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SEP 28 2011

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GRAVES COUNTY WATER )  
DISTRICT FOR AUTHORITY TO ENTER INTO A ) CASE NO. 2011-\_\_\_\_\_  
LOAN AGREEMENT WITH THE KENTUCKY )  
INFRASTRUCTURE AUTHORITY )

APPLICATION

Graves County Water District ("Graves District"), by counsel, pursuant to KRS 278.300, petitions the Commission for authority to execute a loan agreement with the Kentucky Infrastructure Authority ("KIA") for an amount not to exceed \$1,000,000.

The following information is filed in accordance with the Commission's regulations:

1. Graves District's office address is P.O. Box 329, Mayfield, Kentucky 42066. Its principal officers are listed in its 2010 Annual Report, which is on file with the Commission.

2. Graves District is a non-profit water district organized under KRS Chapter 74 and has no articles of incorporation.

3. A description of Graves District's water system and its property stated at original cost by accounts is contained in its 2010 Annual Report, a copy of which is attached to this Application as Exhibit A, and its 2010 Audit Report, a copy of which is attached as Exhibit B.

4. Graves District proposes to enter into a loan agreement with KIA to borrow an amount not to exceed \$1,000,000. The loan agreement will provide for principal forgiveness in the amount of 80 percent of the loan amount or \$220,000, whichever is less. The loan will have an interest rate of two percent per annum, which shall commence with the first draw of funds. The loan must be repaid over a period of

20 years. As a requirement of the loan agreement, Graves District will grant a security interest in its assets to KIA. The terms and conditions of the proposed loan are set forth in the KIA Infrastructure Revolving Loan Fund Conditional Commitment Letter, dated February 4, 2011, a copy of which is attached as Exhibit C. An amortization schedule for the proposed loan is attached as Exhibit D.

5. The proceeds of the proposed loan will be used to finance the purchase and installation of Automated Meter Infrastructure ("AMI"). Graves District proposes to purchase and install approximately 3,100 automated meters. A proposed budget for the AMI project is attached as Exhibit E.

6. Graves District has applied for a Certificate of Public Convenience and Necessity to purchase and install the AMI equipment. The Commission has docketed Graves District's application as Case No. 2010-00233. A more detailed description of Graves District's plans to install AMI equipment can be found in that proceeding.

7. Graves District has the following outstanding long-term loans:

a. Graves County Water District assumed a note between Fancy Farm Water District and KIA. 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 has an interest rate of .48 percent. As of December 31, 2010, the balance was \$311,510.

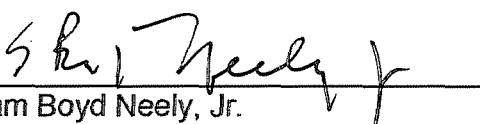
b. Graves County Water District assumed a note between South Graves Water District and KIA. The amount assumed was \$849,154. Principal and interest payments are due semi-annually for 20 years. The note has an interest rate of .40 percent. As of December 31, 2010, the balance was \$800,875.

8. Graves District requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 11(2)(a), which requires that the financial exhibit filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the Application. There has been no change that is material in nature in its financial condition or operation of the District since December 31, 2010. The financial information contained in Exhibits A and B is for the twelve (12) month period ending December 31, 2010. This is the most recent published financial data available. Because favorable bids for the AMI equipment will expire on October 31, 2011, Graves District cannot run the risk of delaying the purchase of the equipment and losing the favorable bids while more current financial data is compiled.

WHEREFORE, the Applicant, Graves District requests that the Public Service Commission of Kentucky grant to the Applicant:

- A. An order approving the issuance of evidences of indebtedness in the form of a loan from the Kentucky Infrastructure Authority in the approximate amount of \$1,000,000; and,
- B. Applicant's motion for a deviation from the 90-day requirement for financial information as required by 807 KAR 5:001, Section (11)(2)(a).

Respectfully submitted,


  
\_\_\_\_\_  
Sam Boyd Neely, Jr.  
238 North 7th Street  
P.O. Box 708  
Mayfield, Kentucky 42066-0034

COUNSEL FOR GRAVES COUNTY  
WATER DISTRICT

COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF GRAVES )

The undersigned, Johnny Dowdy, being duly sworn, deposes and states that he is the Chairman of the Graves County Water District, Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes same to be true.

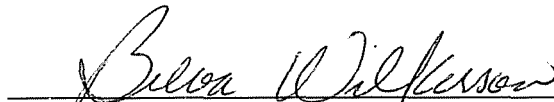
IN TESTIMONY WHEREOF, witness the signature of the undersigned on this September 23, 2011.

  
\_\_\_\_\_  
Johnny Dowdy, Chairman  
Graves County Water District

Subscribed and sworn to before me by Johnny Dowdy, Chairman of the Graves County Water District, on this September 23, 2011.

My commission expires: Jan 23, 2014.



  
\_\_\_\_\_  
Notary Public State-At-Large



LIST OF EXHIBITS

<u>Exhibit</u>	<u>Document</u>
A	2010 Annual Report
B	2010 Audit Report
C	KIA Infrastructure Revolving Loan Fund Conditional Commitment Letter
D	Proposed Amortization Schedule for KIA Loan
E	Proposed Budget for the AMI project

Title Page

Name of Respondent	Addr Line 1	Addr Line 2	City	State	Zip
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Water  
Districts/Associations

Annual Report of

Respondent

Graves County Water  
District  
P.O. Box 329

Mayfield

KY

42066

Principal Payment and Interest Information

	Amount	Yes/No	PSC Case No.
Amount of Principal Payment During Calendar Year	\$67,682.00		
Is Principal Current?		Y	
Is Interest Current?		Y	
Has all long-term debt been approved by the Public Service Commission?		Y	

Services Performed by Independent CPA

	Yes/No	A/G/R
--	--------	-------

Are your financial statements examined by a Certified Public Accountant?

Y

If yes, which service is performed?

Enter an X on each appropriate line

Audit

Compilation

Review

X

Additional Requested Information

	Name	Electronic Info
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Name of Utility and Web Address

Graves County Water District

Contact Name and Email Address

Johnny Dowdy

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Additional Information Required

Case Num	Date	Explain
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Major Water Projects



Provide details about each major water project which is planned but has not yet been submitted for approval to the Public Service commission.

For the limited purpose of this report, a "Major Project" is defined as one which is not in the ordinary course of business, and will increase your current utilityplant by at least 20 percent.

Brief Project Description: (improvement, replacement, building construction, expansion. If expansion, provide the estimated number of new customers):

Projected Costs and Funding Sources/Amounts:

Approval Status: (Application for financial assistance filed, but not approved; or application approved, but have not advertised for construction bids)

Location: (community, area or nearby roads)

History-Legal Name (Ref Page: 4)



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



History-Location (Ref Page: 4)

Name	Address	City	State	Zip	Phone
Give the location, including street and number, and TELEPHONE NUMBER of the principal office in KY.	Graves County Water District	Mayfield	KY	42066	2702474661
Give name, title, address and TELEPHONE NUMBER of the officer to whom correspondence concerning this report should be addressed.	Johnny Dowdy, Chairman	Mayfield	KY	42066	2702474661
Location where books are located	Graves County Water District	Mayfield	KY	42066	2702474661

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

History-Date Organized (Ref Page: 4)

Date of Organization	Date
----------------------	------

09/01/2008

History-Laws of Organization (Ref Page: 4)

	List
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If a consolidated or merger company, name all contingent and all merged companies. Give reference to charters or general laws governing each, and all amendments of same

Graves County Water District was formed by the consolidation of Consumers Water District, Fancy Farm Water District, South Graves Water District, and Hardeman Water District. The consolidation took place September 1, 2008.

Date and Authority for each consolidation and each merger.

September 1, 2008.

