000.00
3100	Lid replacement	30.00	93,000.00
5	S100 TGB	69,750.00	348,750.00
4	Installation Cost of TGB(est)	5,000.00	20,000.00
4	Buildings w/ Electrical ht & air	6,000.00	24,000.00
4	Backhauls 3.65	5,000.00	20,000.00
2600	4 Employees Labor	18.00 per hr	46,800.00
2600	2 Trucks	15.00 per hr	39,000.00
1	Upgrade Existing TGB 2-way	30,000.00	30,000.00
		TOTAL COST	\$1,338,481.30
		Contingency Money from KIA	(220,000.00)
			(25,466.00) salvage mtrs

Cons

Initial cost of project
 Cash Flo for Project
 May need equalized rates for entire water district
 Projected Payback

Total Cost Including Contingency Money 1,085,025.30

PROJECTED PAY BACK

LOAN	TERM	RATE	MONTHLY	ANNUAL
			PRIN. & INT.	PRIN. & INT.
780,000.00	20 YRS	1% KIA	3,587.18	43,046.18
		2% KIA	3,945.89	47,350.88
		3% KIA	4,325.16	51,601.02



KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340

Frankfort, Kentucky 40601

Phone (502) 573-0260

Fax (502) 573-0157

<http://kia.ky.gov>

Steven L. Beshear
Governor

John E. Covington III
Executive Director

February 4, 2011

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

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (B11-02)**

Dear Chairman Dowdy:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On February 3, 2011, the Authority approved your financial assistance for the Fancy Farm Waterline Interconnect & AMI Upgrades project subject to the conditions stated below. The total cost of the project shall not exceed \$1,111,266 of which the Authority loan shall provide \$1,000,000 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amounts 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 (2/4/2012) 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 \$1,000,000.
2. The loan shall contain principal forgiveness in the amount of the lesser of (a) 80% of the Authority financing or (b) \$220,000. Actual loan and forgiveness amounts will be based on actual project costs drawn from the Authority.

3. The loan shall bear interest at the rate of 2% per annum commencing with the first draw of funds.
4. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
5. Interest shall be payable on the unforgiven 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.
6. 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.
7. 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.
8. Loan and grant funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
10. 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.

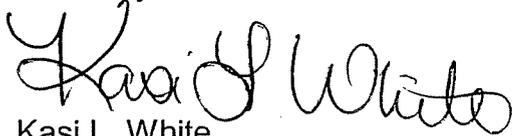
Chairman Johnny Dowdy
2/4/2011
Page 4

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,



Kasi L. White
Financial Analyst

Attachments

cc: Kristie McAdoo, Mayfield Electric and Water Company
Charles McCann, Florence and Hutcheson
Dirk Bedarff, Peck, Shaffer & Williams LLP
State and Local Debt Office, DLG
Borrower File - Graves County Water District - B11-02

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

4-15-2011
Date

AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND B11-02)

Borrower Information:

Name: Graves County Water District
Address: P.O. Box 329
City: Mayfield State: KY Zip: 42066
Telephone: 270-247-4661 Contact: Kristie McAdoo
Federal I.D. # [REDACTED]

Financial Institution Information:

Bank Name: FNB
Branch: Mayfield Phone No: 247-1758
City: Mayfield State: Ky Zip: 42066
Transit / ABA No. [REDACTED]
Account Name: Graves Co Wt Dist - Fancy Farm
Account Number: [REDACTED]

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: [Signature] Date: 3/23/11
Name Printed: Johnny Dowdy Job Title: Chairman

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

ATTACHMENT A

**Graves County Water District
B11-02**

EXECUTIVE SUMMARY		Reviewer:	Kasi White	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date:	February 3, 2011	
FUND B, INFRASTRUCTURE		KIA Loan Number:	B11-02	
REVOLVING LOAN FUND		WRIS Number	WX21083030	
BORROWER:	GRAVES COUNTY WATER DISTRICT			
	GRAVES COUNTY			
BRIEF DESCRIPTION:	The Graves County Water District is requesting a Fund B loan in the amount of \$1,000,000 for the Fancy Farm / Mayfield Interconnect and Automated Meter Infrastructure (AMI) Upgrades. This is Phase III of the interconnect project that will link the Mayfield and Fancy Farm water systems. The project consists of the extension of approximately 8,500 linear feet of eight or twelve inch SDR 21 PVC water main with related appurtenances and a new pre-engineered duplex booster pump station, master meter, and radio telemetry improvements. This project will improve redundancy between systems and potentially open the door for regional water treatment service for this portion of Graves County. The loan will also fund the purchase of radio read water meters to upgrade the districts existing meters which will help mitigate revenues loss from erroneous meter readings. The district was invited to apply for Fund B monies due to ranking 3rd on the Purchase Area Development District Area Water Management Council list completed in the fall of 2009. The loan will be offered with principal forgiveness at the lower of (1) \$220,000 or (2) 80% of the total disbursed under the loan.			
PROJECT FINANCING:	PROJECT BUDGET			
Fund B Loan	\$ 1,000,000	Administrative Expenses	\$ 2,500	
HB267 - CPBOC 6/20/06		Engineering Fees	7,500	
(\$111,266 bal of \$495,000)	111,266	Construction	358,766	
	0	Equipment	632,500	
	0	Contingency	110,000	
	0			
TOTAL	\$ 1,111,266	TOTAL	\$ 1,111,266	
REPAYMENT		Est. Annual		
	Rate	2.00%	Payment \$ 49,071	
	Term	20 years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Florence and Hutcheson		
	Bond Counsel	Peck, Shaffer, & Williams		
PROJECT SCHEDULE	Bid Opening:	February, 2011		
	Construction Start:	February, 2011		
	Construction Stop:	September, 2011		
DEBT PER CUSTOMER	Existing:	\$ 350		
	Proposed:	\$ 574		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Fancy Farm Water District	438	\$19.80 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Available for Debt Service	Debt Service	Income after Debt Service	Coverage Ratio
Audited	102,155	325,863	(223,708)	0.31
Compiled	132,603	74,922	57,681	1.77
Projected	137,691	90,387	47,304	1.52
Projected	130,620	123,721	6,899	1.06
Projected	126,687	123,585	3,102	1.03

Reviewer: Kasi White
Date: February 3, 2011
Loan Number: B11-02

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND "A")
GRAVES COUNTY WATER DISTRICT, GRAVES COUNTY**

**PROJECT REVIEW
WX21083030**

I. PROJECT DESCRIPTION

The Graves County Water District is requesting a Fund B loan in the amount of \$1,000,000 for the Fancy Farm / Mayfield Interconnect and Automated Meter Infrastructure (AMI) Upgrades. This is Phase III of the interconnect project that will link the Mayfield and Fancy Farm water systems. The project consists of the extension of approximately 8,500 linear feet of eight or twelve inch SDR 21 PVC water main with related appurtenances and a new pre-engineered duplex booster pump station. The loan will also fund the purchase of radio read water meters to upgrade the existing meters for the existing Fancy Farm and Mayfield customers which will help mitigate revenues loss with more accurate meter readings.

This project will improve redundancy between systems and potentially open the door for regional water treatment service for this portion of Graves County. The district was invited to apply for Fund B monies due to ranking 3rd on the Purchase Area Development District Area Water Management Council list completed in the fall of 2009. The loan will be offered with principal forgiveness at the lower of (1) \$220,000 or (2) 80% of the total disbursed under the loan.

Mayfield Electric and Water Systems provides contracted operation, maintenance and management of the District's systems.

The District was created in 2008 by the merger of four water districts formerly known as Consumers, Fancy Farm, South Graves and Hardeman under Chapter 14 of the Kentucky Revised Statutes. The Public Service Commission approved the merger on May 21, 2008 and it 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."

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 2,500
Engineering Fees	7,500
Construction	358,766
Equipment	632,500
Contingency	110,000
Total	\$ 1,111,266

III. PROJECT FUNDING

	Amount	%
Fund B Loan	\$ 1,000,000	90%
HB267 Grant (bal of \$495,000)	111,266	10%
Total	\$ 1,111,266	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,000,000
Less: Principal Forgiveness (lesser of 80% disbursed or \$220,000)	220,000
Amortized Loan Amount	\$ 780,000
Interest Rate	2.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 47,511
Administrative Fee (0.20%)	1,560
Total Estimated Annual Debt Service	\$ 49,071

V. PROJECT SCHEDULE

Bid Opening:	February, 2011
Construction Start:	February, 2011
Construction Stop:	August, 2011

VI. RATE STRUCTURE

A. Customers

Fancy Farm currently has 438 customers. This represents approximately 14% of Graves County total customers (approximately 3,178).

The District is in negotiations to consolidate with the Hickory Water District. If the merger is completed, an additional 1,350 additional customers will be added to the Graves County customer base.

