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Gregory N. Schabell
R. Leslie Knight
Bryan C. Berger

March 19, 2012

Public Service Commission
Attn: Mr. Jeff Derouen
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

MAR 21 2012

PUBLIC SERVICE
COMMISSION

Re: Grant County Sanitary Sewer District
Case No. 2009-00488
Amended Application Filing

Dear Mr. Derouen:

Enclosed please find three originals of an Amended Application of the Grant County Sanitary Sewer District for Approval of the Proposed Plan to Finance Improvements. This Application is being filed for the purpose of requesting approval of additional financing that the District was able to obtain for its Phase I Project. The additional amount of financing is \$133,178.00 which will supplement the previously approved financing in the amount of \$300,000.00. Pursuant to the terms of the Loan Agreement, 52.1% of the principal loan indebtedness will be forgiven leaving a principal balance of due and owing by the District to the appropriate lending authority in the amount of \$207,492.00.

If you have any additional requirements with respect to this filing, please do not hesitate to call.

Very truly yours,

BERGER & NIENABER, P.S.C.


Thomas R. Nienaber

TRN/css
Enclosure

cc: Grant County Sanitary Sewer District, Attn: Mr. Bobby Burgess
Grant County Sanitary Sewer District, Attn: Mr. Charles Givin
Grant County Sanitary Sewer District, Attn: Mr. Dan Northcutt
Grant County Sanitary Sewer District, Attn: Mr. Robbie Worthington
Grant County Sanitary Sewer District, Attn: Mr. Logan Murphy

RECEIVED

MAR 21 2012

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

APPLICATION OF THE GRANT COUNTY SANITARY SEWER DISTRICT

FOR

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT
PROPOSED SANITARY SEWER LINE IMPROVEMENTS

AND

APPROVAL OF THE PROPOSED PLAN TO FINANCE THE IMPROVEMENTS

CASE NO. 2009-00488

**AMENDED APPLICATION OF THE GRANT COUNTY SANITARY SEWER
DISTRICT FOR APPROVAL OF THE PROPOSED PLAN TO FINANCE
IMPROVEMENTS**

Comes now the Grant County Sanitary Sewer District ("District"), by and through its Chairman, Bobby Burgess, and pursuant to duly authorized and adopted resolution of its Commissioners submits the following Amended Application for Approval of the Proposed Plan to Finance the Improvements ("Application") pursuant to KRS 278.300 et seq.

1. The full name and office address of the Applicant is Grant County Sanitary Sewer District, 1 Farrell Drive, P.O. Box 460, Crittenden, Kentucky 41030.
2. This Amended Application is made pursuant to the provisions of KRS 278.300.
3. The Applicant incorporates herein by reference all Applications and related filings previously submitted herein.
4. By Order of the Public Service Commission ("Commission") entered February 1, 2010, the District was granted a Certificate of Public Convenience and Necessity to proceed with the proposed Phase I Waste Water Extension Project and authorizing the District to borrow an amount not to exceed \$300,000.00 from KIA.

5. By Resolution and Order of the Board of Directors of KIA dated March 1, 2012, the District was granted the opportunity to incur additional loans through KIA in the amount of \$133,178.00. A copy of the Resolution and Order approving that additional funding is attached hereto as Exhibit "13".

6. The total loan financing for the Phase I Waste Water Treatment Project, after accepting the additional loans funds, will bring the total funding for the Phase I Waste Water Treatment Project to \$433,178.00. A complete revised Project Budget and related loan documentation from KIA is attached hereto as Exhibit "14".

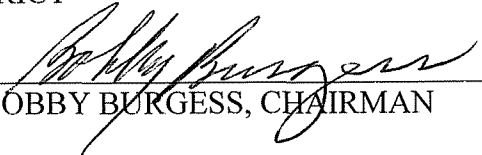
7. Pursuant to the loan arrangements of KIA, 52.1% of the principal loan debt will be forgiven leaving an unforgiven principal balance to be repaid by the District in the amount of \$207,492.00.

8. The total loan indebtedness of \$207,492.00 shall be payable over 20 years with an interest rate of 3%. In addition, a debt service fee of 0.20% annual administration fee on the unpaid principal balance will be charged. From annual revenues, \$750.00 must be set aside and a borrower held replacement reserve each December 1st until the balance reaches \$7,500.00 and maintained for the life of the loan.

9. The District requests a deviation pursuant to 807 KAR 5:001 § 14 from the requirements of 807 KAR 5:001 § 6 and all other financial reporting requirements that financial data filed with the amended Application be for a 12 month period ending within 90 days of the filing of the Amended Application. The District states that there has been no major change that is material in nature in the financial condition of the utility since December 31, 2010 as represented by the Audited Financial Statement filed with the original Application, Exhibit "10". At this time, Exhibit "10" represents the most recent published audited financial data available for the

District. The District is currently engaged in conducting its December 31, 2012 annual audit. As soon as that financial audit information becomes available, copies will be submitted to the Commission in support of this Amended Application.

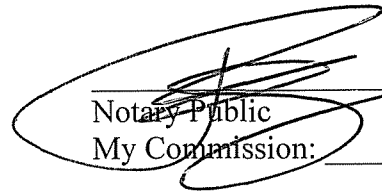
GRANT COUNTY SANITARY SEWER DISTRICT

BY: 
BOBBY BURGESS, CHAIRMAN

COMMONWEALTH OF KENTUCKY

COUNTY OF GRANT

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by the said Bobby Burgess, Chairman, Grant County Sanitary Sewer District, this 15th day of March, 2012.


Notary Public
My Commission: 3/24/12

Respectfully submitted,

BERGER & NIENABER, P.S.C.