History-Departments (Ref Page: 4)

	List
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State whether respondent is a water district or association

Water District

Name all operating departments other than water

Sewer

Carlisle, Graves

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

History - Number of Employees (Ref Page: 5)

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

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Contacts (Ref Page: 6)

	Title	Last Name	First Name	Bus. Addr.	Salary	Term Expires
Person to send correspondence:	Chairman	Dowdy	Johnny	P.O. Box 329, Mayfield, KY 42066		
Person who prepared this report	Romaine & Associates PLLC			P.O. Box 488, Mayfield, KY 42066		
Officers and Managers						
	Chairman	Dowdy	Johnny	P.O. Box 329, Mayfield, KY 42066	\$3,150.00	
	Commissioner	Hayden	Todd	P.O. Box 329, Mayfield, KY 42066	\$3,150.00	
	Commissioner	Mason	Gene	P.O. Box 329, Mayfield, KY 42066	\$3,150.00	
	Commissioner	Morrow	Joey	P.O. Box 329, Mayfield, KY 42066	\$3,150.00	
	Commissioner	Carr	Howell	P.O. Box 329, Mayfield, KY 42066	\$3,150.00	

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Balance Sheet - Assets and Other Debits (Ref Page: 7)

	Previous Year	Current Year
UTILITY PLANT		
Utility Plant (101-106)	\$5,164,348.00	\$5,567,981.00
Less: Accumulated Depreciation and Amortization (108-110)	\$296,091.00	\$540,930.00
Net Plant	\$4,868,257.00	\$5,027,051.00
Utility Plant Acquisition Adjustments (Net) (114-115)		
Other Utility Plant Adjustments (116)		
Total Net Utility Plant	\$4,868,257.00	\$5,027,051.00
OTHER PROPERTY AND INVESTMENTS		
Nonutility Property (121)		
Less: Accumulated Depreciation and Amortization (122)		
Net Nonutility Property	\$0.00	\$0.00
Investment in Associated Companies (123)		
Utility and Other Investments (124-125)		
Sinking Funds (126)		
Other Special Funds (127)		
Total Other Property and Investments	\$0.00	\$0.00
CURRENT AND ACCRUED ASSETS		
Cash (131)	\$519,330.00	\$418,825.00
Special Deposits (132)		
Other Special Deposits (133)		
Working Funds (134)	\$2,600.00	\$37,685.00
Temporary Cash Investments (135)		
Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts (141-144)	\$78,349.00	\$83,046.00
Accounts Receivable from Associated Companies (145)		
Notes Receivable from Associated Companies (146)		
Materials and Supplies (151-153)		



7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Balance Sheet - Assets and Other Debits (Ref Page: 7)

	Previous Year	Current Year
Stores Expense (161)		\$6,349.00
Prepayments (162)	\$6,712.00	
Accrued Interest and Dividends Receivable (171)		
Rents Receivable (172)		
Accrued Utility Revenues (173)		\$0.00
Misc. Current and Accrued Assets (174)		\$545,905.00
Total Current and Accrued Assets	\$606,991.00	
DEFERRED DEBITS		
Unamortized Debt Discount and Expense (181)		
Extraordinary Property Losses (182)		
Preliminary Survey and Investigation Charges (183)		
Clearing Accounts (184)		
Temporary Facilities (185)		
Misc. Deferred Debits (186)	\$0.00	\$0.00
Research and Development Expenditure (187)		
Total Deferred Debits	\$0.00	\$0.00
TOTAL ASSETS AND OTHER DEBITS	\$5,475,248.00	\$5,572,956.00

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Balance Sheet - Equity Capital and Liabilities (Ref Page: 9)

	Previous Year	Current Year
<b>EQUITY CAPITAL</b>		
Appropriated Retained Earnings (214)		(\$325,635.00)
Retained Earnings From Income before contributions (215.1)	(\$171,944.00)	
Donated Capital (215.2)	\$4,345,861.00	\$4,669,161.00
Total Equity Capital	\$4,173,917.00	\$4,343,526.00
<b>LONG-TERM DEBT</b>		
Bonds (221)		
Reaquired Bonds (222)		
Advances from Associated Companies (223)		
Other Long-Term Debt (224)	\$1,179,977.00	\$1,112,295.00
Total Long Term Debt	\$1,179,977.00	\$1,112,295.00
<b>CURRENT AND ACCRUED LIABILITIES</b>		
Accounts Payable (231)	\$50,146.00	\$36,542.00
Notes Payable (232)	\$0.00	
Accounts Payable to Associated Co. (233)		
Notes Payable to Associated Co (234)		
Customer Deposits (235)	\$71,207.00	\$80,593.00
Accrued Taxes (236)		
Accrued Interest (237)		
Matured Long-Term Debt (239)		
Matured Interest (240)		
Tax Collections Payable (241)		
Misc. Current and Accrued Liabilities (242)		
Total Current and Accrued Liabilities	\$121,354.00	\$117,135.00
<b>DEFERRED CREDITS</b>		
Unamortized Premium on Debt (251)		
Advances for Construction (252)		

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Balance Sheet - Equity Capital and Liabilities (Ref Page: 9)

	Previous Year	Current Year
Other Deferred Credits (253)		
Total Deferred Credits	\$0.00	\$0.00
<b>OPERATING RESERVES</b>		
Accumulated Provision For:		
Property Insurance (261)		
Injuries and Damages (262)		
Pensions and Benefits (263)		
Miscellaneous Operating Reserves (265)		
Total Operating Reserves	\$0.00	\$0.00
Total Equity Capital and Liabilities	\$5,475,248.00	\$5,572,956.00

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Comparative Operating Statement (Ref Page: 11)

	Previous Year	Current Year
<b>UTILITY OPERATING INCOME</b>		
Operating Revenues (400)	\$931,571.00	\$950,183.00
Operating Expenses (401)	\$848,315.00	\$860,792.00
Depreciation Expenses (403)	\$228,640.00	\$244,839.00
Amortization of Utility Plant Acquisition Adjustment (406)		
Amortization Expense (407)		
Taxes Other Than Income (408.10-408.13)		
Utility Operating Expenses	\$1,076,955.00	\$1,105,631.00
Utility Operating Income	(\$145,384.00)	(\$155,488.00)
Income From Utility Plant Leased to Others (413)		
Gains (Losses) from Disposition of Utility Property (414)		
Total Utility Operating Income	(\$145,384.00)	(\$155,488.00)
<b>OTHER INCOME AND DEDUCTIONS</b>		
Revenues From Merchandising, Jobbing and contract work (415)		
Costs and Expenses of Merchandising, Jobbing and Contract Work (416)		
Interest and Dividend Income (419)	\$10,731.00	\$6,899.00
Allowance for funds Used During Constructions (420)		
Nonutility Income (421)	\$8,168.00	\$0.00
Miscellaneous Nonutility Expenses (426)		
Total Other Income and Deductions	\$18,899.00	\$6,899.00
<b>TAXES APPLICABLE TO OTHER INCOME</b>		
Taxes Other Than Income (408.20)		
Total Taxes Applic. to Other Income		
<b>INTEREST EXPENSE</b>		
Interest Expense (427)	\$15,226.00	\$5,142.00
Amortization of Debt Discount and Exp. (428)		

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010  
 Comparative Operating Statement (Ref Page: 11)

	Previous Year	Current Year
Amortization of Premium on Debt (429)		
Total Interest Expense	\$15,226.00	\$5,142.00
EXTRAORDINARY ITEMS		
Extraordinary Income (433)		
Extraordinary Deductions (434)		
Total Extraordinary Items	\$0.00	\$0.00
NET INCOME BEFORE CONTRIBUTIONS	(\$141,711.00)	(\$153,691.00)

Statement of Retained Earnings 2002 (Ref Page: 12)

Description	Total
Appropriated Retained earnings (214) (state balance and purpose of each appropriated amount at year end:)	
Total Appropriated Retained Earnings	
Retained Earnings From Income Before Contributions (215.1)	
Balance beginning of year	(\$171,944.00)
Balance transferred from Net Income Before Contributions (435)	(\$153,691.00)
Changes to account:	
Appropriations of Retained Earnings (436)	
Adjustments to Retained Earnings (439) (requires Commission approval prior to use):	
Credits	
Debits	
Balance End of Year	(\$325,635.00)