B. Rates

CONSUMERS (Rates effective since April, 2007)

First	2,000	\$12.01	per 1,000 gallons
Next	8,000	2.95	per 1,000 gallons
Next	10,000	2.73	per 1,000 gallons
Next	30,000	2.53	per 1,000 gallons
Over	50,000	2.12	per 1,000 gallons
Monthly 4,000 gallon rate		\$17.91	
Affordability Index		0.70%	

HARDEMAN (Rates effective Since June, 2003)

First	2,000	\$13.10	per 1,000 gallons
Next	3,000	2.75	per 1,000 gallons
Next	15,000	2.12	per 1,000 gallons
Over	20,000	1.80	per 1,000 gallons
Monthly 4,000 gallon rate		\$18.60	
Affordability Index		0.72%	

SOUTH GRAVES

First	2,000	\$14.25	per 1,000 gallons
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
Monthly 4,000 gallon rate		\$27.99	
Affordability Index		1.09%	

FANCY FARM

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	
Affordability Index		0.77%	

Per a PSC ruling, 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.

VII. DEMOGRAPHICS

In 2000, the County's population was 37,028 with a Median Household Income (MHI) of \$30,874. The median household income for the Commonwealth is \$33,672. The project will qualify for a 2% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information presented is for the Water Fund. Audited financial statements were provided for the year ended December 31, 2009 and management prepared numbers were provided the year ended December 31, 2010.

HISTORY

For 2009 the district had \$931,571 in revenues which grew 13% to \$1.05 million in 2010. Expenses followed a similar trend between 2009 and 2010 which expenses increased from just over \$1 million to \$1.2 million. Cash available for debt service averaged approximately \$117,000.

Required debt service in 2009 was \$49,534, however the District made additional payments totaling \$286,828 which is reflected in the Debt Coverage Ratio of 0.31. A loan from KIA (B05-05) which was originally due to be repaid in 2020 was paid off in 2009 using existing cash balances and grant proceeds. In 2010, the debt service ratio is estimated at 1.77. Payments totaling \$53,391 on KIA loan B-07-03 began during 2010 which is the cause of the decline in the ratio from the prior year.

PROJECTIONS

Projections are based on the following assumptions:

- Revenue will increase 3% per year with 1% additional in 2011 to reflect additional revenues realized as a result of the meter replacement.
- Expenses will increase 4% per year.
- A replacement reserve of \$2,500 will be funded each year
- Debt service on the proposed loan will be \$49,071 annually. Total debt service, all of which are loans from KIA, will be approximately \$123,000 per year upon completion.

Debt service coverage is 1.06 in 2012 when principal and interest repayments begin. Based on the proforma assumptions, the utility shows adequate cashflow to repay the KIA Fund B loan.

REPLACEMENT RESERVE

The annual replacement cost is \$2,500. This amount should be added to the replacement account each December 1 until the balance reaches \$25,000 and maintained for the life of the loan.

IX. DEBT OBLIGATIONS (as of December 31, 2010)

	<u>Outstanding</u>	<u>Maturity</u>
KIA (B07-03) 0.40%	\$ 800,784	2026
KIA (B05-04) 0.48%	311,510	2026
Total	\$ 1,112,294	

X. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
Cuba Loop (Graves Co FC)	HB380	\$ 870,674	Grant
MEWS / Hickory Interconnect (Graves Co FC)	HB380	\$ 95,000	Grant
Hardeman / MEWS Interconnect (Graves Co FC)	HB608	\$ 400,000	Grant
MEWS 1 Mil Gal Storage Tank (Mayfield)	HB608	\$ 1,050,000	Grant
Flyover (Mayfield)	HB608	\$ 75,000	Grant
Consumer Merger (Graves Co FC)	HB608	\$ 55,000	Grant

XI. CONTACTS

Applicant		Applicant Contact	
Name	Graves County Water District	Name	Mayfield Electric and Water Company
Address	P.O. Box 329 Mayfield, KY 42066	Address	301 East Broadway Mayfield, KY 42066
County	Graves	Contact	Kristie McAdoo
Contact	Johnny Dowdy, Chairman	Phone	(270) 247-4661
Phone	(270) 247-4661	Email	kmcadoo1@mewsbb.net

Engineer	
Name	Charles McCann
Firm	Florence and Hutcheson
Address	2550 Irvin Cobb Drive Paducah, KY 42003
Phone	(270) 444-9691
Email	cmccann@flohut.com

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

**EXHIBIT 1
GRAVES COUNTY WATER DISTRICT
CASH FLOW ANALYSIS (WATER ONLY)**

	Audited 2009	% Change	Compiled 2010	Projected 2011	Projected 2012	Projected 2013
Operating Revenues						
Operating Revenues	931,571	13%	1,053,403	1,095,539	1,129,501	1,165,645
Total Revenues	931,571	13%	1,053,403	1,095,539	1,129,501	1,165,645
Operating Expenses						
Operating Expenses	848,315	10%	929,883	967,078	1,005,761	1,045,991
Depreciation	228,640	26%	288,431	316,213	322,537	328,988
Replacement Reserve				2,500	2,500	2,500
Total Expenses	1,076,955	13%	1,218,314	1,283,291	1,330,798	1,377,479
Net Operating Income	(145,384)	13%	(164,911)	(187,752)	(201,297)	(211,834)
Non-Operating Income and Expenses						
Interest on Investments	10,731	-32%	7,350	7,497	7,647	7,800
Proceeds from Sale of Assets	8,168		1,733	1,733	1,733	1,733
Total Non-Operating Income & Expenses	18,899	-52%	9,083	9,230	9,380	9,533
Add Non-Cash Expenses						
Depreciation	228,640	26%	288,431	316,213	322,537	328,988
Cash Available for Debt Service	102,155	30%	132,603	137,691	130,620	126,687
Debt Service <small>(enter as positive #s)</small>						
Required Principal	321,135		67,683	67,969	68,257	68,546
Interest	4,727		7,239	6,817	6,393	5,968
Proposed KIA Loan			0	15,600	49,071	49,071
Total Debt Service	325,863		74,922	90,387	123,721	123,585
Income After Debt Service	(223,708)		57,681	47,304	6,899	3,102
Debt Coverage Ratio	0.31		1.77	1.52	1.06	1.03

**GRAVES COUNTY WATER DISTRICT
BALANCE SHEETS (WATER ONLY)**

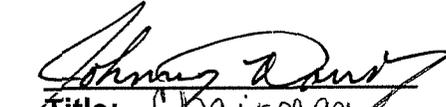
ASSETS	Audited <u>2009</u>	Compiled <u>2010</u>	Upon Completion <u>2011</u>
Current Assets			
Cash	511,079	499,869	547,173
Accounts Receivable	78,349	91,807	105,265
Other Current Assets	6,712	7,876	9,040
Total Current Assets	<u>596,140</u>	<u>599,552</u>	<u>661,478</u>
Restricted Assets			
Cash	10,851	37,680	45,180
Total Restricted Assets	<u>10,851</u>	<u>37,680</u>	<u>45,180</u>
Utility Plant			
Land, System, Building and Equipment	5,164,348	6,191,974	7,686,974
Less Accumulated Depreciation ()	(296,091)	(641,966)	(716,716)
Net Fixed Assets	<u>4,868,257</u>	<u>5,550,008</u>	<u>6,970,258</u>
Total Assets	<u><u>5,475,248</u></u>	<u><u>6,187,240</u></u>	<u><u>7,676,916</u></u>
LIABILITIES			
Current Liabilities			
Accounts Payable	50,146	39,754	45,000
Customer Deposits	71,207	80,593	89,979
Current Portion Long Term Debt	67,684	67,683	67,969
Total Current Liabilities	<u>189,037</u>	<u>188,030</u>	<u>202,948</u>
Long Term Liabilities			
Long Term Debt	1,112,294	1,044,612	1,756,643
Total Long Term Liabilities	<u>1,112,294</u>	<u>1,044,612</u>	<u>1,756,643</u>
Total Liabilities	<u><u>1,301,331</u></u>	<u><u>1,232,642</u></u>	<u><u>1,959,591</u></u>
Retained Earnings:			
Invested in Capital Assets Net of Related Debt	3,688,279	4,437,713	5,092,941
Restricted	10,851	37,680	45,180
Unrestricted	474,787	479,205	579,205
Total Retained Earnings	<u>4,173,917</u>	<u>4,954,598</u>	<u>5,717,326</u>
Total Liabilities and Equities	<u><u>5,475,248</u></u>	<u><u>6,187,240</u></u>	<u><u>7,676,917</u></u>
Balance Sheet Analysis			
Current Ratio	3.15	3.19	3.26
Debt to Equity	0.31	0.25	0.34
Working Capital	407,103	411,522	458,530
Percent of Total Assets in Working Capital	7.44%	6.65%	5.97%
Days Sales Outstanding	30.7	31.8	35.1

**STATEMENT OF APPROVAL
OF PROJECTIONS OF REVENUE AND EXPENSES**

**GRAVES COUNTY WATER DISTRICT
B11-02**

I hereby certify that the revenue projections in the attached descriptions are still obtainable and that projections of operating expenses have not materially changed based on the "as-bid" budget submitted for the Project.