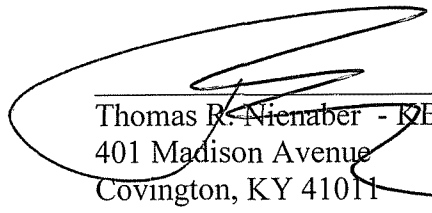

Thomas R. Nienaber - KBA#51820
401 Madison Avenue
Covington, KY 41011
(859) 491-9088

EXHIBIT “13”

A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AMENDMENT OF THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A2 09-35) FUNDED IN WHOLE OR IN PART BY THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 INCREASING THE AMOUNT TO \$433,178 TO THE GRANT COUNTY SANITARY SEWER DISTRICT, GRANT COUNTY, KENTUCKY

WHEREAS, the Kentucky Infrastructure Authority (the "Authority") has been duly created as a body corporate and politic constituting a public corporation and a governmental agency of the Commonwealth of Kentucky pursuant to Chapter 224A of the Kentucky Revised Statutes (the "Act"); and

WHEREAS, pursuant to the Act, the Authority is duly and legally authorized to make loans to Governmental Agencies for the purpose of providing funds for the construction and acquisition of sanitary sewer facilities, water facilities or other types of infrastructure, and in that regard, to enter into Assistance Agreements with such Governmental Agencies governing the provisions in respect of which such loans are to be made, the amounts thereof and the repayment provisions in respect thereto; and

WHEREAS, the Authority previously approved a Federally Assisted Waste Water Revolving Fund Loan (A2 09-35) to the Grant County Sanitary Sewer District on October 1, 2009 in the amount of \$300,000 and the Grant County Sanitary Sewer District has requested to increase loan A2 09-35 by \$133,178; and

WHEREAS, the Authority anticipates entering into an Assistance Agreement for a loan from the Authority's Federally Assisted Wastewater Revolving Loan Program (Fund A) with the Grant County Sanitary Sewer District, subject to final determination of amount when the factors involving such financing have been determined; and

WHEREAS, the Authority will, in the near future, authorize and issue a series of its Infrastructure Authority Revenue Bonds for the purpose of funding loans to various governmental agencies, such series of Bonds to be known as Kentucky Infrastructure Authority Revenue Bonds with the appropriate Series designation; and

WHEREAS, the Authority wishes to establish terms and conditions on said Fund A loans prior to the issuance of Authority Revenue Bonds and recognizes that additional planning and design of the financed projects are required.

NOW, THEREFORE, THE KENTUCKY INFRASTRUCTURE AUTHORITY, ACTING BY AND THROUGH ITS BOARD OF DIRECTORS AS ITS DULY AUTHORIZED AND EMPOWERED GOVERNING BODY, DOES HEREBY RESOLVE AND ORDER, AS FOLLOWS:

Section 1. All statements of fact set forth in the preambles to this Resolution and Order are incorporated herein by reference, the same as if set forth verbatim. All such statements of fact are hereby declared to be true and accurate in all material respects.

Section 2. The Authority hereby authorizes the Amendment of a conditional Federally Assisted Wastewater Revolving Fund loan increasing the amount to \$433,178 of project expense including capitalized interest for the construction period, to the Grant County Sanitary Sewer District for the Sewer Extension project. Such amounts are subject to adjustment by further action of the Authority or may be adjusted by action of the Authority staff at the time of the issuance of bonds based on adjustment in project costs of not more than (10%) ten percent of the project cost authorized by this resolution. Upon satisfaction of all conditions of the commitment, execution of an assistance agreement for this loan is authorized.

Section 3. Principal forgiveness of 52.1% will be deducted from the approved loan amount. The unforgiven principal balance of \$207,492 shall be repaid.

Section 4. The loan shall be repayable over 20 years at an interest rate of 3.0%. In addition to debt service, a .20% annual administration fee on the unpaid loan balance will be charged. From annual revenues, \$750 must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$7,500 and maintained for the life of the loan. These terms are subject to adjustment upon execution of the loan agreement, upon changes in the project conditions or determination that the project will require authority financing to be done on a taxable basis.

Section 5. This Resolution and Order shall be in full force and effect from and after its adoption at a properly held meeting of the Kentucky Infrastructure this 1st day of March, 2012.

TONY WILDER, CHAIR
KENTUCKY INFRASTRUCTURE AUTHORITY

ATTEST:

SANDY WILLIAMS, SECRETARY
KENTUCKY INFRASTRUCTURE AUTHORITY

REVIEWED BY:

PECK, SHAFFER & WILLIAMS LLP
LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE AUTHORITY

EXHIBIT “14”



STEVEN L. BESHEAR
GOVERNOR

LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET

DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT KENTUCKY 40601
www.kentucky.gov

February 22, 2012

Ms. Sandy Williams
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

Re: KIA #: A2 09-35; DOW #: ERF-187 Fund A ARRA
Grant Co Sanitary Sewer District WWTP--1480
Activity ID: FGL20100003

Dear Ms. Williams:

Enclosed is the revised budget for the above-referenced project. The district is requesting \$133,178 which will revise the loan amount to \$433,178. This increase does require board approval. The Division of Water recommends approval of this request.

If you have any questions, please contact Alison Simpson, Project Administrator, at (502) 564-8158, extension 4591.

Sincerely,

Buddy Griffin, Supervisor
SRF & SPAP Section
Water Infrastructure Branch

BG:as

Enclosure

C: Bobby Burgess, Chairman, Grant Co. Sanitary Sewer District
Kerry Odle, PE, CMW, Inc.