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Statement of Retained Earnings (cont. 215.2) (Ref Page: 12)

Description	Tapping Fees	Grants	Other	Total
Donated Capital (215.2)				
Balance Beginning of the Year	\$0.00	\$0.00	\$0.00	\$4,345,861.00
Credits				
Proceeds from capital contributions (432)	\$0.00	\$323,300.00	\$0.00	\$323,300.00
Other Credits (explain)	\$0.00	\$0.00	\$0.00	\$0.00
Debits (explain - requires Commission Approval)				
Balance End of Year	\$0.00	\$323,300.00	\$0.00	\$4,669,161.00

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Net Utility Plant (Accts. 101-106) (Ref Page: 13)

	Total
Utility Plant in Service (101)	\$5,567,981.00
Utility Plant Leased to Others (102)	
Property Held for Future Use (103)	
Utility Plant Purchased of Sold (104)	
Construction Work in Progress (105)	
Completed Construction Not Classified (106)	
Total Utility Plant	\$5,567,981.00



7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Accumulated Depreciation ( Acct. 108) (Ref Page: 13)

Description	Total
Balance First of Year	\$296,091.00
Credit during year	
Accruals Charged to Account 108.1	
Accruals Charged to Account 108.2	\$244,839.00
Accruals Charged to Account 108.3	
Accruals Charged to Other Accounts (specify)	
(specify)	
Salvage Value Recovered on Plant Retired	
Other Credits	
(specify)	\$244,839.00
Total Credits	
Debits during year:	
Book Cost of Plant Retired	
Cost of Removal	
Other Debits	
(specify)	\$0.00
Total Debits	
Balance at End of Year	\$540,930.00

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Water Utility Plant Accounts (Ref Page: 14)

	Prev Year (c)	Additions (d)	Retirement (e)	Current Yr(f)	Intangible Plant (g)	Supply & Pump.	Water Treatment	Trans. and Distr.	General Plant
Organization (301)	\$0.00								
Franchises (302)									
Land and Land Rights (303)	\$25,015.00	\$0.00	\$0.00	\$25,015.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Structures and Improvements (304)	\$146,582.00	\$0.00	\$0.00	\$146,582.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Collecting and Impounding Reservoirs (305)									
Lakes, Rivers and Other Intakes (306)									
Wells and Springs (307)	\$1,400,000.00	\$0.00	\$0.00	\$1,400,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Infiltration Galleries and Tunnels (308)									
Supply Mains (309)									
Power Generation Equipment (310)									
Pumping Equipment (311)	\$875,000.00	\$40,047.00	\$0.00	\$915,047.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Water Treatment Equipment (320)	\$188,425.00	\$0.00	\$0.00	\$188,425.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Distribution Reservoirs and Standpipes (330)									
Transmission and Distribution Mains (331)	\$2,105,593.00	\$308,681.00	\$0.00	\$2,414,274.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Water Utility Plant Accounts (Ref Page: 14)

	Prev Year (c)	Additions (d)	Retirement (e)	Current Yr(f)	Intngble. Plant (g)	Supply & Pump.	Water Treatmnt.	Trans. and Distr.	General Plant
Services (333)									
Meters and Meter Installations (334)	\$416,416.00	\$54,905.00	\$0.00	\$471,321.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Hydrants (335)									
Backflow Prevention Devices (336)									
Other Plant and Misc. Equipment (339)									
Office Furniture and Equip. (340)									
Transportation Equipment (341)									
Stores Equipment (342)									
Tools, Shop and Garage Equip (343)									
Laboratory Equipment (344)									
Power Operated Equipment (345)	\$7,172.00	\$0.00	\$0.00	\$7,172.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Communication Equipment (346)									
Miscellaneous Equipment (347)	\$145.00	\$0.00	\$0.00	\$145.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Tangible Plant (348)	\$0.00								
Total Water Plant	\$5,164,348.00	\$403,633.00	\$0.00	\$5,567,981.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)

	Balance Beg Yr(e)	Cr-Chg Dep Exp(d)	Other Credits (e)	Charges-Plant Ret(f)	Other Charges (g)	Balance End Yr (h)
Organization (301)						
Franchises (302)						
Land and Land Rights (303)						
Structures and Improvements (304)	\$54,755.00	\$3,759.00	\$0.00	\$0.00	\$0.00	\$58,514.00
Collecting and Impounding Reservoirs (305)	\$2,731.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,731.00
Lake, River and Other Intakes (306)						
Wells and Springs (307)	\$2,004.00	\$35,000.00	\$0.00	\$0.00	\$0.00	\$37,004.00
Infiltration Galleries and Tunnells (308)						
Supply Mains (309)						
Power Generating Equipment (310)						
Pumping Equipment (311)	\$14,681.00	\$45,752.00	\$0.00	\$0.00	\$0.00	\$60,433.00
Water Treatment Equipment (320)	\$64,340.00	\$18,843.00	\$0.00	\$0.00	\$0.00	\$83,183.00
Distributions Reservoirs and Standpipes (330)						
Transmission and Distribution Mains (331)	\$133,624.00	\$117,919.00	\$0.00	\$0.00	\$0.00	\$251,543.00
Services (333)	\$2,336.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,336.00
Meters and Meter Installations (334)	\$21,620.00	\$23,566.00	\$0.00	\$0.00	\$0.00	\$45,186.00
Hydrants (335)						
Backflow Prevention Devices (336)						

Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)

	Balance Beg Yr (c)	Cr-Chg Dep Exp (d)	Other Credits (e)	Charges-Plant Ret (f)	Other Charges (g)	Balance End Yr (h)
Other Plant and						
Miscellaneous Equipment						
(339)						
Office Furniture and Equip.						
(340)						
Transportation Equipment						
(341)						
Stores Equipment (342)						
Tools, Shop and Garage						
Equip (343)						
Laboratory Equipment						
(344)						
Power Operated						
Equipment (345)						
Communication Equipment						
(346)						
Miscellaneous Equipment						
(347)						
Other Tangible Plant (348)						
Totals	\$296,091.00	\$244,839.00	\$0.00	\$0.00	\$0.00	\$540,930.00

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010  
 Accumulated Amortization ( Acct. 110) (Ref Page: 16)

Description	Total
Balance First of Year	
Credit during year	
Accruals Charged to Account 110.1	
Accruals Charged to Account 110.2	
Other Credits	
(specify)	
Total Credits	
Debits during year:	
Book Cost of Plant Retired	
Other Debits	
(specify)	
Total Debits	
Balance end of Year	

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Utility Plant Acquisition Adjustments (Accts. 114-115) (Ref Page: 16)

Description	Total
Acquisition Adjustments (114)	
(specify)	
Total Plant Acquisition Adjustments	
Accumulated Amortization (115)	
(specify)	
Total Accumulated Amortization	
Net Acquisition Adjustments	

Investments and Special Funds (Ref Page: 17)

Description (a)	Face or Par Value (b)	Year End Book Cost
Investment in Associated Companies (123)		
Total Investment in Associated Companies		
Utility Investments (124)		
Total Utility Investments		
Other Investments (125)		
Total Other Investments		
Sinking Funds (126)		
Total Sinking Funds		
Other Special Funds (127)		
Total Other Special Funds		



7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010  
 Accounts and Notes Receivable - Net (Accts 141-144) (Ref Page: 18)

Description	Total
Accounts and Notes Receivable	
Customer Accounts Receivable (141)	\$83,046.00
Other Accounts Receivable (142)	
Total Other Accounts Receivable	\$0.00
Notes Receivable (144)	
Total Notes Receivable	\$83,046.00
Total Accounts and Notes Receivable	
Accumulated Provision for Uncollectible Accounts (143)	
Balance First of Year	
Add:	
Provision for uncollectibles for current year	
Collections of accountst previously written off	
Other	
(specify)	
Total Additions	
Deduct accounts written off during year:	
Other	
(specify)	
Total Deductions	
Balance end of Year	\$83,046.00
Total Accounts and Notes Receivable - Net	