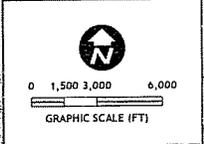
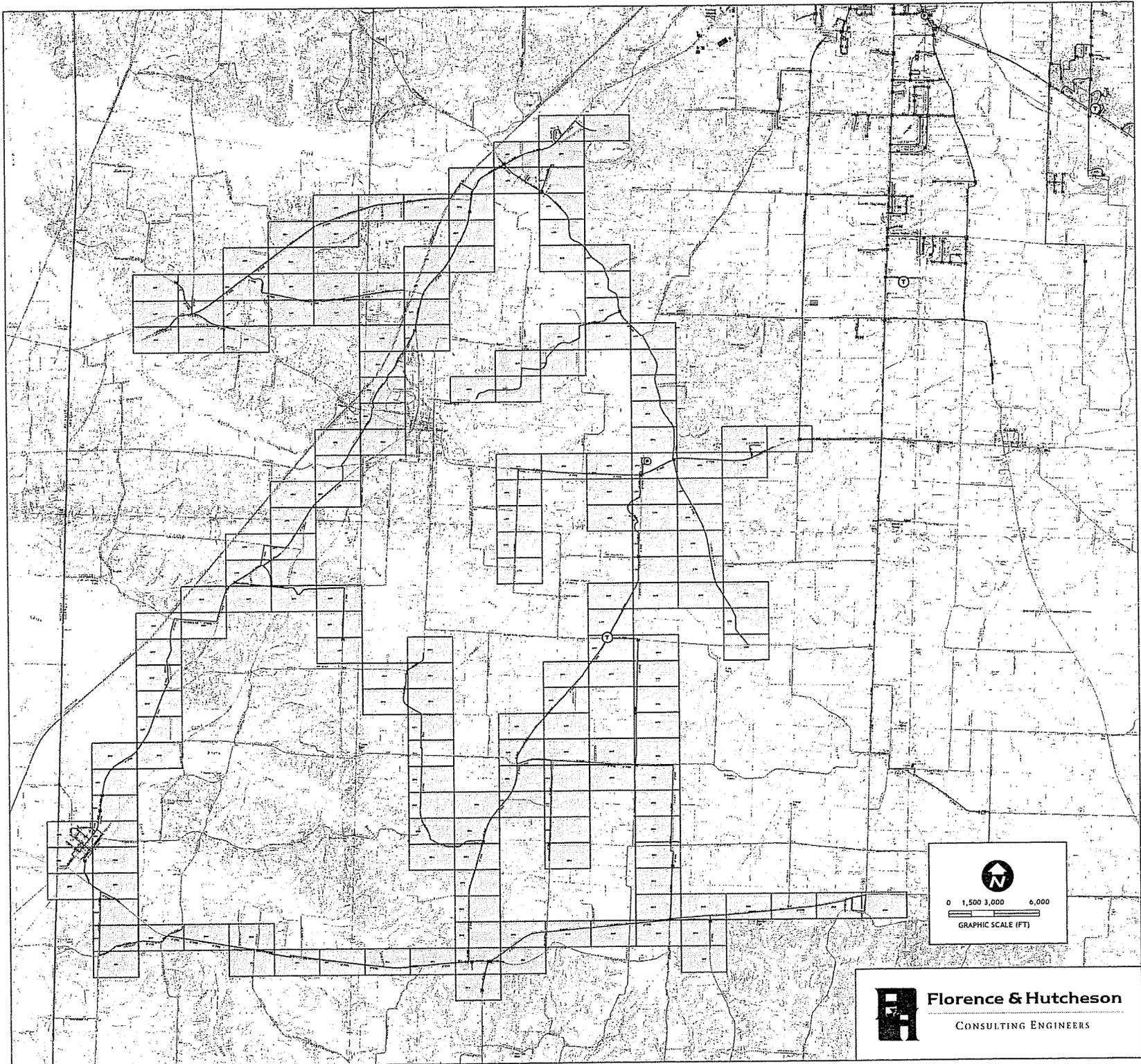
Signed:


Title: Chairman
Graves County Water District

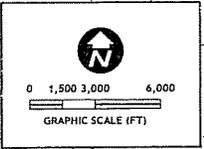
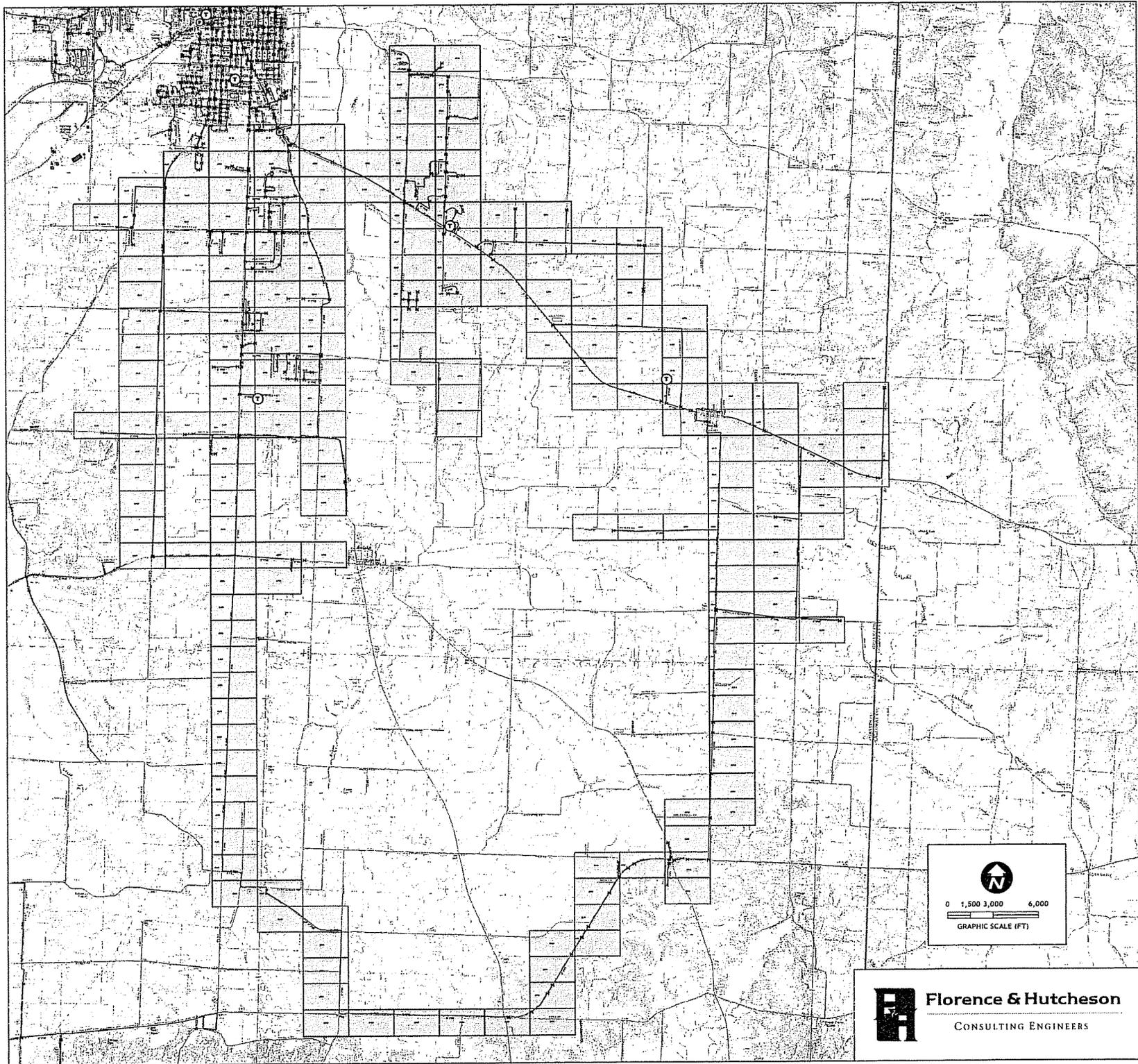
3-22-11
Date

**EXHIBIT 1
GRAVES COUNTY WATER DISTRICT
CASH FLOW ANALYSIS (WATER ONLY)**

	Audited 2009	% Change	Compiled 2010	Projected 2011	Projected 2012	Projected 2013
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Debt Service <i>(enter as positive #'s)</i>						
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Debt Coverage Ratio	0.31		1.77	1.52	1.06	1.03

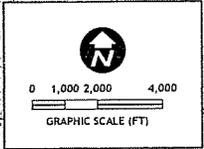


Florence & Hutcheson
CONSULTING ENGINEERS



Florence & Hutcheson

CONSULTING ENGINEERS



Florence & Hutcheson

CONSULTING ENGINEERS

Exhibit E

GRAVES
COUNTY
WATER
DISTRICT

AUDITED
STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Graves County Water District
Graves County, Kentucky

We have audited the accompanying financial statements of the Graves County Water District as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Graves County Water District has prepared these financial statements using accounting practices prescribed or permitted by the Public Service Commission, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles, generally accepted in the United States of America, the financial position of the Graves County Water District as of December 31, 2010, the changes in its financial position, or its cash flows for the year then ended. Further, the District has not presented the required supplementary management's discussion and analysis that accounting principles generally accepted in the United States and regulatory agreement has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of the Graves County Water District as of December 31, 2010, the revenues it earned and expenses it incurred, and its cash flows for the year then ended on the basis of accounting described in Note 1.