EXECUTIVE SUMMARY		Reviewer:	Sandy Williams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date:	March 1, 2012	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number:	A2 09-35 (Increase)	
REVOLVING LOAN FUND		WRIS Number	SX21081303	
		HUC Code:	05100205390	
BORROWER:	Grant County Sanitary Sewer District			
	Grant County			
BRIEF DESCRIPTION:	<p>The Grant County Sanitary Sewer District is requesting an increase of \$133,718 in a Fund A loan that was previously approved for \$300,000 from the American Recovery and Reinvestment Act of 2009 for Phase I of a Sanitary Sewer Extension project. The increase is needed to fund unanticipated budget overages. The project will serve the Sherman area and areas north of Sherman in Grant County and will include 8,935 feet of 8" gravity sewer, 20,452 feet of forcemain, 7,883 feet of small diameter forcemain, 43 manholes and six pump stations. The project will connect 84 customers, which will eliminate septic systems, in addition to connecting Grant County Mobile Home Park (43 users) and Cincinnati Campground, which will eliminate two package sewer plants. Sewer connection will also be available to Countryside Mobile Home Park. Debt service will be funded from existing revenues and the increased customer base.</p>			
PROJECT FINANCING:			PROJECT BUDGET	
Fund A Loan	\$433,178	Administrative Expenses	\$28,621	
Local Funds	71,000	Legal Expenses	64,875	
HB267	900,000	Land, Easements	142,035	
HB608	650,000	Engineering Fees	264,289	
Grant Mobile Home Park	60,535	Construction	1,532,459	
		Other	82,434	
TOTAL	\$2,114,713	TOTAL	\$2,114,713	
REPAYMENT			Est. Annual	
	Rate	3.00%	Payment	
	Term	20 years	1st Payment	
			6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	CMW, Inc.		
	Bond Counsel	Peck, Shaffer, & Williams		
PROJECT SCHEDULE	Bid Opening:		September 8, 2009	
	Construction Start:		February 1, 2010	
	Construction Stop:		December 1, 2010	
DEBT PER CUSTOMER	Existing:	\$	853	
	Proposed:	\$	2,087	
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES			<u>Users</u>	<u>Avg. Bill</u>
	Current		1,467	\$37.56 (for 4,000 gallons)
	Additional		128	\$37.56 (for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Available for		Income after Debt	
	Debt Service	Debt Service	Service	Coverage Ratio
Audited 2007	332,070	122,826	209,244	2.7
Audited 2008	288,559	124,907	163,652	2.3
Audited 2009	273,080	145,679	127,401	1.9
Audited 2010	245,798	123,912	121,886	2.0
Preliminary 2011	198,166	126,123	72,043	1.6
Projected 2012	229,853	132,501	97,352	1.7
Projected 2013	256,870	177,231	79,639	1.4
Projected 2014	303,222	281,222	22,000	1.1
Projected 2015	298,985	279,154	19,831	1.1
Projected 2016	294,375	280,473	13,902	1.0

**KENTUCKY INFRASTRUCTURE AUTHORITY
 WASTEWATER REVOLVING LOAN FUND (FUND "A")
 GRANT COUNTY SANITARY SEWER DISTRICT, GRANT COUNTY
 PROJECT REVIEW
 SX21081303**

I. PROJECT DESCRIPTION

The Grant County Sanitary Sewer District is requesting an increase of \$133,718 in a Fund A loan that was previously approved for \$300,000 from the American Recovery and Reinvestment Act of 2009 for Phase I of a Sanitary Sewer Extension project. The increase is needed to fund unanticipated budget overages.

The project will serve the Sherman area and areas north of Sherman in Grant County and will include 8,935 feet of 8" gravity sewer, 20,452 feet of force main, 7,883 feet of small diameter force main, 43 manholes and six pump stations. The project will connect 84 customers, which will eliminate septic systems, in addition to connecting Grant County Mobile Home Park (43 users) and Cincinnati Campground, which will eliminate two package sewer plants. Sewer connection will also be available to Countryside Mobile Home Park. Debt service will be funded from existing revenues and the increased customer base.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 28,621
Legal Expenses	64,875
Land, Easements	142,035
Engineering Fees	264,289
Construction	1,532,459
Other	82,434
Total	\$ 2,114,713

III. PROJECT FUNDING

<u>Funding Sources</u>	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 433,178	20%
Local Funds	71,000	3%
HB267	900,000	43%
HB608	650,000	31%
Grant Mobile Home Park	60,535	3%
Total	\$ 2,114,713	100%

IV. KIA DEBT SERVICE

	<u>Revised</u>	<u>Increase</u>	<u>Original</u>
Construction Loan	\$433,178	\$133,178	\$300,000
Less: Principal Forgiveness (52.1%)	225,686	\$ 69,386	\$156,300
Amortized Loan Amount	\$207,492	\$ 63,792	\$143,700
Interest Rate	3.00%	3.00%	3.00%
Loan Term (Years)	20	20	20
Estimated Annual Debt Service	\$13,872	\$ 4,265	\$ 9,607
Administrative Fee (0.20%)	415	128	287
Total Estimated Annual Debt Service	\$14,287	\$ 4,393	\$ 9,894

V. PROJECT SCHEDULE

Bid Opening:	September 8, 2009
Construction Start:	February 1, 2010
Construction Stop:	December 1, 2010

VI. RATE STRUCTURE

Customers

	<u>Current</u>	<u>Proposed</u>	<u>Total</u>
Residential	1,212	123	1,335
Commercial	121	5	126
Industrial	4	0	4
Total	1,337	128	1,465

Rates

The monthly charge for wastewater utility service is:

	<u>Current</u>
Date of Last Rate Increase	4/15/2006
First 2,000 Gallons	\$21.06
Next 3,000 Gallons (per 1,000)	8.25
Next 5,000 Gallons (per 1,000)	6.76
All Over 10,000 (per 1,000)	5.31
Cost for 4,000 gallons	\$37.56
Affordability Index (Rate/MHI)	1.1%

VII. DEMOGRAPHICS

In 2010, the County's population was 25,088 with a Median Household Income (MHI) of \$42,405. The median household income for the Commonwealth is \$41,197. The loan qualifies for a 3% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the audited financial statements for the years ended December 31, 2007 through 2010. Amounts for 2011 are based on management provided information.

HISTORICAL

The utility has not had a rate increase since April 2006. Revenues have increased nominally from \$619,249 in 2007 to \$636,968 in 2011 while operating expenses have risen 51% from \$292,173 to \$440,205. The major components of the expense increase are management fees, other contracted services and electricity cost. The electric utility determined that a meter was malfunctioning and the District was required to pay the billing shortfall for the past two years over 2011 and 2012. The meter was replaced and actual electric usage is slightly more than double what was reported in 2010 (\$41,849).

Cash available for debt service has declined from \$332,070 in 2007 to an estimated \$198,166 in 2011. Debt service cost has been in the mid \$120,000 range with the exception of 2009 when it increased to \$145,679. The debt coverage ratio has declined from 2.7 in 2007 to 1.6 in 2011.