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010  
Materials and Supplies (151-153) (Ref Page: 19)

	Total
--	-------

Plant Materials and Supplies (151)

Merchandise (152)

Other Materials and Supplies (153)

Total Materials and Supplies

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Prepayments (Acct. 162) (Ref Page: 19)

Description	Total
Prepaid Insurance	\$6,349.00
Prepaid Rents	
Prepaid Interest	
Prepaid Taxes	
Other Prepayments	
(Specify)	
Total Prepayments	\$6,349.00

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Miscellaneous Deferred Debits (Acct. 186) (Ref Page: 20)

Total	
-------	--

Miscellaneous Deferred Debits (186)	
Deferred Rate Case Expense (186.1)	\$0.00
Other Deferred Debits (186.2)	
Regulatory Assets (186.3)	
Total Miscellaneous Deferred Debits	\$0.00

Unamortized Debt Discount and Expense and Premium on Debt (Accts 181 and 251) (Ref Page: 20)

Description	Amt Written Off during year	Year End Balance
Unamortized Debt Discount and Expense (181)		
Total Unamortized Debt Discount and Expense		
Unamortized Premium on Debt (251)		
Total Unamortized Premium on Debt		

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Extraordinary Property Losses (Acct. 182) (Ref Page: 21)

	Description	Total
Extraordinary Property Losses (182)	(Specify)	Total Extraordinary Property Losses

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Advances for Construction (Acct. 252) (Ref Page: 21)

	Total
--	-------

Balance First of Year

Add credits during year

Deduct charges during year

Balance end of year

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Long Term Debt (Ref Page: 22)

Description of Obligation (a)	Issue Date (b)	Mature Date (c)	Interest Expense for Year Rate (d)	Interest Expense for Year Amount(e)	Principal per Balance Sheet Date (f)
KIA	09/01/08	2026	0.4800	\$1,565.00	\$311,510.00
KIA	09/01/08	2026	0.4000	\$3,348.00	\$800,785.00
Total			0.0000	\$4,913.00	\$1,112,295.00



7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Bonds - Account 221 (Ref Page: 23)

Par Value of Actual Issue (1)	Cash Realized on Actual Issue (2)	Par Val of Amt. Held by or for Respondent (3)	Actually Outstanding at Close of Year (4)	Interest During Year Accrued (5)	Interest During Year Actually Paid (6)
----------------------------------	-----------------------------------	--	--	-------------------------------------	---

Total

Schedule of Bond Maturities (Ref Page: 23)

Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amt. (10)	Amounts Paid (11)	Remaining Bonds Outstanding (12)
------------------	-------------------	-------------------	---------------------	-------------------	----------------------------------

Total

(The total of Column 12 must agree with the total of col 4)

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Notes Payable (Accts 232 and 234) (Ref Page: 24)

Description	Nominal Date of Issue	Date of Maturity	Int. Rate	Int. Payment	Principal Amt Per Bal Sheet
Account 232 - Notes Payable			0.0000	\$0.00	\$0.00
Total Account 232				\$0.00	\$0.00
Account 234 - Notes Payable to Associated Companies					
Total Account 234				\$0.00	\$0.00

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Accounts Payable to Associated Companies (Acct. 233) (Ref Page: 24)

Description	Total
-------------	-------

Show Payable to Each Associated Company Separately

(Specify)

Total

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Taxes Accrued (Acct. 236) (Ref Page: 25)

	Total
Balance First of Year	
Accruals Charged:	
Utility regulatory assessment fees (408.10)	
Property taxes (408.11)	
Payroll taxes (employer's portion) (408.12)	
Other taxes and licenses (408.13)	
Taxes other than income, other income and deductions (408.20)	
Total taxes accrued	
Taxes paid during year:	
Utility regulatory assessment fees (408.10)	
Property taxes (408.11)	
Payroll taxes (employer's portion) (408.12)	
Other taxes and licenses (408.13)	
Taxes other than income, other income and deductions (408.20)	
Total Taxes Paid	
Balance end of year	

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Accrued Interest (Account 237) 2002 (Ref Page: 25)

Description of Debt (a)	Balance Beg of Year (b)	Interest Accrued(c)	Interest Paid (d)	Balance End of Year (e)
<b>Long Term Debt:</b>				
KIA	0.0000	\$3,348.00	\$3,348.00	\$0.00
KIA	0.0000	\$1,565.00	\$1,565.00	\$0.00
KIA	0.0000	\$0.00	\$0.00	\$0.00
<b>Notes Payable:</b>				
<b>Customer Deposits:</b>				
	0.0000	\$229.00	\$229.00	\$0.00
<b>Other</b>				
	0.0000	\$0.00	\$0.00	\$0.00
	0.0000	\$5,142.00	\$5,142.00	\$0.00
<b>Total Acct. No 237</b>				

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Miscellaneous Current and Accrued Liabilities (Acct. 242) (Ref Page: 26)

Description	Balance End Year
-------------	------------------

Total Miscellaneous Current and Accrued Liabilities

Regulatory Commission Expense( Acct 666 and 667) (Ref Page: 26)

Description of Case (Docket No.) (a)	Total Incurred During Year (b)	Amt Transferred to Acct 186.1 (c)	Expensed During Year (d)	Expensed During Year Amount (e)
Total				



7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Water Operating Revenue (Ref Page: 27)

	Beginning Year Customers	Year End Customers	Amount
<b>Operating Revenues</b>			
Unmetered Water Revenue (460)			
Metered Water Revenue (461)			
Sales to Residential Customers (461.1)	3,043	4,213	\$823,460.00
Sales to Commercial Customers (461.2)	135	311	\$54,474.00
Sales to Industrial Customers (461.3)	0	0	\$0.00
Sales to Public Authorities (461.4)	0	0	\$0.00
Sales to Multiple Family Dwellings (461.5)			
Sales through Bulk Loading Stations (461.6)			
Total Metered Sales	3,178	4,524	\$877,934.00
Fire Protection Revenue (462)			
Public Fire Protection (462.1)	1	1	\$0.00
Private Fire Protection (462.2)			
Total Fire Protection Revenue	1	1	\$0.00
Other Sales to Public Authorities (464)			
Sales to Irrigation Customers (465)			
Sales for Resale (466)	0	0	\$16,336.00
Interdepartmental Sales (467)			
Total Sales of Water	3,179	4,525	\$894,270.00
Other Water Revenues			
Guaranteed Revenues (469)			
Forfeited Discounts (470)			
Miscellaneous Service Revenues (471)			\$54,713.00
Rents from Water Property (472)			\$1,200.00
Interdepartments Rents (473)			
Other Water Revenues (474)			\$0.00
Total Other Water Revenues			\$55,913.00

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Water Operating Revenue (Ref Page: 27)

Beginning Year Customers	Year End Customers	Amount
		\$950,183.00

Total Water Operating Revenues

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Water Utility Expense Accounts (Ref Page: 28)

	Current Year (c)	Supply and Exp-Op. (d)	Supply and Exp-Maint. (e)	Water Treatment Exp-Op. (f)	Water Treatment Exp-Maint. (g)	Trans and Dist. Exp-Op. (h)	Trans and Dist. Exp-Maint. (i)	Customer Accts Exp. (j)	Admin and Gen Exp.
Salaries and Wages-Employees (601)	\$15,750.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$15,750.00
Salaries and Wages-Officers, Directors and Majority Stockholders (603)									
Employee Pensions and Benefits (604)									
Purchased Water (610)	\$142,994.00	\$0.00	\$0.00	\$0.00	\$0.00	\$142,994.00	\$0.00	\$0.00	\$0.00
Purchased Power (615)	\$65,813.00	\$65,813.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Fuel for Power Production (616)									
Chemicals (618)	\$65,880.00	\$0.00	\$0.00	\$65,880.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Materials and Supplies (620)	\$29,115.00	\$0.00	\$0.00	\$29,115.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractual Services - Eng. (631)	\$486,994.00	\$0.00	\$0.00	\$0.00	\$0.00	\$486,994.00	\$0.00	\$0.00	\$0.00
Contractual Services - Acct. (632)									
Contractual Services - Legal (633)									
Contractual Services - Management Fees (634)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Water Utility Expense Accounts (Ref Page: 28)