To the Board of Commissioners
Graves County Water District

In accordance with *Government Auditing Standards*, we have also issued a report dated March 7, 2011 on our consideration of the Graves County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Graves County Water District's basic financial statements. The Public Service Commission of Kentucky's Annual Reports are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Graves County Water District. Such information, on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements; and, in our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Romaine & Associates, PLLC
Mayfield, Kentucky
March 7, 2011

GRAVES COUNTY WATER DISTRICT
STATEMENT OF NET ASSETS-REGULATORY BASIS
DECEMBER 31, 2010

CURRENT ASSETS

Cash and cash equivalents	\$	519,443
Customer accounts receivable		91,807
Misc. current & accrued assets		7,876
Total current assets		619,126

NONCURRENT ASSETS

Restricted cash		18,111
-----------------	--	--------

CAPITAL ASSETS

Depreciable capital assets:		
Utility plant in service, at cost		6,191,974
Less accumulated provision for depreciation computed by the straight-line method		(633,118)
Total capital assets		5,558,856

TOTAL NONCURRENT ASSETS

Total assets	\$	6,196,093
---------------------	-----------	------------------

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	39,755
Customer deposits		80,593
Current portion of long-term debt		67,969
Total current liabilities		188,317

LONG TERM LIABILITIES

Long term debt, less current portion		1,044,326
Total long-term liabilities		1,044,326

TOTAL LIABILITIES

1,232,643

NET ASSETS

Invested in capital assets, net of related debt		4,446,561
Restricted for maintenance and replacement reserve		18,111
Unrestricted		498,778
Total net assets		4,963,450

TOTAL LIABILITIES AND NET ASSETS

\$ 6,196,093

GRAVES COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS-
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

OPERATING REVENUE	<u>\$ 1,056,036</u>
OPERATING EXPENSE	
Commissioners salaries	18,000
Purchased power	77,549
Purchased water	142,994
Chemicals	73,516
Materials & supplies	30,900
Rental equipment	21,435
Contractual services	530,479
Insurance	12,583
Miscellaneous	10,496
Bad debt	10,962
Depreciation and amortization	279,583
Tax & license	1,641
Total operating expenses	<u>1,210,138</u>
Operating income (loss)	(154,102)
NONOPERATING REVENUES (EXPENSES)	
Interest income	7,354
Interest expense	(5,142)
Total nonoperating revenues (expenses)	<u>2,212</u>
Income before capital contributions	(151,890)
Capital contributions	356,431
Increase (Decrease) in net assets	<u>204,541</u>
NET ASSETS	
Beginning of year	<u>4,758,909</u>
End of year	<u>\$ 4,963,450</u>

GRAVES COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,050,598
Cash payments to suppliers for goods and services	(949,663)
Customer deposits received	9,386
Net cash provided by operating activities	110,321

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments	(67,683)
Interest on debts	(5,142)
Utility plant additions and improvements	(446,660)
Contributions in aid of construction	356,431
Net cash provided by (used for) capital and related financing activities	(163,054)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	7,354
Net cash provided by (used for) investing activities	7,354

Net increase in cash and cash equivalents	(45,379)
--	----------

CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR

582,933

CASH AND CASH EQUIVALENTS - END OF THE YEAR

537,554

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	(154,102)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	279,583
Changes in assets and liabilities:	
Accounts receivable	(5,438)
Prepaid insurance	510
Accounts payable and accrued expenses	(19,618)
Customer deposits	9,386
Net cash provided by operating activities	\$ 110,321

GRAVES COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

Note 1. Description of Entity & Significant Accounting Policies

The Graves County Water District is engaged in providing water and sewer supply to approximately 3,179 customers who live in the Graves County, Kentucky area. The district was created in 2008 by the merger of four water districts formerly known as Consumers, Fancy Farm, South Graves and Hardeman under Chapter 14 of the Kentucky Revised Statutes.

In evaluating how to define the Graves County Water District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

Basis of Presentation and Accounting:

As stated in Kentucky Revised Statutes (KRS) 278.012, "any water association formed for the purpose of furnishing water services to the general public pursuant to KRS Chapter 273 is deemed to be and shall be a public utility and shall be subject to the jurisdiction of the Public Service Commission". In KRS 278.220, it is outlined that the Public Service Commission may establish a system of accounts to be kept by the utilities subject to its jurisdiction, and may prescribe the manner in which such accounts shall be kept. This uniform system of accounts is presented on the accrual basis in accordance with practices prescribed by the Public Service Commission. In accordance with the Public Service Commission's regulations, costs associated with hook-up fees are capitalized as meters, installations and services. This practice differs from generally accepted accounting principles under which these costs and the related fees are recorded as operating expenses and revenues. Except for this regulatory difference, the Public Service Commission prescribes the use of Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The District has not adopted the provisions of FASB No. 71, *Accounting for the Effects of Certain Types of Regulations*.

The District's 2010 financial statements (including the related notes) are presented in accordance with GASB No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments and related standards, except as noted herein.

This standard provided significant required changes in terminology; recognition of contributions in the statement of revenues, expenses and changes in net assets; inclusion of a management's discussion and analysis as supplementary information; and other changes.

The Graves County Water District is operated as a proprietary and/or enterprise fund. Proprietary Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**GRAVES COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010**

Note 1. Description of Entity & Significant Accounting Policies- (Continued)

Basis of Presentation and Accounting: (Continued)

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net assets regulatory basis. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted, constraints imposed by creditors/grantors/laws/or contributions; and unrestricted components, all other. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, unrestricted resources are used first.

Revenues and Expenses:

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities.

Property and Equipment:

Property and equipment purchased or constructed are stated at cost. The cost of meters, including installation, is capitalized. Interest related to costs, and major improvements, renewals and replacements is capitalized as a cost of the project. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Expenses for maintenance and repairs that do not increase the useful life of the asset are charged to operations as they are incurred. The District does not have a particular dollar amount threshold for capitalization purposes.

Income Taxes:

The Graves County Water District is not subject to income taxes.

Contributed Capital:

The District has adopted Governmental Accounting Standards Board's (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement requires governments to recognize capital contributions to proprietary funds as revenues, instead of contributed capital.

Prior to implementation of GASB No. 33, the fair market value of donated property received by the District, impact fees, tap on fees and grants which were restricted for the acquisition or construction of capital assets, were recorded as contributed capital.

Statement of Cash Flows:

For purposes of reporting cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Reclassifications:

For clarification purposes, reclassifications have been made to certain previously reported amounts.

**GRAVES COUNTY WATER DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2010**

Note 2. Cash

KRS 66.480 authorizes the District to invest in obligations of the United States and its agencies and instrumentalities including repurchase agreements, through sources including national and state banks chartered in Kentucky, obligations and contracts for future delivery backed by the full faith of the United States or its Agency, certificates of deposit and interest bearing accounts in institutions insured by the Federal Depository Insurance Corporation and other investments described therein provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. The District may also invest in mutual funds meeting the requirements of the statute.

Graves County Water District's policies regarding deposits of cash are discussed above. The table presented below is designed to disclose the level of custody credit risk assumed by the District based upon how its deposits were insured or secured with collateral at December 31, 2010. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the District (public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the Pledging financial institution, or by its trust department or agent, but not in the District's name; or collateralized with no written or approved collateral agreement.

December 31, 2010

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Custody Credit Risk Category</u>		
		<u>1</u>	<u>2</u>	<u>3</u>
Demand Deposits-FNB	<u>\$ 327,775</u>	<u>\$ 250,000</u>	<u>\$ 77,775</u>	<u>\$ -</u>
Time Deposits-FCB	<u>\$ 266,282</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 16,282</u>

Custodial Credit Risk – Deposits

Custodial credit risk in the event of a depository institution failure, the entity's deposits may not be returned. The Graves County Water District does not have a depository policy for custodial credit risk. As of December 31, 2010, public funds were exposed to custodial credit risk because the district's depository institutions failed to adequately pledge securities.

- Uncollateralized and Uninsured, December 31, 2010 - \$16,282

Note 3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GRAVES COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

Note 4. Grants/Loans

In the normal course of operations, the District receives grant/loan funds from various Federal and/or State agencies. The grant/loan programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting/loaning of funds. Any liability for reimbursement which may arise as the result of an audit is not believed to be material.