The utility has a strong balance sheet with a debt to equity ratio of 0.3. Unrestricted cash is equal to approximately eleven months of operating expenses. Restricted assets are comprised of a bond sinking fund, construction funds and customer deposits.

PROJECTIONS

Projections are based on the following assumptions:

- The utility will realize a full year of revenues in 2012 from the addition of 128 customers from a prior sewer expansion that was partially funded with KIA loan A2 09-35. Revenues from customer growth (53) from a project to be funded with KIA loan A12-01 will be realized in 2014.
- Based on historical growth patterns, future revenue growth will be 1.5%.
- Operating expenses will increase 3.5% per year for inflation.
- Net cost savings from the KIA funded project A12-13 will be \$30,000 in the first year due to reduced hauling and dump costs. Electricity cost will decrease approximately \$33,000 in 2013.
- The additional debt service is estimated at \$4,393
- An additional \$62,885 in debt service for KIA loan A12-13 is included in the analysis.
- Debt service coverage is 1.1 in 2014 when principal and interest repayments begin.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund A loan.

REPLACEMENT RESERVE

The annual replacement cost is \$750. This amount should be added to the replacement account each December 1 until the balance reaches \$7,500 and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Kentucky Rural Finance Corporation Bonds, Series 2001D	\$ 1,176,000	Jan-23
KIA (A2 09-35 additional \$63,792 pending)	138,700	Dec-31
KIA (A12-01 i/a/o \$822,100)	0	TBD
Total	\$ 1,314,700	

X. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>WRIS</u>	<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
SX21081303	Sewer Line Extension	HB267	\$900,000	Grant
SX21081303	Sewer Line Extension - Phase I	HB608	\$250,000	Grant
SX21081303	Sewer Line Extension - Phase I	HB608	\$400,000	Grant
	Total		<u>\$1,550,000</u>	

XI. CONTACTS

Applicant

Name Grant County Sanitary Sewer District
Address P.O. Box 460
Crittenden, KY 41030
County Grant
Contact Bobby Burgess
Phone (859) 428-2112
Email bullockpen@fuse.net

Engineer and Applicant Contact

Name Scott Hogue
Firm CMW, Inc.
Address 400 East Vine Street, Suite 400
Lexington, KY 40507
Phone (859) 254-6623
Email shogue@cmwaec.com

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions and the additional ARRA conditions.

**GRANT COUNTY SANITARY SEWER DISTRICT
BALANCE SHEETS (DECEMBER YEAR END)**

	Audited <u>2007</u>	Audited <u>2008</u>	Audited <u>2009</u>	Audited <u>2010</u>	Preliminary <u>2011</u>	Upon Completion <u>2013</u>
ASSETS						
<i>Current Assets</i>						
Cash	227,873	351,378	430,879	500,041	400,107	577,098
Accounts Receivable	88,211	84,005	84,005	88,977	103,239	115,800
Other Current Assets	15,730	10,009	31,359	6,926	4,152	4,152
Total Current Assets	331,814	445,392	546,243	595,944	507,498	697,050
<i>Restricted Assets</i>						
Bond Sinking Fund	99,058	101,055	101,594	100,449	103,807	103,807
Construction Funds	0	100	259,102	6,638	35,963	0
Customer Deposits	73,314	75,187	74,487	92,816	78,957	78,957
Grants Receivable	0	73,707	0	267,471	0	0
KIA Reserve		0	0	0	0	4,400
Total Restricted Assets	172,372	250,049	435,183	467,374	218,727	187,164
<i>Utility Plant</i>						
Land, System, Building and Equipment	5,208,595	5,339,217	5,616,398	7,072,534	7,505,029	9,645,029
Less Accumulated Depreciation ()	(456,797)	(607,613)	(759,269)	(916,100)	(1,077,694)	(1,423,972)
Net Fixed Assets	4,751,798	4,731,604	4,857,129	6,156,434	6,427,335	8,221,057
<i>Other Assets</i>						
Other	9,282	4,431	1,108	0	19,243	0
Unamortized Bond Costs and Discount, Net	34,299	31,863	29,428	26,993	24,618	22,243
Total Other Assets	43,581	36,294	30,536	26,993	43,861	22,243
Total Assets	5,299,565	5,463,339	5,869,091	7,246,745	7,197,421	9,127,514
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	27,410	47,645	50,943	45,933	56,038	50,000
Note Payable	21,000	21,000	0	0	0	0
Other	2,562	2,304	2,304	2,290	1,033	2,250
Total Current Liabilities	50,972	70,949	53,247	48,223	57,071	52,250
<i>Liabilities Payable - Restricted Assets</i>						
Bonds Payable	60,000	62,000	64,000	64,000	69,000	78,000
Notes Payable - KIA				2,648	5,416	5,748
Customer Deposits	64,305	59,684	58,058	57,744	62,319	60,000
Accrued Interest Payable	27,359	26,459	25,675	24,922	23,554	23,554
Construction Accounts Payable	0	69,207	252,468	267,471	90,810	0
Total Liabilities Payable - Restricted Assets	151,664	217,350	400,201	416,785	251,099	167,302
<i>Long Term Liabilities</i>						
Bonds	1,302,000	1,240,000	1,176,000	1,112,000	1,043,000	892,000
Notes Payable - KIA				136,052	133,404	122,077
Unamortized Bond Premium	19,742	18,340	16,939	15,537	14,135	11,331
KIA Loans (A12-01, A12-13, ARRA Increase)	0	0	0	0	0	2,075,000
Total Long Term Liabilities	1,321,742	1,258,340	1,192,939	1,263,589	1,190,539	3,100,408
Total Liabilities	1,524,378	1,546,639	1,646,387	1,728,597	1,498,709	3,319,960
<i>Retained Earnings:</i>						
Invested in Capital Assets Net of Related Debt	3,384,389	3,423,162	3,630,652	4,854,224	5,176,515	5,048,232
Restricted	71,699	79,196	82,699	82,163	127,917	187,164
Unrestricted	319,099	414,342	509,353	581,761	394,280	572,158
Total Retained Earnings	3,775,187	3,916,700	4,222,704	5,518,148	5,698,712	5,807,554
Total Liabilities and Equities	5,299,565	5,463,339	5,869,091	7,246,745	7,197,421	9,127,514
Balance Sheet Analysis						
Current Ratio	6.5	6.3	10.3	12.4	8.9	13.3
Debt to Equity	0.4	0.4	0.4	0.3	0.3	0.6
Working Capital	280,842	374,443	492,996	547,721	450,427	644,800
Percent of Total Assets in Working Capital	5.3%	6.9%	8.4%	7.6%	6.3%	7.1%
Days Sales in Accounts Receivable	52.0	49.9	51.7	51.8	59.2	59.1

