



Pennyryle Area Development District

a regional planning and development agency

300 Hammond Drive, Hopkinsville, KY 42240

voice (270) 886-9484 fax (270) 886-3211

www.peadd.org

email peadd@peadd.org

RECEIVED
NOV 2 2012
PUBLIC SERVICE
COMMISSION

October 30, 2012

Jeff R. Derouen
Executive Director
Public Service Commission
PO Box 615
Frankfort, Kentucky 40602

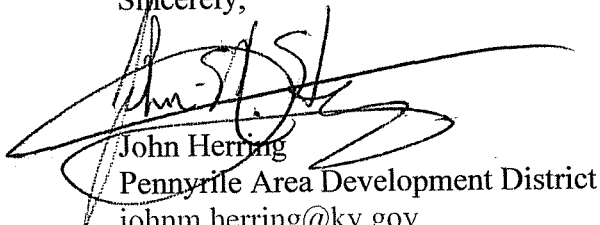
Re: Nebo Water District
Water Tank Upgrade
PSC Approval of Financing

Dear Mr. Derouen:

Enclose is the application to enter into a loan agreement between the Kentucky Infrastructure Authority and the Nebo Water District. Please review the information and let me know if there are any deficiencies.

If you have any questions or require any further data, please do not hesitate to contact me.

Sincerely,


John Herring
Pennyryle Area Development District
johnm.herring@ky.gov
270-886-9484

Enclosures

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

NOV 03 2012

PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NEBO WATER DISTRICT)
FOR AUTHORITY TO ENTER INTO A LOAN)
AGREEMENT WITH THE KENTUCKY)
INFRASTRUCTURE AUTHORITY)

CASE NO. 2012- _____

APPLICATION

The Nebo Water District (the District), petitions for an order approving the District to enter into a binding agreement with the Kentucky Infrastructure Authority pursuant to KRS 278.300 (1).

In support of the Application, the following information has been provided:

1. Nebo Water District's office address is 45 N. Bernard St., Nebo KY 42441. The Water District's principle officers are listed in the District's current Annual Report, which has been filed with the Commission as are its prior years Reports.
2. Nebo Water District is a non-profit water district organized under Chapter 74 and has no separate articles of incorporation.
3. A description of the District's water system and its property, stated at original cost, is contained in the Nebo Water District's current Annual Report and is on file with the Commission.
4. Nebo Water District serves customers in Northern Hopkins County.
5. The District proposes to enter into a low interest loan (\$92,000) with the Kentucky Infrastructure Authority (KIA), for the installation of mixing systems in two of the three tanks owned by the District (the third tank had a system installed during initial construction). These systems will enable the system to meet the Stage 2 Disinfectants and Disinfection Byproduct Rule which will take effect in July 2014. See attached Project Map/Project Description (Exhibit A)

6. The total amount for the loan agreement with Kentucky Infrastructure Authority will not exceed \$92,000 with a 2% interest rate over a 20 year period, standard conditions apply. See attached Letter of Conditions (Exhibit B)
7. Easements and rights of way are not required. See Exhibit A
8. This service will not compete with any other utility in the area.
9. No new franchises are required
10. Plans and Specifications have been submitted to the Division of Water.
11. The location of the mixing systems are described in Exhibit A
12. No rate adjustment is being proposed. See Credit Analysis (Exhibit C)
13. The District has the following outstanding long term loans:
 - a. Nebo Water District has an outstanding debt with the Kentucky Rural Water Corporation (Series 2001) in the amount of \$96,000 maturing in annual installments through 2021. Interest is payable semi-annually on January 1st and July 1st at a rate of 4.87% per annum and the principle is payable on January 1st. See Revised Payment Schedule (Exhibit D)
 - b. Nebo Water District has an outstanding debt with the Kentucky Rural Water Corporation (Series 2007a) in the amount of \$123,000 maturing in annual installments through 2022. Interest is payable semi-annually on January 1st and July 1st at a rate of 4.05% per annum and the principle is payable on January 1st. Please see Financial Statements and Supplementary Information for the Year Ended December 31, 2011 for payment schedule (Exhibit E)
14. The Nebo Water 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. Due to favorable bidding conditions The District has accepted bids and proceeded to pay for construction expenses out of the general fund. Nebo Water District has had a material change in its financial condition since the publication of the Financial Statements and Supplementary Information for the Year Ended December 31, 2011 (Exhibit E)

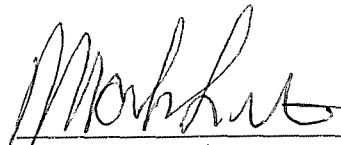
- a. The Nebo Water District has paid in full the series 1979 Farmers Home Administration loan (United States of America, Rural Development) resulting in a net savings of approximately \$46,000 per annum. See Repayment Documentation (Exhibit F)
- b. The Nebo Water District has made a onetime payment of approximately \$140,000 to the Kentucky Rural Water Corporation, reducing the per annum payment and reducing the amortization schedule. See Exhibit D and Series 2001 Payment Documentation (Exhibit G).