Note 5. Capital Assets

A summary of the Graves County Water District's change in capital assets during 2010 is as follows:

<u>Water System</u>				
Description	Beginning Balance	Additions	Disposals	Ending Balance
Land and Land Rights	\$ 25,015	\$ -	\$ -	\$ 25,015
Structures & Improvements	146,727	-	-	146,727
Distribution System	3,505,593	403,633	-	3,909,226
Machinery & Equipment	1,487,013	-	-	1,487,013
Total at Historical Cost	5,164,348	403,633	-	5,567,981
Less: Accumulated Depreciation				
Structures & Improvements	(57,091)	(28,004)	-	(85,095)
Distribution System	(138,359)	(192,799)	-	(331,158)
Machinery & Equipment	(100,641)	(24,036)	-	(124,677)
Total Accumulated Depreciation	(296,091)	(244,839)	-	(540,930)
Capital Assets, Net	\$ 4,868,257	\$ 158,794	\$ -	\$ 5,027,051
<u>Sewer System</u>				
Description	Beginning Balance	Additions	Disposals	Ending Balance
Land and Land Rights	\$ 11,319	\$ -	\$ -	\$ 11,319
Structures & Improvements	230,357	-	-	230,357
Distribution System	327,670	43,027	-	370,697
Machinery & Equipment	11,620	-	-	11,620
Total at Historical Cost	580,966	43,027	-	623,993
Less: Accumulated Depreciation				
Structures & Improvements	(18,541)	(8,928)	-	(27,469)
Distribution System	(32,811)	(22,174)	-	(54,985)
Machinery & Equipment	(6,092)	(3,642)	-	(9,734)
Total Accumulated Depreciation	(57,444)	(34,744)	-	(92,188)
Capital Assets, Net	\$ 523,522	\$ 8,283	\$ -	\$ 531,805

**GRAVES COUNTY WATER DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2010**

Note 6. Budget

The budget for the proprietary fund operation is prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable expenditure is expected to be made. Budgeted appropriations lapse at year-end.

Note 7. Customer Accounts Receivable

The District provides an allowance for doubtful collections that is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Normal billing receivables are due 15 days after billing. Receivables past due are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. No provision for doubtful accounts has been made at December 31, 2010, as management considers all amounts fully collectible.

Note 8. Maintenance and Replacement Reserve

In accordance with both loan agreements with the Kentucky Infrastructure Authority, a maintenance and replacement reserve account is required to receive an amount equal to 10% of the amount of loan payments until the amount in such account is equal to 5% of the original principal amount of the loans. The original loan agreement with KIA in the amount of \$849,154 requires a total reserve of \$42,458. The original loan agreement with KIA in the amount of \$596,776 requires a total reserve of \$29,839. As of December 31, 2010 the required reserve amount for both loans was \$18,111, of which has been restricted.

Restricted cash consists of the following:

	<u>December 31, 2010</u>
Maintenance and Replacement Reserve	\$ 18,111
Total	<u>\$ 18,111</u>

Note 9. Long Term Debt

Upon the merger of the four districts, Graves County Water District assumed the debts of each district.

Long-term debt consists of the following as of December 31, 2010:

Graves County Water District assumed a note between Fancy Farm Water District and the Kentucky Infrastructure Authority the original amount of this note was \$596,776 the amount assumed was \$525,271. Principal and interest payments are due semi-annually for 20 years. The note bears interest of .48%. During the year 2010, both interest and principal payments were made in accordance with the note agreement. As of December 31, 2010 the balance was \$311,510.

**GRAVES COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010**

Note 9. Long Term Debt-(Continued)

Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest and Fees</u>	<u>Total Payment</u>
2011	19,406	2,086	21,492
2012	19,499	1,954	21,453
2013	19,593	1,821	21,414
2014	19,687	1,687	21,374
2015	19,782	1,554	21,336
2016-2020	100,347	5,750	106,097
2021-2025	102,782	2,261	105,043
2026	10,414	35	10,449
Total Due	<u>\$ 311,510</u>	<u>\$17,148</u>	<u>\$328,658</u>

Note payable to Kentucky Infrastructure Authority bearing interest of .40%. Principal and interest are payable semi-annually on the note. This note was assumed by the Water district on behalf of South Graves Water District in the amount of \$849,154. As of December 31, 2010, the balance was \$800,785.

Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest and Fees</u>	<u>Total Payment</u>
2011	48,564	4,730	53,294
2012	48,757	4,441	53,198
2013	48,953	4,147	53,100
2014	49,149	3,853	53,002
2015	49,346	3,558	52,904
2016-2020	249,707	13,322	263,029
2021-2025	254,746	5,763	260,509
2026	51,563	232	51,795
Total Due	<u>\$ 800,785</u>	<u>\$40,046</u>	<u>\$840,831</u>

**GRAVES COUNTY WATER DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2010**

Note 10. Changes in Long-Term Debt

Changes in Long- Term Debt consist of the following:

Description	Beginning Balance	Additions	Deletions	Ending Balance
N/P Kia Fancy Farm Area #B05-04	\$ 330,823	\$ -	\$ 19,313	\$ 311,510
N/P KIA South Graves Area #B07-03	849,154	-	48,369	800,785
	\$ 1,179,977	\$ -	\$ 67,682	\$ 1,112,295

Note 11. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The District carries commercial insurance for risk of loss. The District did not settle claims that exceeded the District's commercial insurance coverage in any of the past three years.

GRAVES COUNTY WATER DISTRICT
 COMBINED STATEMENTS OF NET ASSETS-REGULATORY BASIS
 DECEMBER 31, 2010

	Water Fund	Sewer Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	\$ 438,399	\$ 81,044	\$ 519,443
Customer accounts receivable	83,046	8,761	91,807
Prepaid Insurance	6,349	1,527	7,876
Total current assets	<u>527,794</u>	<u>91,332</u>	<u>619,126</u>
NONCURRENT ASSETS			
Restricted cash	<u>18,111</u>	<u>-</u>	<u>18,111</u>
CAPITAL ASSETS			
Depreciable capital assets:			
Utility plant in service, at cost	5,567,981	623,993	\$ 6,191,974
Less accumulated provision for depreciation computed by the straight-line method	<u>(540,930)</u>	<u>(92,188)</u>	<u>(633,118)</u>
Total capital assets	<u>5,027,051</u>	<u>531,805</u>	<u>5,558,856</u>
TOTAL NONCURRENT ASSETS	<u>5,045,162</u>	<u>531,805</u>	<u>5,576,967</u>
TOTAL ASSETS	<u>\$ 5,572,956</u>	<u>\$ 623,137</u>	<u>\$ 6,196,093</u>
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 36,542	\$ 3,213	\$ 39,755
Customer deposits	80,593	-	80,593
Current portion of long-term debt	67,969	-	67,969
Total current liabilities	<u>185,104</u>	<u>3,213</u>	<u>188,317</u>
NONCURRENT LIABILITIES			
Long-term debt	<u>1,044,326</u>	<u>-</u>	<u>1,044,326</u>
Total noncurrent liabilities	<u>1,044,326</u>	<u>-</u>	<u>1,044,326</u>
Total liabilities	<u>1,229,430</u>	<u>3,213</u>	<u>1,232,643</u>
NET ASSETS			
Investments in capital assets, net of related debt	3,914,756	531,805	4,446,561
Restricted for maintenance and replacement reserve	18,111		18,111
Unrestricted	<u>410,659</u>	<u>88,119</u>	<u>498,778</u>
Total net assets	<u>4,343,526</u>	<u>619,924</u>	<u>4,963,450</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,572,956</u>	<u>\$ 623,137</u>	<u>\$ 6,196,093</u>

GRAVES COUNTY WATER DISTRICT
 COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS-
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Water Fund	Sewer Fund	Totals
OPERATING REVENUE	\$ 950,183	\$ 105,853	\$ 1,056,036
OPERATING EXPENSE			
Commissioners salaries	15,750	2,250	18,000
Purchased power	65,813	11,736	77,549
Purchased water	142,994	-	142,994
Chemicals	65,880	7,636	73,516
Materials and supplies	29,115	1,785	30,900
Equipment Rental	21,435	-	21,435
Contractual services	486,994	43,485	530,479
Insurance	11,056	1,527	12,583
Miscellaneous	9,667	829	10,496
Bad debt	10,613	349	10,962
Depreciation and amortization	244,839	34,744	279,583
Tax & license	1,475	166	1,641
Total operating expenses	<u>1,105,631</u>	<u>104,507</u>	<u>1,210,138</u>
Operating income (loss)	<u>(155,448)</u>	<u>1,346</u>	<u>(154,102)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	6,899	455	7,354
Interest expense	(5,142)	-	(5,142)
Nonoperating revenues (expenses)	<u>1,757</u>	<u>455</u>	<u>2,212</u>
Income before capital contributions	(153,691)	1,801	(151,890)
Capital contributions	323,300	33,131	356,431
Increase (Decrease) in net assets	<u>169,609</u>	<u>34,932</u>	<u>204,541</u>
NET ASSETS			
Beginning of year	4,173,917	584,992	4,758,909
End of year	<u>\$ 4,343,526</u>	<u>\$ 619,924</u>	<u>\$ 4,963,450</u>