EXHIBIT 1
GRANT COUNTY SANITARY SEWER DISTRICT
CASH FLOW ANALYSIS (DECEMBER YEAR END)

	Audited 2007	% Change	Audited 2008	% Change	Audited 2009	% Change	Audited 2010	% Change	Preliminary 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
Operating Revenues														
User Fees	602,830	-1%	594,793	1%	598,787	2%	613,285	2%	623,998	691,050	701,416	735,837	746,875	758,078
Other	16,419	18%	19,401	-127%	(5,195)	-352%	13,074	-1%	12,970	13,165	13,362	13,562	13,765	13,971
Cost Reductions or Rate Increase														
Total Revenues	619,249	-1%	614,194	-3%	593,592	6%	626,359	2%	636,968	704,215	714,778	749,399	760,640	772,049
Operating Expenses														
Operating Expenses	292,173	13%	330,127	-2%	322,987	19%	384,598	14%	440,205	475,612	456,258	472,227	488,755	505,861
Cost Savings	0		0		0		0		0	0	0	(30,000)	(31,050)	(32,137)
Depreciation	146,955	8%	158,724	1%	159,744	0%	160,154	8%	173,139	173,139	173,139	257,100	257,100	257,100
Replacement Reserve									750	750	3,650	5,950	5,950	5,950
Total Expenses	439,128	11%	488,851	-1%	482,731	13%	544,752	13%	614,094	649,501	633,047	705,277	720,755	736,774
Net Operating Income	180,121	-30%	125,343	-12%	110,861	-26%	81,607	-72%	22,874	54,714	81,731	44,122	39,885	35,275
Non-Operating Income and Expenses														
Interest Income	4,994	-10%	4,492	-45%	2,475	63%	4,037	-47%	2,153	2,000	2,000	2,000	2,000	2,000
Total Non-Operating Income & Expenses	4,994	-10%	4,492	-45%	2,475	63%	4,037	-47%	2,153	2,000	2,000	2,000	2,000	2,000
Add Non-Cash Expenses														
Depreciation	146,955	8%	158,724	1%	159,744	0%	160,154	8%	173,139	173,139	173,139	257,100	257,100	257,100
Cash Available for Debt Service	332,070	-13%	288,559	-5%	273,080	-10%	245,798	-19%	198,166	229,853	256,870	303,222	298,985	294,375
Debt Service (enter as positive #s)														
Existing Principal	56,000		60,000		83,000		64,000		66,648	74,416	78,579	83,748	85,922	91,101
Existing Interest	66,826		64,907		62,679		59,912		59,475	58,085	54,265	50,208	45,966	42,106
KIA Loan (A12-01)										0	39,994	79,988	79,988	79,988
Proposed KIA Loan										0	0	62,885	62,885	62,885
KIA (A2 09-35) Increase										0	4,393	4,393	4,393	4,393
Total Debt Service	122,826		124,907		145,679		123,912		126,123	132,501	177,231	281,222	279,154	280,473
Income After Debt Service	209,244		163,652		127,401		121,886		72,043	97,352	79,639	22,000	19,831	13,902
Debt Coverage Ratio	2.7		2.3		1.9		2.0		1.6	1.7	1.4	1.1	1.1	1.0



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

March 5, 2012

Mr. Bobby Burgess, Chairman
Grant County Sanitary Sewer District
P.O. Box 460
Crittenden, KY 41030

**KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (A2 09-35 (INCREASE))**

Dear Chairman Burgess:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On March 2, 2012, the Authority approved an increase of \$133,178 to your existing KIA loan for the Sanitary Sewer Extension Phase I project subject to the conditions stated below. The revised total cost of the project shall not exceed \$2,114,713 of which the Authority loan shall provide \$433,178 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Grant County Sanitary Sewer District upon satisfactory performance of the conditions set forth in this letter. A period of six months from the date of this letter (9/5/2012) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. No extensions shall be granted. 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 \$433,178.
2. The loan shall contain principal forgiveness in the amount of 52.1%.

3. The loan shall bear interest at the rate of 3% 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 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 the appropriate June 1 or December 1 within twelve months from initiation of operation. 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 funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "A" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be preformed for the life of the loan.

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. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. The Borrower must agree to expend all Authority loan funds within six months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
5. 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.
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 Division of Water.
8. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
9. The Authority to Award Package documentation shall be submitted to and approved by DOW.
10. An environmental review shall be conducted by the Division of Water for all construction projects receiving CWSRF funds, within the term of this binding commitment and prior to project bid.

Chairman Bobby Burgess
March 5, 2012
Page 4

11. Technical plans and specifications and a complete CWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
12. A clear site certificate shall be obtained and DOW representatives shall be notified for attendance of the pre-construction conference.
13. Project changes or additions shall require a complete environmental and change order review before they can be included in the CWSRF loan project.

The following is a list of American Recovery and Reinvestment Act 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. A sign shall be erected at the construction site in a form as prescribed by the Authority. The sign shall indicate that project funding has been provided in whole or in part by ARRA.
2. The project specifications must include the ARRA supplemental general conditions.
3. The project shall comply with the Buy American requirements of ARRA.
4. The project shall use federal wage rates as described in the Davis/Bacon Act.
5. The project shall comply with the reporting requirements of ARRA.
6. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.
7. The project shall be under construction contract by February 10, 2010. If this deadline is not met, the funding commitment will be rescinded.