	Current Year (c)	Supply and Exp-Op (d)	Supply and Exp-Maint. (e)	Water Treatment Exp-Op. (f)	Water Treatment Exp-Maint. (g)	Trans and Dist. Exp-Op (h)	Trans and Dist. Exp- Maint. (i)	Customer Accts Exp. (j)	Admin and Gen Exp.
Contractual Serves - Water Testing (635)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractual Services - Other (636)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rental of Bld./Real Property (641)	\$21,435.00	\$0.00	\$0.00	\$0.00	\$21,435.00	\$0.00	\$0.00	\$0.00	\$0.00
Rental of Equipment (642)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Transportation Expenses (650)	\$11,056.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$11,056.00
Insurance - Vehicle (656)									
Insurance - General Liability (657)									
Insurance - Worker's Compensation (658)									
Insurance - Other (659)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Advertising Expenses (660)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Regulatory Commission Exp.									
- Amortization of Rate Case (666)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
-Other (667)	\$1,475.00	\$0.00	\$0.00	\$0.00	\$1,475.00	\$0.00	\$0.00	\$0.00	\$0.00

Water Utility Expense Accounts (Ref Page: 28)

	Current Year (c)		Supply and Exp-Op. (d)		Supply and Exp-Maint. (e)		Water Treatmt Exp-Op. (f)		Water Treatmt Exp-Maint. (g)		Trans and Dist. Exp-Op. (h)		Trans and Dist. Exp-Maint. (i)		Customer Accts Exp. (j)		Admin and Gen Exp.		
Water Resource Conservation Expense (668)																			
Bad Debt (670)	\$10,613.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$10,613.00	\$0.00	\$0.00	\$0.00	\$0.00
Miscellaneous Expenses (675)	\$9,667.00	\$9,667.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total</b>	<b>\$860,792.00</b>	<b>\$75,480.00</b>	<b>\$0.00</b>	<b>\$94,995.00</b>	<b>\$22,910.00</b>	<b>\$629,988.00</b>	<b>\$0.00</b>	<b>\$10,613.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$10,613.00</b>	<b>\$26,806.00</b>			

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Pumping and Water Statistics - part one (Ref Page: 29)

	Water Purchased For Resale (Omit 000 s) (b)	Water Pumped from Wells (Omit 000 s) (c)	Total Water Pumped and Purchased (Omit 000 s) (d)	Water Sold To Customers (Omit 000 s) (e)
January	9,220	10,993	20,213	15,961
February	7,498	8,867	16,365	14,223
March	7,768	9,038	16,806	10,693
April	7,923	9,278	17,201	13,414
May	8,473	9,817	18,290	14,179
June	9,815	11,209	21,024	15,911
July	11,631	13,211	24,842	19,217
August	11,285	13,480	24,765	18,783
September	9,920	11,718	21,638	18,814
October	9,351	10,423	19,774	15,114
November	8,349	9,781	18,130	13,994
December	8,796	10,783	19,579	15,288
Total for the year	110,029	128,598	238,627	185,591

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Pumping and Water Statistics - part two (Ref Page: 29)

	Gallons	Date
Maximum Gallons pumped by all methods in any one day (Omit 000's)	984	08/09/2010
Minimum Gallons pumped by all methods in any one day (Omit 000's)	503	06/03/2010

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Pumping and Water Statistics - part three (Ref Page: 29)

List
------

If water is purchased indicate the following:

Vendor

Mayfield Electric and Water System

Point of Delivery

Sedalia Y



7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Pumping and Water Statistics - part four (Ref Page: 29)

Entity Receiving Water	Maximum Daily	Maximum Monthly
------------------------	---------------	-----------------

If water is sold to other water utilities for redistribution, identify all entities with whom the utility has a water sales contract and the maximum quantity the utility is under contract to provide daily and monthly. If unlimited then list "unlimited" otherwise list in thousands of gallons.

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Sales For Resale (466) (Ref Page: 30)

Company	Gallons (Omit 000's)	Avg. Rate Per 1000 Gallons (Cents)	Amount
Milburn	80,500	\$0.22	\$17,468.00
<b>Total</b>	<b>80,500</b>		<b>\$17,468.00</b>

70012000 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Water Statistics (Ref Page: 30)

	Gallons (Omit 000 s)	Percent
1. Water Produced, Purchased and Distributed		
2. Water Produced	128,598	
3. Water Purchased	110,029	
4. Total Produced and Purchased	238,627	
6. Water Sales:		
7. Residential	92,387	
8. Commercial	12,379	
9. Industrial	325	
10. Bulk Loading Stations		
11. Resale	80,500	
12. Other Sales		
13. Total Water Sales	185,591	
15. Other Water Used		
16. Utility/water treatment plant		
17. Wastewater plant		
18. System flushing	3,350	
19. Fire department	40	
20. Other		
21. Total Other Water Used	3,390	
23. Water Loss:		
24. Tank Overflows	1,610	
25. Line Breaks	1,011	
26. Line Leaks		
27. Other	47,951	
28. Total Line Loss	50,572	
Note: Line 13 + Line 21 + Line 28 must equal Line 4		
32. Water Loss Percentage		

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Water Statistics (Ref Page: 30)

Gallons (Qmit 000 s)	Percent
----------------------	---------

33. Line 28 divided by Line 4

21.1929

Plant Statistics (Ref Page: 31)

Give the following information

Number of fire hydrants, by size	139-4" Flush Hydrants
Number of private fire hydrants, by size	27
If produced whether water supply is river, impounded streams, well, springs, artificial lake, or collector well	Well
If produced whether supply is by gravity, pumping or a combination	Pumping to tank and gravity feed
Type, capacity, and elevation of reservoirs at overflow and ground level	50,000 Gallon, 100,000 Gallon, 80,000 Gallon, 300,000 Gallon, 125,000 Gallon, 100,000 Gallon, 250,000 Gallon
Miles of main by size and kind	221
Types of filters: gravity or pressure, number of units and total rated in capacity in gal. per min.	None
Type of disinfectant, number of units and capacity in pounds per 24 hours	Chlorinator Pumps
Station Equipment. List each pump, giving type and capacity, HP of driving unit and character of driving unit (steam/electric/int. combustion) also whether pump is high/ low duty	At least 8 pumps, all electric
Quantity of fuel used: coal in lbs., gas in cu.ft., oil in gals., and electric in KWH	
Give description and total cost of any sizable additions or retirements to plant and service outside the normal system of growth for the period covered by this report	
Capacity of clear well	Not Available
Peak month, in gallons of water sold	July
Peak day, in gallons of water sold	07/28/2010

Type
------

Choose one to indicate the type of Water Supply

Combination

7001200 Graves County Water District (Water Division) 01/01/2010 - 12/31/2010

Plant Statistics - Part C (Ref Page: 31)

Type
------

Choose one to indicate the type of Water Supply Method

Combination

OATH

Commonwealth of Kentucky )  
County of Graves ) ss:

I, Johnny Dowdy, having appeared before the undersigned officer duly authorized to administer oaths and being duly sworn, state under oath that I am Chairman of Graves County Water District ("Respondent"); that I have supervision over the books of account and other financial records of the Respondent and have control over the manner in which they are kept; that such books and records have, during the period covered by the foregoing report, been maintained in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky; that I have carefully examined the foregoing report and to the best of my knowledge and belief the information contained in this report is, so far as it relates to matters of accounts, in accordance with the said books of account; that all other statements of fact contained in the foregoing report are true; and that the foregoing report is a correct and complete statement of the business and affairs of the Respondent in every respect and manner during the period of time from and including January 1, 2010, to and including December 31, 2010

Johnny Dowdy  
Signature of Officer

Subscribed and sworn to before me, a Notary Public, in and for the State and County named in the above this 22nd day of March, 20 11

(Apply Seal Here) 

My Commission Expires Jan 23, 2014

Belva Wilkerson  
(Signature of officer authorized to administer oath)

[Persons making willful false statements in this report may be punished by fine or imprisonment under KRS 523.040 and 523.100.]