**GRAVES COUNTY WATER DISTRICT
COMBINED STATEMENTS OF CASH FLOWS-
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 945,486	\$ 105,112	\$ 1,050,598
Cash payments to suppliers for goods and services	(874,033)	(75,630)	(949,663)
Customer deposits received	9,386	-	9,386
Net cash provided by operating activities	<u>80,839</u>	<u>29,482</u>	<u>110,321</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments	(67,683)		(67,683)
Interest on debts	(5,142)		(5,142)
Utility plant additions and improvements	(403,633)	(43,027)	(446,660)
Contributions in aid of construction	323,300	33,131	356,431
Net cash provided by (used for) capital and related financing activities	<u>(153,158)</u>	<u>(9,896)</u>	<u>(163,054)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	6,899	455	7,354
Net cash provided by (used for) investing activities	<u>6,899</u>	<u>455</u>	<u>7,354</u>
Net increase in cash and cash equivalents	(65,420)	20,041	(45,379)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	<u>521,930</u>	<u>61,003</u>	<u>582,933</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 456,510</u>	<u>\$ 81,044</u>	<u>\$ 537,554</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (155,448)	\$ 1,346	\$ (154,102)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation and amortization	244,839	34,744	279,583
Changes in assets and liabilities:			
Accounts receivable	(4,697)	(741)	(5,438)
Prepaid insurance	363	147	510
Accounts payable and accrued expenses	(13,604)	(6,014)	(19,618)
Customer deposits	9,386	-	9,386
Net cash provided by operating activities	<u>\$ 80,839</u>	<u>\$ 29,482</u>	<u>\$ 110,321</u>



Romaine
& Associates, PLLC
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners
Graves County Water District
Graves County, Kentucky

We have audited the financial statements of the Graves County Water District, for the year ended December 31, 2010, and have issued our report thereon dated March 7, 2011. The Graves County Water District financial statements are prepared on a prescribed basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed by the Public Service Commission. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements for the year ended December 31, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on the compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

This report is intended solely for the information and the use of the Board of Commissioners and management, the Public Service Commission of Kentucky, and the Kentucky Infrastructure Authority and is not intended to be and should not be used by anyone other than the specified parties.

Romaine & Associates, PLLC
March 7, 2011

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Title Page

	Name of Respondent	Addr Line 1	Addr Line 2	City	State	Zip
Sewer Utilities						
Annual Report of						
Respondent	Graves County Water District	P.O. Box 329		Mayfield	KY	42066

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Principal Payment and Interest Information

	Amount	Yes/No
Amount of Principal Payment During Calendar Year	\$0.00`	
Is Principal Current?	Y	
Is Interest Current?	Y	

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Services Performed by Independent CPA

	Yes/No	A/C/R
Are your financial statements examined by a Certified Public Accountant?		
Enter Y for Yes or N for No	Y	
If yes, which service is performed?		
Enter an X on each appropriate line		
Audit		X
Compilation		
Review		

Additional Information Required

Case Num	Date	Explain
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General Information 1. (Ref Page: 1)

Exact name of utility making this report.

(Use the words "The", "Company" or "Incorporated" only when part of the corporate name.)

Graves County Water District

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

General Information 2 - 3 (Ref Page: 1)

	Name	Address	City	State	Phone
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Give the location, including street and number, and TELEPHONE NUMBER of the principal office in KY.

principal office in KY	Graves County Water District	P.O. Box 329	Mayfield	KY	2702474661
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Name, title, address and telephone number with area code of the person to be contacted concerning this report

	Johnny Dowdy, Chairman	P.O. Box 329	Mayfield	KY	
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9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

General Information 4 (Ref Page: 1)



Name of State under the laws of which respondent is incorporated and the date of incorporation. N/A

General Information 5. (Ref Page: 1)

Date

Date sewer utility began operations

09/01/2008

2011
3/27/2011

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

General Information 6. (Ref Page: 1)

	City or town	Community or Subdivision	County
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Fancy Farm

Graves

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

General Information 7. (Ref Page: 1)

	Count
Number of Full-time employees	0
Number of Part-time employees	0

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Principal Officers (Ref Page: 1)

Title	Last Name	First Name	Bus. Address	Salary or Fee
Chairman	Dowdy	John	P.O. Box 329 Mayfield, KY 42066	\$450.00
Commissioner	Mason	Gene	P.O. Box 329 Mayfield, KY 42066	\$450.00
Commissioner	Hayden	Todd	P.O. Box 329 Mayfield, KY 42066	\$450.00
Commissioner	Morrow	Joey	P.O. Box 329 Mayfield, KY 42066	\$450.00
Commissioner	Carr	Howell	P.O. Box 329 Mayfield, KY 42066	\$450.00

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Balance Sheet - Assets and Other Debts (Ref Page: 2)

	Balance First of Yr	Balance End of Yr
UTILITY PLANT		
Utility Plant (101-109)	\$580,966.00	\$623,993.00
less: Accum. Prov. for Depr., Depletion and Amortization (110)	\$57,444.00	\$92,188.00
Net Utility Plant	\$523,522.00	\$531,805.00
OTHER PROPERTY AND INVESTMENTS		
Non-Utility Property (121)		
less: Accum. Prov for Depr. and Amort. of Non-Utility Property (122)		
Net non-Utility Property	\$0.00	\$0.00
Other Investments (124)		
Special Funds (125)		
Total Other Property and Investments	\$0.00	\$0.00
CURRENT AND ACCRUED ASSETS		
Cash and Working Funds (131)	\$61,003.00	\$81,044.00
Temporary Cash Investments (132)		
Notes Receivable (141)		
Customer Accounts Receivable (142)	\$8,020.00	\$8,761.00
Other Accounts Receivable (143)		
Accum. Prov. For Uncollectible Accts - CR (144)		
Notes Receivable from Assoc. Companies (145)		
Accounts Receivable from Assoc. Companies (146)		
Materials and Supplies (150)		
Prepayments (166)	\$1,674.00	\$1,527.00
Other Current and Accrued Assets (170)		
Total Current and Accrued Assets	\$70,697.00	\$91,332.00
DEFERRED DEBITS		
Unamortized Debt Expense (181)		

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Balance Sheet - Assets and Other Debts (Ref Page: 2)

	Balance First of Yr	Balance End of Yr
Extraordinary Property Losses (182)		
Other Deferred Debits (183)		
Total Deferred Debits		
TOTAL ASSETS AND OTHER DEBITS	\$594,219.00	\$623,137.00

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Balance Sheet - Liabilities and Other Credits (Ref Page: 3)

	Balance First of Yr.	Balance End of Yr.
EQUITY CAPITAL		
Common Capital Stock (201)		
Preferred Capital Stock (204)		
Other Paid-In Capital (207)		
Discount on Capital Stock (213)		
Capital Stock Expense (214)		
Appropriated Retained Earnings (215)		
Unappropriated Retained Earnings (216)	(\$33,180.00)	(\$31,379.00)
Non-Corporate Proprietorship (218)		
Total Equity Capital	(\$33,180.00)	(\$31,379.00)
LONG-TERM DEBT		
Bonds (221)		
Advances From Associated Companies (223)		
Other Long-Term Debt (224)		
Total Long-Term Debt	\$0.00	\$0.00
CURRENT AND ACCRUED LIABILITIES		
Notes Payable (231)		
Accounts Payable (232)	\$9,227.00	\$3,213.00
Notes Payable to Associated Companies (233)		
Accounts Payable to Associated Companies (234)		
Customer Deposits (235)		
Taxes Accrued (236)		
Interest Accrued (237)		
Other Current and Accrued Liabilities (238)		
Total Current and Accrued Liabilities	\$9,227.00	\$3,213.00
DEFERRED CREDITS		
Advances for Construction (252)		

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Balance Sheet - Liabilities and Other Credits (Ref Page: 3)

	Balance First of Yr.	Balance End of Yr.
Other Deferred Credits (253)		
Accum. Deferred Investment Tax Credits (255)		
Total Deferred Credits	\$0.00	\$0.00
Operating Reserves (261-265)		
Contributions in Aid of Construction (271)	\$618,172.00	\$651,303.00
ACUMULATED DEFERRED INCOME TAXES		
Accum. Def. Income Taxes-Accel. Amort (281)		
Accum. Def. INcome Taxes-Lib. Depr. (282)		
Accum. Def. Income Taxes-Other (283)		
Total Accum. Deferred Income Taxes	\$0.00	\$0.00
TOTAL LIABILITIES AND OTHER CREDITS	\$594,219.00	\$623,137.00

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Summary of Utility Plant (Ref Page: 4)

	Amount
UTILITY PLANT	
In Service:	
Plant in Service Classified (from pg 5 line 40) (101)	\$623,993.00
Completed Construction Not Classified (102)	
Utility Plant in Process of Reclassification (103)	
Utility Plant Purchased or Sold (106)	
Total In Service	\$623,993.00
Utility Plant Leased to Others (104)	
Property Held for Future Use (105)	
Construction Work in Progress (107)	
Utility Plant Acquisition Adjustments (108)	
Other Utility Plant Adjustments (109)	
Total Utility Plant (to pg 2 line 4)	\$623,993.00
Less:	
Accumulated Provision for Depreciation and Amort. of Utility Plant (to pg 2 line 6) (110)	\$92,188.00
Net Utility Plant (to pg 2 line 7)	\$531,805.00

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Accum. Prov. for Depreciation and Amortization of Utility Plant (Ref Page: 4)

	Item	Amount
Balance Beginning of Year		\$57,444.00
Accruals for Year:		
Depreciation		\$34,744.00
Amortization		
Other Accounts (detail)		
Total Accruals for Year		\$34,744.00
Credit Adjustments (describe)		
Total Credits for Year		\$0.00
Net Charges for Plant Retired:		
Book Cost of Plant Retired (same as pg 5 line 40)		
Add: Cost of Removal		
Less: Salvage		
Net Charges for Plant Retired		\$0.00
Debit Adjustments (describe)		
Total Debit Adjustments for Year		
Balance End of Year		\$92,188.00