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 wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



Sandy Williams
Financial Analyst

Chairman Bobby Burgess
March 5, 2012
Page 5

Attachments

cc: Scott Hogue, CMW, Inc.
Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State and Local Debt Office, DLG
Borrower File - Grant County Sanitary Sewer District - A2 09-35 (Increase)

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

Accepted

Date

**AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND A2 09-35 (Increase))**

Borrower Information:

Name: _____

Address: _____

City: _____ State: KY Zip: _____

Telephone: _____ Contact: _____

Federal I.D. # _____

Financial Institution Information:

Bank Name: _____

Branch: _____ Phone No: _____

City: _____ State: _____ Zip: _____

Transit / ABA No.: _____

Account Name: _____

Account Number: _____

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

Signature: _____ Date: _____

Name Printed: _____ Job Title: _____

Please return completed form to:
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157

ATTACHMENT A

**Grant County Sanitary Sewer District
A2 09-35 (Increase)**

EXECUTIVE SUMMARY	Reviewer:	Sandy Williams
KENTUCKY INFRASTRUCTURE AUTHORITY	Date:	March 1, 2012
FUND A, FEDERALLY ASSISTED WASTEWATER	KIA Loan Number:	A2 09-35 (Increase)
REVOLVING LOAN FUND	WRIS Number	SX21081303
	HUC Code:	05100205390

BORROWER:	Grant County Sanitary Sewer District
	Grant County

BRIEF DESCRIPTION:

The Grant County Sanitary Sewer District is requesting an increase of \$133,178 in a Fund A loan that was previously approved for \$300,000 from the American Recovery and Reinvestment Act of 2009 for Phase I of a Sanitary Sewer Extension project. The increase is needed to fund unanticipated budget overages. The project will serve the Sherman area and areas north of Sherman in Grant County and will include 8,935 feet of 8" gravity sewer, 20,452 feet of forcemain, 7,883 feet of small diameter forcemain, 43 manholes and six pump stations. The project will connect 84 customers, which will eliminate septic systems, in addition to connecting Grant County Mobile Home Park (43 users) and Cincinnati Campground, which will eliminate two package sewer plants. Sewer connection will also be available to Countryside Mobile Home Park. Debt service will be funded from existing revenues and the increased customer base.

PROJECT FINANCING:		PROJECT BUDGET	
Fund A Loan	\$433,178	Administrative Expenses	\$28,621
Local Funds	71,000	Legal Expenses	64,875
HB267	900,000	Land, Easements	142,035
HB608	650,000	Engineering Fees	264,289
Grant Mobile Home Park	60,535	Construction	1,532,459
		Other	82,434
TOTAL	\$2,114,713	TOTAL	\$2,114,713

REPAYMENT	Rate	3.00%	Est. Annual Payment	\$14,287
	Term	20 years	1st Payment	6 Mo. after first draw

PROFESSIONAL SERVICES	Engineer	CMW, Inc.
	Bond Counsel	Peck, Shaffer, & Williams

PROJECT SCHEDULE	Bid Opening:	September 8, 2009
	Construction Start:	February 1, 2010
	Construction Stop:	December 1, 2010

DEBT PER CUSTOMER	Existing:	\$ 853
	Proposed:	\$ 2,087

OTHER DEBT	See Attached
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OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached
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RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>
	Current	1,467	\$37.56 (for 4,000 gallons)
	Additional	128	\$37.56 (for 4,000 gallons)

REGIONAL COORDINATION	This project is consistent with regional planning recommendations.
------------------------------	--

CASHFLOW	Cash Available for		Income after Debt	
	Debt Service	Debt Service	Service	Coverage Ratio
Audited 2007	332,070	122,826	209,244	2.7
Audited 2008	288,559	124,907	163,652	2.3
Audited 2009	273,080	145,679	127,401	1.9
Audited 2010	245,798	123,912	121,886	2.0
Preliminary 2011	198,166	126,123	72,043	1.6
Projected 2012	229,853	132,501	97,352	1.7
Projected 2013	256,870	177,231	79,639	1.4
Projected 2014	303,222	281,222	22,000	1.1
Projected 2015	298,985	279,154	19,831	1.1
Projected 2016	294,375	280,473	13,902	1.0

Reviewer: Sandy Williams
Date: March 1, 2012
Loan Number: A2 09-35 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND "A")
GRANT COUNTY SANITARY SEWER DISTRICT, GRANT COUNTY
PROJECT REVIEW
SX21081303**

I. PROJECT DESCRIPTION

The Grant County Sanitary Sewer District is requesting an increase of \$133,178 in a Fund A loan that was previously approved for \$300,000 from the American Recovery and Reinvestment Act of 2009 for Phase I of a Sanitary Sewer Extension project. The increase is needed to fund unanticipated budget overages.

The project will serve the Sherman area and areas north of Sherman in Grant County and will include 8,935 feet of 8" gravity sewer, 20,452 feet of force main, 7,883 feet of small diameter force main, 43 manholes and six pump stations. The project will connect 84 customers, which will eliminate septic systems, in addition to connecting Grant County Mobile Home Park (43 users) and Cincinnati Campground, which will eliminate two package sewer plants. Sewer connection will also be available to Countryside Mobile Home Park. Debt service will be funded from existing revenues and the increased customer base.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 28,621
Legal Expenses	64,875
Land, Easements	142,035
Engineering Fees	264,289
Construction	1,532,459
Other	82,434
Total	\$ 2,114,713

III. PROJECT FUNDING

Funding Sources	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 433,178	20%
Local Funds	71,000	3%
HB267	900,000	43%
HB608	650,000	31%
Grant Mobile Home Park	60,535	3%
Total	\$ 2,114,713	100%