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# GRAVES COUNTY WATER DISTRICT

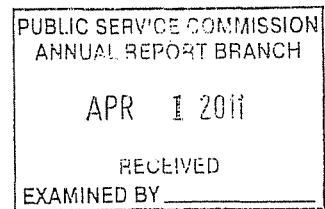
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AUDITED  
STATEMENTS

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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

<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 519,443
Customer accounts receivable	91,807
Misc. current & accrued assets	7,876
<b>Total current assets</b>	<u>619,126</u>
<b>NONCURRENT ASSETS</b>	
Restricted cash	<u>18,111</u>
<b>CAPITAL ASSETS</b>	
Depreciable capital assets:	
Utility plant in service, at cost	6,191,974
Less accumulated provision for depreciation computed by the straight-line method	<u>(633,118)</u>
<b>Total capital assets</b>	<u>5,558,856</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>5,576,967</u>
<b>Total assets</b>	<u>\$ 6,196,093</u>
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 39,755
Customer deposits	80,593
Current portion of long-term debt	67,969
<b>Total current liabilities</b>	<u>188,317</u>
<b>LONG TERM LIABILITIES</b>	
Long term debt, less current portion	<u>1,044,326</u>
<b>Total long-term liabilities</b>	<u>1,044,326</u>
<b>TOTAL LIABILITIES</b>	<u>1,232,643</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	4,446,561
Restricted for maintenance and replacement reserve	18,111
Unrestricted	498,778
<b>Total net assets</b>	<u>4,963,450</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,196,093</u>

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

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<b>OPERATING REVENUE</b>	<b>\$</b>	<u>1,056,036</u>
 <b>OPERATING EXPENSE</b>		
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		<u>1,641</u>
<b>Total operating expenses</b>		<u>1,210,138</u>
 <b>Operating income (loss)</b>		 (154,102)
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income		7,354
Interest expense		<u>(5,142)</u>
<b>Total nonoperating revenues (expenses)</b>		<u>2,212</u>
 <b>Income before capital contributions</b>		 (151,890)
 Capital contributions		 <u>356,431</u>
<b>Increase (Decrease) in net assets</b>		<u>204,541</u>
 <b>NET ASSETS</b>		
Beginning of year		<u>4,758,909</u>
 End of year	 <b>\$</b>	 <u><u>4,963,450</u></u>

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

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,050,598
Cash payments to suppliers for goods and services	(949,663)
Customer deposits received	9,386
<b>Net cash provided by operating activities</b>	110,321
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal payments	(67,683)
Interest on debts	(5,142)
Utility plant additions and improvements	(446,660)
Contributions in aid of construction	356,431
<b>Net cash provided by (used for) capital and related financing activities</b>	(163,054)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	7,354
<b>Net cash provided by (used for) investing activities</b>	7,354
<b>Net increase in cash and cash equivalents</b>	(45,379)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR</b>	582,933
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	537,554
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
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
<b>Net cash provided by operating activities</b>	\$ 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	\$ 327,775	\$ 250,000	\$ 77,775	\$ -
Time Deposits-FCB	\$ 266,282	\$ 250,000	\$ -	\$ 16,282

**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
<b>Total at Historical Cost</b>	<u>5,164,348</u>	<u>403,633</u>	<u>-</u>	<u>5,567,981</u>
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)
<b>Total Accumulated Depreciation</b>	<u>(296,091)</u>	<u>(244,839)</u>	<u>-</u>	<u>(540,930)</u>
<b>Capital Assets, Net</b>	<u>\$ 4,868,257</u>	<u>\$ 158,794</u>	<u>\$ -</u>	<u>\$ 5,027,051</u>
<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
<b>Total at Historical Cost</b>	<u>580,966</u>	<u>43,027</u>	<u>-</u>	<u>623,993</u>
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)
<b>Total Accumulated Depreciation</b>	<u>(57,444)</u>	<u>(34,744)</u>	<u>-</u>	<u>(92,188)</u>
<b>Capital Assets, Net</b>	<u>\$ 523,522</u>	<u>\$ 8,283</u>	<u>\$ -</u>	<u>\$ 531,805</u>

**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
<b>Total</b>	<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
<b>CURRENT ASSETS</b>			
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
<b>Total current assets</b>	<u>527,794</u>	<u>91,332</u>	<u>619,126</u>
<b>NONCURRENT ASSETS</b>			
Restricted cash	18,111	-	18,111
<b>CAPITAL ASSETS</b>			
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>
<b>Total capital assets</b>	<u>5,027,051</u>	<u>531,805</u>	<u>5,558,856</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>5,045,162</u>	<u>531,805</u>	<u>5,576,967</u>
<b>TOTAL ASSETS</b>	<u>\$5,572,956</u>	<u>\$ 623,137</u>	<u>\$6,196,093</u>
<b>CURRENT LIABILITIES</b>			
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
<b>Total current liabilities</b>	<u>185,104</u>	<u>3,213</u>	<u>188,317</u>
<b>NONCURRENT LIABILITIES</b>			
Long-term debt	1,044,326	-	1,044,326
Total noncurrent liabilities	<u>1,044,326</u>	<u>-</u>	<u>1,044,326</u>
<b>Total liabilities</b>	<u>1,229,430</u>	<u>3,213</u>	<u>1,232,643</u>
<b>NET ASSETS</b>			
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>
<b>Total net assets</b>	<u>4,343,526</u>	<u>619,924</u>	<u>4,963,450</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<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
<b>OPERATING REVENUE</b>	\$ 950,183	\$ 105,853	\$ 1,056,036
<b>OPERATING EXPENSE</b>			
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
<b>Total operating expenses</b>	<u>1,105,631</u>	<u>104,507</u>	<u>1,210,138</u>
<b>Operating income (loss)</b>	<u>(155,448)</u>	<u>1,346</u>	<u>(154,102)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	6,899	455	7,354
Interest expense	(5,142)	-	(5,142)
<b>Nonoperating revenues (expenses)</b>	<u>1,757</u>	<u>455</u>	<u>2,212</u>
<b>Income before capital contributions</b>	(153,691)	1,801	(151,890)
Capital contributions	323,300	33,131	356,431
<b>Increase (Decrease) in net assets</b>	<u>169,609</u>	<u>34,932</u>	<u>204,541</u>
<b>NET ASSETS</b>			
Beginning of year	<u>4,173,917</u>	<u>584,992</u>	<u>4,758,909</u>
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**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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
<b>Net cash provided by operating activities</b>	<u>80,839</u>	<u>29,482</u>	<u>110,321</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
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
<b>Net cash provided by (used for) capital and related financing activities</b>	<u>(153,158)</u>	<u>(9,896)</u>	<u>(163,054)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	6,899	455	7,354
<b>Net cash provided by (used for) investing activities</b>	<u>6,899</u>	<u>455</u>	<u>7,354</u>
<b>Net increase in cash and cash equivalents</b>	(65,420)	20,041	(45,379)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR</b>	<u>521,930</u>	<u>61,003</u>	<u>582,933</u>
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	<u>\$ 456,510</u>	<u>\$ 81,044</u>	<u>\$ 537,554</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
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
<b>Net cash provided by operating activities</b>	<u>\$ 80,839</u>	<u>\$ 29,482</u>	<u>\$ 110,321</u>



**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



EXHIBIT C

**Steven L. Beshear**  
Governor

**KENTUCKY INFRASTRUCTURE AUTHORITY**

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

**John E. Covington III**  
Executive Director

February 4, 2011

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

RECEIVED  
KENTUCKY INFRASTRUCTURE  
AUTHORITY  
2011 FEB 28 A 10:06

**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.



Chairman Johnny Dowdy

2/4/2011

Page 2

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.