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Sewer Utility Plant In Service (Ref Page: 5)

	Depr Rate	Balance Beg of Year	Additions	Retirements	ReClass (Debit-Credit)	Balance End of Year
INTANGIBLE PLANT						
Organization (301)						
Franchises and Consents (302)						
Misc. Intangible Plant (303)						
Total Intangible Plant						
LAND AND STRUCTURES						
Land and Land Rights (310)		\$11,319.00	\$0.00	\$0.00	\$0.00	\$11,319.00
Structures and Improvements (311)		\$230,357.00	\$0.00	\$0.00	\$0.00	\$230,357.00
Total Land and Structures		\$241,676.00	\$0.00	\$0.00	\$0.00	\$241,676.00
COLLECTION PLANT						
Collection Sewers - Force (352.1)		\$98,632.00	\$0.00	\$0.00	\$0.00	\$98,632.00
Collection Sewers - Gravity (352.2)						
Other Collection Plant Facilities (353)						
Services to Customers (354)						
Flow Measuring Devices (355)						
Total Collection Plant		\$98,632.00	\$0.00	\$0.00	\$0.00	\$98,632.00
PUMPING PLANT						
Receiving Wells and Pump Pits (362)		\$101,201.00	\$43,027.00	\$0.00	\$0.00	\$144,228.00
Pumping Equipment - Electric (363A)		\$11,620.00	\$0.00	\$0.00	\$0.00	\$11,620.00

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Sewer Utility Plant In Service (Ref Page: 5)

	Depr Rate	Balance Beg of Year	Additions	Retirements	ReClass (Debit-Credit)	Balance End of Year
Pumping Equipment-Diesel (363B)						
Pumping Equipment - Other (363C)						
Total Pumping Plant (364)		\$112,821.00	\$43,027.00	\$0.00	\$0.00	\$155,848.00
TREATMENT AND DISPOSAL PLANT						
Oxidation Lagoon (372)		\$105,651.00	\$0.00	\$0.00	\$0.00	\$105,651.00
Treatment and Disposal Equipment (373)						
Plant Sewers (374)		\$22,186.00	\$0.00	\$0.00	\$0.00	\$22,186.00
Outfall Sewer Lines (375)						
Other Treatment and Disposal Plant Equip. (376)						
Total Treatment and Disposal Plant (371)		\$127,837.00	\$0.00	\$0.00	\$0.00	\$127,837.00
GENERAL PLANT (372)						
Office Furniture and Equipment (391)						
Transportation Equipment (392)						
Stores Equipment (393A)						
Tools, Shop and Garage Equipment (393B)						
Laboratory Equipment (393C)						
Power Operated Equipment (393D)						
Communication Equipment (393E)						

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Sewer Utility Plant In Service (Ref Page: 5)

	Depr. Rate	Balance Beg of Year	Additions	Retirements	ReClass (Debit-Credit)	Balance End of Year
Other Tangible Property (393F)						
Total General Plant		\$0.00				
TOTAL SEWER PLANT IN SERVICE		\$580,966.00	\$43,027.00	\$0.00	\$0.00	\$623,993.00

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Capital Stock (Ref Page: 6)

Class and Series (a)	No. of Shares Auth. (b)	Par Val per Share of Par	Stated Val (Per Share of	Outstanding Shares (c)	Outstanding Amount (f)
Total	0	\$0.00 0.0000	0	\$0.00	

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Long-Term Debt (Ref Page: 6)

Class and Series	Orig. Issue Amt	Date of Issue (b)	Date of Maturity (c)	Outstanding Balance	Interest Rate (e)	Interest Amt (f)
List each Original Issue Amount Class and Series of Obligation						
				0		
Total	\$0.00			\$0.00 0.0000		\$0.00

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Notes Payable (Ref Page: 6)

Name of Payee (a)	Date of Note (b)	Date of Maturity (c)	Interest Rate (d)	Balance End of Year (e)
(Include Notes Payable to Associated Companies Under This Heading)				
			0	
Total	0		0.0000	\$0.00

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Interest Accrued (Ref Page: 6)

Description of Obligation (a)	Int. Accr. Balance First of Yr	Int. Accr. During Yr (c)	Int. Paid During Yr (d)	Int. Accr. Balance End of Yr
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Total

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Other Current and Accrued Liabilities (Ref Page: 7)

	Description	Amount
Total (must agree with pg 3 Acct 238)		

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Statement of Retained Earnings For the Year (Ref Page: 7)

Item (a)	This Year (b)	Last Year (c)
UNAPPROPRIATED RETAINED EARNINGS (216)		
Balance Beginning of Year	\$0.00	\$0.00
Balance Transferred From Income (435)	(\$31,379.00)	(\$33,180.00)
Appropriations of Retained Earnings (436)		
Dividends Declared-Preferred Stock (437)		
Dividends Declared-Common Stock (438)		
Adjustments to Retained Earnings (439)		
Balance End of Year	(\$31,379.00)	(\$33,180.00)

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Statement of Income for the Year (Ref Page: 8)

Description	Number Customers (b)	Amount (c)
OPERATING REVENUES		
Flat Rate Revenues-General Customers:		
Residential Revenues (521.1)	189	\$95,696.00
Commercial Revenues (521.2)	19	\$9,545.00
Industrial Revenues (521.3)	1	\$502.00
Revenues From Public Authorities (521.4)		
Total (521)	209	\$105,743.00
Measured Revenues - General Customers: (483)		
Residential Revenues (522.1)		
Commercial Revenues (522.2)		
Industrial Revenues (522.3)		
Revenues From Public Authorities (522.4)		
Total (522)	0	\$0.00
Revenues From Public Authorities (523)		
Revenues From Other Systems (524)		
Miscellaneous Sewage Revenues (526)		
Total Sewage Service Revenues (521-526)	209	\$105,743.00
OTHER OPERATING REVENUES		
Customers Forfeited Discounts (532)		
Miscellaneous Operating Revenues (536)		\$110.00
Total Other Operating Revenues		\$110.00
Total Operating Revenues		\$105,853.00
OPERATING EXPENSES		
Total Sewer Operation and Maint. Expenses (from pg 9)		\$69,763.00
Depreciation Expense (403)		\$34,744.00
Amortization Expense (from pg 10) (404-407)		

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Statement of Income for the Year (Ref Page: 8)

	Description	Number Customers (b)	Amount (c)
Taxes Other Than Income taxes (from pg 10) (408.1)			
Total Income Taxes-Utility Operations (from pg 10)			
Total Sewage Operating Expenses			\$104,507.00
Net Operating Income			\$1,346.00
OTHER INCOME			
Income from Nonutility Operations (417)			
Interest and dividend Income (419)			\$455.00
Miscellaneous Nonoperating Income (421)			
Other Accounts (Specify Acct. No & Title)			
Total Other Income			\$455.00
OTHER DEDUCTIONS			
Interest on Long-Term Debt (427)			
Amortization of Debt Discount and Expense (428)			
Interest on Debt to Associated Companies (430)			
Other Interest Expense (431)			
Taxes Other than Income Taxes 408.2 (from pg 10)			
Total Income Taxes-Nonutility Operations (from pg 10)			
Other Accounts (Specify Acct. No. and Title)			
Total Other Deductions			
Net Income			\$1,801.00

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Sewer Operation and Maintenance Expenses (Ref Page: 9)

Amount (b)

OPERATION EXPENSES

Supervision and Engineering (700) :

Owner/Manager-Management Fee (700-A)

Other Expenses (700-B)

Labor and Expenses (701):

Collection System-Labor, Materials and Expenses (701-A)

Pumping System-Labor, Materials and Expenses (701-B)

Treatment System (701-C)

Sludge Hauling

Utility Service - Water Cost

Other-Labor, Materials and Expense

\$1,785.00

Rents (702)

\$0.00

Fuel and Power Purchased for Pumping and Treatment (703)

\$11,736.00

Chemicals (704)

\$7,636.00

Miscellaneous Supplies and Expenses (705):

Collection System (705-A)

Pumping System (705-B)

Treatment and Disposal (705-C)

Total Operation Expenses

\$21,157.00

MAINTENANCE EXPENSES

Supervision and Engineering (710) :

Routine Maintenance Service Fee (710-A)

Internal Supervision and Engineering (710-B)

Maintenance of Structures and Improvements (711)

Maintenance of Collection Sewer system (712)

Maintenance of Pumping System (713)

Maintenance of Treatment and Disposal Plant (714)

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Sewer Operation and Maintenance Expenses (Ref Page: 9)