IV. KIA DEBT SERVICE

	<u>Revised</u>	<u>Increase</u>	<u>Original</u>
Construction Loan	\$433,178	\$133,178	\$300,000
Less: Principal Forgiveness (52.1%)	225,686	\$ 69,386	\$156,300
Amortized Loan Amount	\$207,492	\$ 63,792	\$143,700
Interest Rate	3.00%	3.00%	3.00%
Loan Term (Years)	20	20	20
Estimated Annual Debt Service	\$13,872	\$ 4,265	\$ 9,607
Administrative Fee (0.20%)	415	128	287
Total Estimated Annual Debt Service	\$14,287	\$ 4,393	\$ 9,894

V. PROJECT SCHEDULE

Bid Opening:	September 8, 2009
Construction Start:	February 1, 2010
Construction Stop:	December 1, 2010

VI. RATE STRUCTURE

Customers

	<u>Current</u>	<u>Proposed</u>	<u>Total</u>
Residential	1,212	123	1,335
Commercial	121	5	126
Industrial	4	0	4
Total	1,337	128	1,465

Rates

The monthly charge for wastewater utility service is:

	<u>Current</u>
Date of Last Rate Increase	4/15/2006
First 2,000 Gallons	\$21.06
Next 3,000 Gallons (per 1,000)	8.25
Next 5,000 Gallons (per 1,000)	6.76
All Over 10,000 (per 1,000)	5.31
Cost for 4,000 gallons	\$37.56
Affordability Index (Rate/MHI)	1.1%

VII. DEMOGRAPHICS

In 2010, the County's population was 25,088 with a Median Household Income (MHI) of \$42,405. The median household income for the Commonwealth is \$41,197. The loan qualifies for a 3% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the audited financial statements for the years ended December 31, 2007 through 2010. Amounts for 2011 are based on management provided information.

HISTORICAL

The utility has not had a rate increase since April 2006. Revenues have increased nominally from \$619,249 in 2007 to \$636,968 in 2011 while operating expenses have risen 51% from \$292,173 to \$440,205. The major components of the expense increase are management fees, other contracted services and electricity cost. The electric utility determined that a meter was malfunctioning and the District was required to pay the billing shortfall for the past two years over 2011 and 2012. The meter was replaced and actual electric usage is slightly more than double what was reported in 2010 (\$41,849).

Cash available for debt service has declined from \$332,070 in 2007 to an estimated \$198,166 in 2011. Debt service cost has been in the mid \$120,000 range with the exception of 2009 when it increased to \$145,679. The debt coverage ratio has declined from 2.7 in 2007 to 1.6 in 2011.

The utility has a strong balance sheet with a debt to equity ratio of 0.3. Unrestricted cash is equal to approximately eleven months of operating expenses. Restricted assets are comprised of a bond sinking fund, construction funds and customer deposits.

PROJECTIONS

Projections are based on the following assumptions:

- The utility will realize a full year of revenues in 2012 from the addition of 128 customers from a prior sewer expansion that was partially funded with KIA loan A2 09-35. Revenues from customer growth (53) from a project to be funded with KIA loan A12-01 will be realized in 2014.
- Based on historical growth patterns, future revenue growth will be 1.5%.
- Operating expenses will increase 3.5% per year for inflation.
- Net cost savings from the KIA funded project A12-13 will be \$30,000 in the first year due to reduced hauling and dump costs. Electricity cost will decrease approximately \$33,000 in 2013.
- The additional debt service is estimated at \$4,393
- An additional \$62,885 in debt service for KIA loan A12-13 is included in the analysis.
- Debt service coverage is 1.1 in 2014 when principal and interest repayments begin.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund A loan.

REPLACEMENT RESERVE

The annual replacement cost is \$750. This amount should be added to the replacement account each December 1 until the balance reaches \$7,500 and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Kentucky Rural Finance Corporation Bonds, Series 2001D	\$ 1,176,000	Jan-23
KIA (A2 09-35 additional \$63,792 pending)	138,700	Dec-31
KIA (A12-01 i/a/o \$822,100)	0	TBD
Total	\$ 1,314,700	

X. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>WRIS</u>	<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
SX21081303	Sewer Line Extension	HB267	\$900,000	Grant
SX21081303	Sewer Line Extension - Phase I	HB608	\$250,000	Grant
SX21081303	Sewer Line Extension - Phase I	HB608	\$400,000	Grant
	Total		<u>\$1,550,000</u>	

XI. CONTACTS

Applicant

Name Grant County Sanitary Sewer District
Address P.O. Box 460
Crittenden, KY 41030
County Grant
Contact Bobby Burgess
Phone (859) 428-2112
Email bullockpen@fuse.net

Engineer and Applicant Contact

Name Scott Hogue
Firm CMW, Inc.
Address 400 East Vine Street, Suite 400
Lexington, KY 40507
Phone (859) 254-6623
Email shogue@cmwaec.com

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions and the additional ARRA conditions.