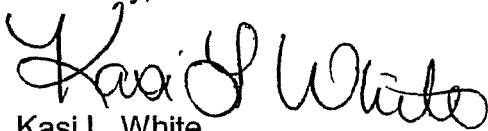
Chairman Johnny Dowdy  
2/4/2011  
Page 4

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,

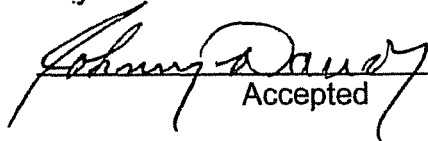


Kasi L. White  
Financial Analyst

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

2-22-2011  
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: 270-247-9314 Contact: BELVA WILKERSON  
Federal I.D. # 26-2993243

**Financial Institution Information:**

Bank Name: FNB  
Branch: MAYFIELD, KY Phone No: 270-247-1758  
City: MAYFIELD State: KY Zip: 42066  
Transit / ABA No.: 083901087  
Account Name: Graves County Water District  
FE/MANS Interconnect Grant  
Account Number: 572 5526

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: Belva A. Wilkerson Date: 2-22-11  
Name Printed: BELVA A. WILKERSON Job Title: Accountant

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  
KENTUCKY INFRASTRUCTURE AUTHORITY  
FUND B, INFRASTRUCTURE  
REVOLVING LOAN FUND**

Reviewer: Kasi White  
Date: February 3, 2011  
KIA Loan Number: B11-02  
WRIS Number: WX21083030

<b>BORROWER:</b>		<b>GRAVES COUNTY WATER DISTRICT GRAVES COUNTY</b>			
<b>BRIEF DESCRIPTION:</b>		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.			
<b>PROJECT FINANCING:</b>		<b>PROJECT BUDGET</b>			
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	
<b>TOTAL</b>	<b>\$ 1,111,266</b>	<b>TOTAL</b>	<b>\$</b>	<b>1,111,266</b>	
<b>REPAYMENT</b>		Est. Annual Payment \$ 49,071			
	Rate 2.00%	1st Payment 6 Mo. after first draw			
	Term 20 years				
<b>PROFESSIONAL SERVICES</b>		Engineer Florence and Hutcheson			
	Bond Counsel	Peck, Shaffer, & Williams			
<b>PROJECT SCHEDULE</b>		Bid Opening: February, 2011			
	Construction Start:	February, 2011			
	Construction Stop:	September, 2011			
<b>DEBT PER CUSTOMER</b>		Existing: \$ 350			
	Proposed:	\$ 574			
<b>OTHER DEBT</b>		See Attached			
<b>OTHER STATE-FUNDED PROJECTS LAST 5 YRS</b>		See Attached			
<b>RESIDENTIAL RATES</b>		<u>Users</u>	<u>Avg. Bill</u>		
	Fancy Farm Water District	438	\$19.80 (for 4,000 gallons)		
<b>REGIONAL COORDINATION</b>		This project is consistent with regional planning recommendations.			
<b>CASHFLOW</b>		<b>Cash Available for Debt Service</b>	<b>Debt Service</b>	<b>Income after Debt Service</b>	<b>Coverage Ratio</b>
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

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

## III. PROJECT FUNDING

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

## IV. KIA DEBT SERVICE

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

## 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
<b>Total</b>	<b>\$ 1,112,294</b>	

**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**

<b>Applicant</b>		<b>Applicant Contact</b>	
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

<b>Engineer</b>	
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
<b>Operating Revenues</b>						
Operating Revenues	931,571	13%	1,053,403	1,095,539	1,129,501	1,165,645
<b>Total Revenues</b>	931,571	13%	1,053,403	1,095,539	1,129,501	1,165,645
<b>Operating Expenses</b>						
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
<b>Total Expenses</b>	1,076,955	13%	1,218,314	1,283,291	1,330,798	1,377,479
<b>Net Operating Income</b>	(145,384)	13%	(164,911)	(187,752)	(201,297)	(211,834)
<b>Non-Operating Income and Expenses</b>						
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
<b>Total Non-Operating Income &amp; Expenses</b>	18,899	-52%	9,083	9,230	9,380	9,533
<b>Add Non-Cash Expenses</b>						
Depreciation	228,640	26%	288,431	316,213	322,537	328,988
<b>Cash Available for Debt Service</b>	102,155	30%	132,603	137,691	130,620	126,687
<b>Debt Service</b> <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
<b>Total Debt Service</b>	325,863		74,922	90,387	123,721	123,585
<b>Income After Debt Service</b>	(223,708)		57,681	47,304	6,899	3,102
<b>Debt Coverage Ratio</b>	0.31		1.77	1.52	1.06	1.03



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

<b>ASSETS</b>	<b>Audited 2009</b>	<b>Compiled 2010</b>	<b>Upon Completion 2011</b>
<b>Current Assets</b>			
Cash	511,079	499,869	547,173
Accounts Receivable	78,349	91,807	105,265
Other Current Assets	6,712	7,876	9,040
<b>Total Current Assets</b>	<b>596,140</b>	<b>599,552</b>	<b>661,478</b>
<b>Restricted Assets</b>			
Cash	10,851	37,680	45,180
<b>Total Restricted Assets</b>	<b>10,851</b>	<b>37,680</b>	<b>45,180</b>
<b>Utility Plant</b>			
Land, System, Building and Equipment	5,164,348	6,191,974	7,686,974
Less Accumulated Depreciation ( )	(296,091)	(641,966)	(716,716)
<b>Net Fixed Assets</b>	<b>4,868,257</b>	<b>5,550,008</b>	<b>6,970,258</b>
<b>Total Assets</b>	<b>5,475,248</b>	<b>6,187,240</b>	<b>7,676,916</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
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
<b>Total Current Liabilities</b>	<b>189,037</b>	<b>188,030</b>	<b>202,948</b>
<b>Long Term Liabilities</b>			
Long Term Debt	1,112,294	1,044,612	1,756,643
<b>Total Long Term Liabilities</b>	<b>1,112,294</b>	<b>1,044,612</b>	<b>1,756,643</b>
<b>Total Liabilities</b>	<b>1,301,331</b>	<b>1,232,642</b>	<b>1,959,591</b>
<b>Retained Earnings:</b>			
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
<b>Total Retained Earnings</b>	<b>4,173,917</b>	<b>4,954,598</b>	<b>5,717,326</b>
<b>Total Liabilities and Equities</b>	<b>5,475,248</b>	<b>6,187,240</b>	<b>7,676,917</b>
<b>Balance Sheet Analysis</b>			
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