	Amount (b)
Maintenance of Other Plant Facilities (715)	
Total Maintenance Expenses	
CUSTOMER ACCOUNTS EXPENSES	
Supervision (901)	
Meter Reading Expenses and Flat Rate Inspections (902)	
Customer Records and Collection Expenses (903)	
Agency Collection Fee (903-A)	
Internal Labor, Materials and Expenses (903-B)	
Uncollectible Accounts (904)	\$349.00
Miscellaneous Customer Accounts Expenses (905)	
Total Customer Accounts Expenses	\$349.00
ADMINISTRATIVE AND GENERAL EXPENSES	
Administrative and General Salaries (920)	\$2,250.00
Office Supplies and Other Expenses (921)	
Outside Services Employed (923)	\$43,485.00
Insurance Expenses (924)	\$1,527.00
Employee Pensions and Benefits (926)	
Regulatory Commission Expense (928)	\$166.00
Transportation Expenses (929)	
Miscellaneous General Expenses (930)	\$829.00
Rents (931)	
Maintenance of General Plant (932)	
Total Administrative and General Expenses	\$48,257.00
TOTAL SEWER OPERATION AND MAINTENANCE EXPENSES (to pg 8)	\$69,763.00

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Taxes Other Than Income Taxes (Ref Page: 10)

	Item (a)	Amount (b)
Payroll Taxes		
Property Taxes		
Utility Regulatory Commission Assessment		
Other (specify)		
Total (Same as Page 8 line 27 plus 44)		

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Operating and Non-Operating Income Taxes (Ref Page: 10)

	Amount (b)
Income Taxes-Federal (409.1)	
Income Taxes - State (409.1)	
Income Taxes - Other (409.1)	
Provisions for Deferred Income Taxes (410.1)	
Income Taxes Deferred in Prior Years - Credit (411.1)	
Investment Tax Credits - Net (412.0)	
Total Income Taxes - Util. Operating Income (to pg 8 line 28)	
Income Taxes - Federal (409.2)	
Income Taxes - State (409.2)	
Income Taxes - Other (409.2)	
Provisions for Deferred Income (410.2)	
Income Taxes Deferred in Prior Years - Credit (411.2)	
Investment Tax Credits - Net (412.4)	
Total Inc. Taxes - Nonutil. Op. Income (to pg 8 line 45)	

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Amortization Expense (Ref Page: 10)

	Amount (b)
Amortization of Limited - Term Utility Plant (404)	
Amortization of Other Utility Plant (405)	
Amortization of Utility Plant Acquisition Adjustments (406)	
Amortization of Property Losses (407)	
Amortization of Rate Case Expense	
Total Amortization Expense (to pg 8 line 26)	

Sewer Plant Statistics - Plant Valuation 1 - 3 (Ref Page: 11)

	Description	Percentage
What method of valuation was used with reference to Sewer Utility Plant in Service Appearing on page two line four: Original Cost, Estimated Cost, Original Cost Study?	Original Cost	
What percentage of Sewer Utility Plant in Service was recovered by the developer of hte subdivision; through the sale of lots?		0.0000
If less than one-hundred percent of the utility plant was recovered, please designate what portion (collection lines, treatment plant, etc.) of the plant that represents non-contributed plant	N/A	0.0000

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Sewer Plant Statistics - Plant Valuation 4. (Ref Page: 11)

	Last Name	First Name	Date
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By whom were the books of account audited?

What was the date of the last audit?

	N/A	N/A	
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If unaudited in the past twelve months, when and by whom is the next audit anticipated?

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9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Sewer Plant Statistics - Physical Data of Sewer Plant (Ref Page: 11)

Date of Construction of original Plant	05/01/1982
Type of treatment process	Aerated Lagoons 7 Floatation Units
Date and additional GPD Capacity of subsequent additions to plant	None
Population for which plant is designed including population equivalent of industrial waste load	140,000 gallons/day 610 people

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Sewer Plant Statistics - Treatment Plant Operating Statistics (Ref Page: 11)

	Total	Cost
Total gallons received during the year	9,372	
Total gallons received on maximum day	215	
Maximum G.P.D. Capacity of the sewage treatment plant	140	
Routine maintenance service fee		
Cost per month		
Contract Expires		
Sludge hauling		
Cost per load		
Average number of gallons per load		
Number of loads this year		

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Sewer Plant Statistics - Customer Statistics End of Year (Ref Page: 12)

Type	Num of Customers	BI-Month or Month Billing	Number of Bills
Residential			
Single Family	189	Monthly	189
Apartments/Condominiums			
Commercial	19	Monthly	19
Industrial	1	Monthly	1
Other			
Total	209		209

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Sewer Plant Statistics - Pumping Stations (Ref Page: 12)

Location	Size of Motor	Type of Motor	Gals per Day
Treatment Plant	5HP	Electric	250
111 Street	10HP	Electric	200
N 339 Highway	3HP	Electric	110
Elder Lane	3HP	Electric	75
S 339 Highway	2HP	Electric	40
E 80 Highway	2HP	Electric	40

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Sewer Plant Statistics - Mains (Feet) (Ref Page: 12)

Kind of Pipe	Diameter	Num of Feet	additions	removed	Feet End of Year
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9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

Sewer Plant Statistics - Service Laterals and Stubs (Ref Page: 12)

	Count
Number of service laterals owned by the utility at end of year	100
Number of stubs as of end of year	216
Number of service laterals owned by others	0

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

CheckList

Item	Value 1	Value 2	Agree	Explain
Balance Sheet (ref pg 2) Line Utility Plant (101-109) agrees with Sched Summary of Utility Plant (ref. pg 4) Total Utility Plant	623993.00	623993.00	OK	
Balance Sheet (ref pg 2) Line Less: Acct 110 agrees with Sched Summary of Utility Plant (ref pg 4) Line Total Utility Plant	92188.00	92188.00	OK	
Balance Sheet (ref pg 2) Line Net Utility Plant agrees with Summary of Utility Plant (ref pg 4) Line Net Utility Plant	531805.00	531805.00	OK	
Summary of Utility Plant (ref pg 4) Plant in Service Classified (Acct 101) agrees with Sched Sewer Plant in Service (ref pg 5) Total Sewer Plant in Service	623993.00	623993.00	OK	
Accum. Prov for Deprec. and Amort (Ref pg 4) Balance End of Year agrees with Sched Summary of Utility Plant (ref pg 4) Accumulated Prov. for Depr. and Amort.	92188.00	92188.00	OK	
Balance Sheet (ref pg 3) Sum of Common Capital Stock (201) and Preferred Capital Stock (204) agrees with Schedule Capital Stock (ref pg 6)	0	0.0000	OK	
Balance Sheeet (ref pg 3) Unappropriated Retained Earnings (216) agrees with Sched Statement of Retained Earnings (ref pg 7) Balance End of Year	-31379.00	-31379.00	OK	
Balance Sheet (ref pg 3) Total Long Term Debt (224) agrees with Sched Long Term Debt (ref pg 6) Total col d	0.0000	0.0000	OK	
Balance Sheet (ref pg 3) The sum of Notes Payable (231) and (233) agrees with Sched Notes Payable (ref pg 6) Total Col e	0	0.0000	OK	
Balance Sheet (ref pg 3) Interest Accrued (237) agrees with Sched Interest Accrued (ref pg 6) Total Col e	0	0	OK	
Balance Sheet (ref pg 3) Current and Accrued Liabilities (238) agrees with Sched Other Current and Accrued Liabilities (ref pg 7) Total	0	0	OK	

9003200 Graves County Water District (Sewer Division) 01/01/2010 - 12/31/2010

CheckList

Item	Value 1	Value 2	Agree	Explain
Balance Sheet (ref pg 3) Total Liabilities and Other Credits agrees with Balance Sheet (ref pg 2) Total Assets and Other Debits	623137.00	623137.00	OK	
Accum Prov. for Depreciation and Amortization (ref. pg 4) Depreciation agrees with Sched Statement of Income for the Year (ref pg 8) Depreciation Expense (403)	34744.00	34744.00	OK	
Sched Long Term Debt (ref pg 6) Total Interest Amount agrees with Sched Statement of Income (ref pg 8) Interest on Long Term Debt (427)	0.0000	0	OK	
Interest Accrued (ref pg 6) Total Interest Accrued agrees with Sched Statement of Income (ref pg 8) Other Interest Expense (431)	0	0	OK	
Statement of Income for the Year (ref pg 8) Total Sewer Operation and Maint. Expenses agrees with Sched Sewer Operation and Maintenance Expenses (ref pg 9) Total Sewer Operation and Maint. Exp	69763.00	69763.00	OK	
Statement of Income for the Year (ref pg 8) Total Income taxes - Utility Operations agrees with Sched Operating and Non-Operating Income Taxes (ref pg 10) Total Income Taxes - Util Operating Income	0	0	OK	
Statement of Income for the Year (ref pg 8) Amortization Expense agrees with Sched Amortization Expense (ref pg 10) Total Amortization Expense	0	0	OK	
Statement of Income for the Year (ref pg 8) The sum of lines Taxes Other than Income Taxes 408.1 and 408.2 agrees with Taxes Other Than Income (ref pg 10)	0.	0	OK	
Statement of Income for the Year (ref pg 8) Total Income Taxes - Nonutility Operations agrees with Sched Operating and Non-Operating Income Taxes Total Inc. Taxes - Nonutil. Op Income	0	0	OK	
Schedule Sewer Plant Statistics (ref pg 11 and 12) have been completed				