**GRANT COUNTY SANITARY SEWER DISTRICT
BALANCE SHEETS (DECEMBER YEAR END)**

ASSETS	Audited 2007	Audited 2008	Audited 2009	Audited 2010	Preliminary 2011	Upon Completion 2013
Current Assets						
Cash	227,873	351,378	430,879	500,041	400,107	577,098
Accounts Receivable	88,211	84,005	84,005	88,977	103,239	115,800
Other Current Assets	15,730	10,009	31,359	6,926	4,152	4,152
Total Current Assets	331,814	445,392	546,243	595,944	507,498	697,050
Restricted Assets						
Bond Sinking Fund	99,058	101,055	101,594	100,449	103,807	103,807
Construction Funds	0	100	259,102	6,638	35,963	0
Customer Deposits	73,314	75,187	74,487	92,816	78,957	78,957
Grants Receivable	0	73,707	0	287,471	0	0
KIA Reserve		0	0	0	0	4,400
Total Restricted Assets	172,372	250,049	435,183	467,374	218,727	187,164
Utility Plant						
Land, System, Building and Equipment	5,208,595	5,339,217	5,616,398	7,072,534	7,505,029	9,645,029
Less Accumulated Depreciation ()	(456,797)	(607,613)	(759,269)	(916,100)	(1,077,694)	(1,423,972)
Net Fixed Assets	4,751,798	4,731,604	4,857,129	6,156,434	6,427,335	8,221,057
Other Assets						
Other	9,282	4,431	1,108	0	19,243	0
Unamortized Bond Costs and Discount, Net	34,299	31,863	29,428	26,993	24,618	22,243
Total Other Assets	43,581	36,294	30,536	26,993	43,861	22,243
Total Assets	5,299,565	5,463,339	5,869,091	7,246,745	7,197,421	9,127,514
LIABILITIES						
Current Liabilities						
Accounts Payable	27,410	47,645	50,943	45,933	56,038	50,000
Note Payable	21,000	21,000	0	0	0	0
Other	2,562	2,304	2,304	2,290	1,033	2,250
Total Current Liabilities	50,972	70,949	53,247	48,223	57,071	52,250
Liabilities Payable - Restricted Assets						
Bonds Payable	60,000	62,000	64,000	64,000	69,000	78,000
Notes Payable - KIA				2,648	5,416	5,748
Customer Deposits	64,305	59,684	58,058	57,744	62,319	60,000
Accrued Interest Payable	27,359	26,459	25,675	24,922	23,554	23,554
Construction Accounts Payable	0	69,207	252,468	267,471	90,810	0
Total Liabilities Payable - Restricted Assets	151,664	217,350	400,201	416,785	251,099	167,302
Long Term Liabilities						
Bonds	1,302,000	1,240,000	1,176,000	1,112,000	1,043,000	892,000
Notes Payable - KIA				136,052	133,404	122,077
Unamortized Bond Premium	19,742	18,340	16,939	15,537	14,135	11,331
KIA Loans (A12-01, A12-13, ARRA Increase)	0	0	0	0	0	2,075,000
Total Long Term Liabilities	1,321,742	1,258,340	1,192,939	1,263,589	1,190,539	3,100,408
Total Liabilities	1,524,378	1,546,639	1,646,387	1,728,597	1,498,709	3,319,960
Retained Earnings:						
Invested in Capital Assets Net of Related Debt	3,384,389	3,423,162	3,630,852	4,854,224	5,176,515	5,048,232
Restricted	71,699	79,196	82,699	82,163	127,917	187,164
Unrestricted	319,099	414,342	509,353	581,761	394,280	572,158
Total Retained Earnings	3,775,187	3,916,700	4,222,704	5,518,148	5,698,712	5,807,554
Total Liabilities and Equities	5,299,565	5,463,339	5,869,091	7,246,745	7,197,421	9,127,514
Balance Sheet Analysis						
Current Ratio	6.5	6.3	10.3	12.4	8.9	13.3
Debt to Equity	0.4	0.4	0.4	0.3	0.3	0.6
Working Capital	280,842	374,443	492,996	547,721	450,427	644,800
Percent of Total Assets in Working Capital	5.3%	6.9%	8.4%	7.6%	6.3%	7.1%
Days Sales in Accounts Receivable	52.0	49.9	51.7	51.8	59.2	59.1

**EXHIBIT 1
GRANT COUNTY SANITARY SEWER DISTRICT
CASH FLOW ANALYSIS (DECEMBER YEAR END)**

	Audited 2007	% Change	Audited 2008	% Change	Audited 2009	% Change	Audited 2010	% Change	Preliminary 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
Operating Revenues														
User Fees	602,830	-1%	594,793	1%	598,787	2%	613,285	2%	623,998	691,050	701,416	735,837	746,875	758,078
Other	16,419	18%	19,401	-127%	(5,195)	-352%	13,074	-1%	12,970	13,165	13,362	13,562	13,765	13,971
Cost Reductions or Rate Increase														
Total Revenues	619,249	-1%	614,194	-3%	593,592	6%	626,359	2%	636,968	704,215	714,778	749,399	760,640	772,049
Operating Expenses														
Operating Expenses	292,173	13%	330,127	-2%	322,987	19%	384,598	14%	440,205	475,612	456,258	472,227	488,755	505,861
Cost Savings	0		0		0		0		0	0	0	(30,000)	(31,050)	(32,137)
Depreciation	146,955	8%	158,724	1%	159,744	0%	160,154	8%	173,139	173,139	173,139	257,100	257,100	257,100
Replacement Reserve									750	750	3,650	5,950	5,950	5,950
Total Expenses	439,128	11%	488,851	-1%	482,731	13%	544,752	13%	614,094	649,501	633,047	705,277	720,755	736,774
Net Operating Income	180,121	-30%	125,343	-12%	110,861	-26%	81,607	-72%	22,874	54,714	81,731	44,122	39,885	35,275
Non-Operating Income and Expenses														
Interest Income	4,994	-10%	4,492	-45%	2,475	63%	4,037	-47%	2,153	2,000	2,000	2,000	2,000	2,000
Total Non-Operating Income & Expenses	4,994	-10%	4,492	-45%	2,475	63%	4,037	-47%	2,153	2,000	2,000	2,000	2,000	2,000
Add Non-Cash Expenses														
Depreciation	146,955	8%	158,724	1%	159,744	0%	160,154	8%	173,139	173,139	173,139	257,100	257,100	257,100
Cash Available for Debt Service	332,070	-13%	288,559	-5%	273,080	-10%	245,798	-19%	198,166	229,853	256,870	303,222	298,985	294,375
Debt Service (enter as positive #s)														
Existing Principal	56,000		60,000		83,000		64,000		66,648	74,416	78,579	83,748	85,922	91,101
Existing Interest	66,826		64,907		62,679		59,912		59,475	58,085	54,265	50,208	45,966	42,106
KIA Loan (A12-01)										0	39,994	79,988	79,988	79,988
Proposed KIA Loan										0	0	62,885	62,885	62,885
KIA (A2 09-35) increase										0	4,393	4,393	4,393	4,393
Total Debt Service	122,826		124,907		145,679		123,912		126,123	132,501	177,231	281,222	279,154	280,473
Income After Debt Service	209,244		163,652		127,401		121,886		72,043	97,352	79,639	22,000	19,831	13,902
Debt Coverage Ratio	2.7		2.3		1.9		2.0		1.6	1.7	1.4	1.1	1.1	1.0