KENTUCKY INFRASTRUCTURE AUTHORITY  
 REPAYMENT SCHEDULE  
 LOAN #A B11-02  
 GRAVES COUNTY WATER DISTRICT  
 PRELIMINARY

2.00% Rate  
 \$23,755.37 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Total Payment	Principal Balance	R & M Reserve	Total Reserve
06/01/12	\$15,955.37	\$7,800.00	2.00%	\$23,755.37	\$780.00	\$24,535.37	\$780,000.00	\$0.00	\$0.00
12/01/12	\$16,114.52	\$7,640.45	2.00%	\$23,755.37	\$764.04	\$24,519.41	\$764,044.63	\$2,500.00	\$2,500.00
06/01/13	\$16,276.07	\$7,479.30	2.00%	\$23,755.37	\$747.93	\$24,503.30	\$731,653.64	\$0.00	\$2,500.00
12/01/13	\$16,438.93	\$7,316.54	2.00%	\$23,755.37	\$731.65	\$24,487.02	\$715,214.81	\$2,500.00	\$5,000.00
06/01/14	\$16,603.22	\$7,152.15	2.00%	\$23,755.37	\$715.21	\$24,470.58	\$698,611.60	\$0.00	\$7,500.00
12/01/14	\$16,769.25	\$6,986.12	2.00%	\$23,755.37	\$698.61	\$24,453.98	\$681,842.35	\$2,500.00	\$7,500.00
06/01/15	\$16,936.94	\$6,818.42	2.00%	\$23,755.37	\$681.84	\$24,437.21	\$664,905.40	\$0.00	\$10,000.00
12/01/15	\$17,106.31	\$6,649.05	2.00%	\$23,755.37	\$664.91	\$24,420.27	\$647,799.09	\$2,500.00	\$10,000.00
06/01/16	\$17,277.38	\$6,477.99	2.00%	\$23,755.37	\$647.80	\$24,403.17	\$630,521.71	\$0.00	\$10,000.00
12/01/16	\$17,450.15	\$6,305.22	2.00%	\$23,755.37	\$630.52	\$24,385.89	\$613,071.57	\$2,500.00	\$12,500.00
06/01/17	\$17,624.65	\$6,130.72	2.00%	\$23,755.37	\$613.07	\$24,368.44	\$595,446.91	\$0.00	\$12,500.00
12/01/17	\$17,800.90	\$5,954.47	2.00%	\$23,755.37	\$595.45	\$24,350.81	\$577,646.02	\$2,500.00	\$15,000.00
06/01/18	\$17,978.91	\$5,776.46	2.00%	\$23,755.37	\$577.65	\$24,333.01	\$559,667.11	\$0.00	\$15,000.00
12/01/18	\$18,158.70	\$5,596.67	2.00%	\$23,755.37	\$559.67	\$24,315.03	\$541,508.42	\$2,500.00	\$17,500.00
06/01/19	\$18,340.28	\$5,415.08	2.00%	\$23,755.37	\$541.51	\$24,296.87	\$523,168.13	\$0.00	\$17,500.00
12/01/19	\$18,523.69	\$5,231.68	2.00%	\$23,755.37	\$523.17	\$24,278.53	\$504,644.45	\$2,500.00	\$20,000.00
06/01/20	\$18,708.92	\$5,046.44	2.00%	\$23,755.37	\$504.64	\$24,260.01	\$485,935.53	\$0.00	\$20,000.00
12/01/20	\$18,896.01	\$4,859.36	2.00%	\$23,755.37	\$485.94	\$24,241.30	\$467,039.52	\$2,500.00	\$22,500.00
06/01/21	\$19,084.97	\$4,670.40	2.00%	\$23,755.37	\$467.04	\$24,222.41	\$447,954.54	\$0.00	\$22,500.00
12/01/21	\$19,275.82	\$4,479.55	2.00%	\$23,755.37	\$447.95	\$24,203.32	\$428,678.72	\$2,500.00	\$25,000.00
06/01/22	\$19,468.58	\$4,286.79	2.00%	\$23,755.37	\$428.68	\$24,184.05	\$409,210.14	\$0.00	\$25,000.00
12/01/22	\$19,663.26	\$4,092.10	2.00%	\$23,755.37	\$409.21	\$24,164.58	\$389,546.88	\$0.00	\$25,000.00
06/01/23	\$19,859.90	\$3,895.47	2.00%	\$23,755.37	\$389.55	\$24,144.91	\$369,686.98	\$0.00	\$25,000.00
12/01/23	\$20,058.50	\$3,696.87	2.00%	\$23,755.37	\$369.69	\$24,125.05	\$349,628.48	\$0.00	\$25,000.00
06/01/24	\$20,259.08	\$3,496.28	2.00%	\$23,755.37	\$349.63	\$24,104.99	\$329,369.40	\$0.00	\$25,000.00
12/01/24	\$20,461.67	\$3,293.69	2.00%	\$23,755.37	\$329.37	\$24,084.74	\$308,907.73	\$0.00	\$25,000.00
06/01/25	\$20,666.29	\$3,089.08	2.00%	\$23,755.37	\$308.91	\$24,064.27	\$288,241.44	\$0.00	\$25,000.00
12/01/25	\$20,872.95	\$2,882.41	2.00%	\$23,755.37	\$288.24	\$24,043.61	\$267,368.49	\$0.00	\$25,000.00
06/01/26	\$21,081.68	\$2,673.68	2.00%	\$23,755.37	\$267.37	\$24,022.73	\$246,286.81	\$0.00	\$25,000.00
12/01/26	\$21,292.50	\$2,462.87	2.00%	\$23,755.37	\$246.29	\$24,001.65	\$224,994.31	\$0.00	\$25,000.00
06/01/27	\$21,505.42	\$2,249.94	2.00%	\$23,755.37	\$224.99	\$23,980.36	\$203,488.89	\$0.00	\$25,000.00
12/01/27	\$21,720.48	\$2,034.89	2.00%	\$23,755.37	\$203.49	\$23,958.86	\$181,768.41	\$0.00	\$25,000.00
06/01/28	\$21,937.68	\$1,817.68	2.00%	\$23,755.37	\$181.77	\$23,937.13	\$159,830.73	\$0.00	\$25,000.00
12/01/28	\$22,157.06	\$1,598.31	2.00%	\$23,755.37	\$159.83	\$23,915.20	\$137,673.67	\$0.00	\$25,000.00
06/01/29	\$22,378.63	\$1,376.74	2.00%	\$23,755.37	\$137.67	\$23,893.04	\$115,295.04	\$0.00	\$25,000.00
12/01/29	\$22,602.42	\$1,152.95	2.00%	\$23,755.37	\$115.30	\$23,870.66	\$92,692.62	\$0.00	\$25,000.00
06/01/30	\$22,828.44	\$926.93	2.00%	\$23,755.37	\$92.69	\$23,848.06	\$69,864.18	\$0.00	\$25,000.00
12/01/30	\$23,056.72	\$698.64	2.00%	\$23,755.37	\$69.86	\$23,825.23	\$46,807.46	\$0.00	\$25,000.00
06/01/31	\$23,287.29	\$468.07	2.00%	\$23,755.37	\$46.81	\$23,802.17	\$23,520.16	\$0.00	\$25,000.00
12/01/31	\$23,520.16	\$235.20	2.00%	\$23,755.37	\$23.52	\$23,778.89	\$0.00	\$0.00	\$25,000.00
<b>Totals</b>	<b>\$780,000.00</b>	<b>\$170,214.66</b>		<b>\$950,214.66</b>	<b>\$17,021.47</b>	<b>\$967,236.12</b>		<b>\$25,000.00</b>	

Created by KIA on 9/7/2011

- Mark Davis -

**Date:** 24-Jan-11  
**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

<u>Quantity</u>	<u>Description</u>	<u>Unit Price(\$)</u>	<u>Total</u>
4600	iPerl 3/4" water meter	100.00	460,000.00
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
4600	520m smartpoints	120.00	552,000.00
4600	Lid Drilling or Replacement	6.00	27,600.00
5	S100 TGB	69,750.00	348,750.00
4	Installation Cost of TGBs(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
3120	4 Employees Labor	25.00 per hr	312,000.00
3120	2 Trucks	15.00 per hr	46,800.00
1	Upgrade Existing TGB 2-way	30,000.00	30,000.00
<b><u>TOTAL COST</u></b>			<b><u>\$1,907,091.30</u></b>
Contingency Money 15% of Project			286,063.70
Total Cost Including Contingency Money			2,193,155.00

**PROJECTED PAY BACK**

<u>LOAN</u>	<u>TERM</u>	<u>RATE</u>	<u>MONTHLY</u>	<u>ANNUAL</u>	<u>TERM</u>
			<u>PRIN. &amp; INT.</u>	<u>PRIN. &amp; INT</u>	<u>PRIN. &amp; INT</u>
2,000,000.00	20 YRS	1% KIA	9,197.89	110,374.68	\$ 2,207,493.60
		2% KIA	10,117.67	121,412.04	\$ 2,428,240.80
		3% KIA	11,091.96	133,103.52	\$ 2,662,070.40