15. The afore mentioned payments have not nor will not have any adverse affect on the financial condition of Nebo Water District. See Bank Account Information Report (Exhibit H)

WHEREFORE, the Applicant, Nebo Water 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 \$92,000; and,
- b. Applicant's motion for a deviation from the 90-day requirement for financial information as required by 807 KAR 5:001, (11)(2)(a).

Respectfully submitted,



Mark R. Little
 44 Union Street
 Madisonville, KY 42431

COUNSEL FOR NEBO WATER DISTRICT

COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF HOPKINS)

The undersigned, J.E. Ellis, being duly sworn, deposes and states that he is the Chairman of the Nebo 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.

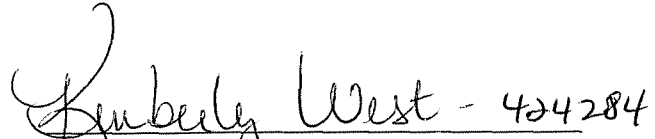
IN TESTIMONY WHEREOF, witness the signature of the undersigned on this October 24, 2012.



J.E. Ellis, Chairman
Nebo Water District

Subscribed and sworn to before me by J.E. Ellis, Chairman Nebo Water District, on this October 24, 2012.

My commission expires: 7/31/2014.



Kimberly West - 424284
Notary Public State-At-Large

List of Exhibits

<u>Exhibit</u>	<u>Document</u>
A	Project Map/Project Description
B	Letter of Conditions
C	Credit Analysis
D	Revised Payment Schedule
E	Financial Statements and Supplementary Information for the Year Ended December 31, 2011
F	Repayment Documentation
G	Series 2001 Payment Documentation
H	Bank Account Information Report


List of Exhibits

<u>Exhibit</u>	<u>Document</u>
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B	Letter of Conditions
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D	Revised Payment Schedule
E	Financial Statements and Supplementary Information for the Year Ended December 31, 2011
F	Repayment Documentation
G	Series 2001 Payment Documentation
H	Bank Account Information Report

EXHIBIT A

Project Description

This project will add mixing systems to the older Rainwater stand pipe and Nebo elevated tank in the water district system. The addition of the mixing systems will enable the system to meet future residual and turnover requirements.



TIDEFLEX TECHNOLOGIES
 600 NORTH BELL AVE
 CARNEGIE, PA 15108 USA
 PHONE (412) 279-0044
 FAX (412) 279-5410

ANALYSIS BY: Michael Duer, P.E.

TIDEFLEX MIXING SYSTEM

Reservoir Name: Rainwater 0.16MG Standpipe
 Reservoir Size: 22.0 Dia. x 50'
 Reservoir Capacity: 0.15 MG
 End User: Nesho W.D., KY
 Contact: Mark Matheny
 Consultant: Wet or Dry
 Contact: Jay Hoffman
 Field Valve Prod: Hydro Controls
 Contact: Dan Caskey

TANK AND TMS DIMENSIONAL TABLE

PROPRIETARY NOTICE
 THIS INFORMATION CONTAINS PROPRIETARY INFORMATION OF TIDEFLEX TECHNOLOGIES. IT IS LOANED TO THE CLIENT FOR THE PROJECT ONLY. IT IS NOT TO BE REPRODUCED, COPIED, OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM. IT SHALL NOT BE USED OR CAUSED TO BE USED IN ANY MANNER THAT MAY BE DANGEROUS TO THE PUBLIC OR THAT MAY VIOLATE ANY APPLICABLE LAW OR REGULATION. IT SHALL NOT BE REPRODUCED OR COPIED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM. IT SHALL BE RETURNED UPON REQUEST.

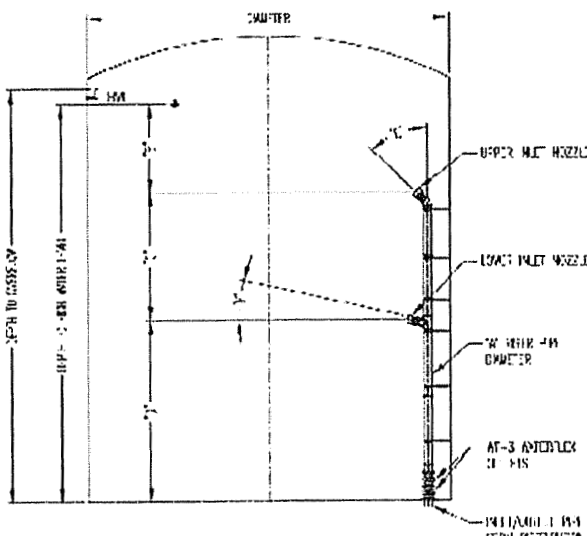
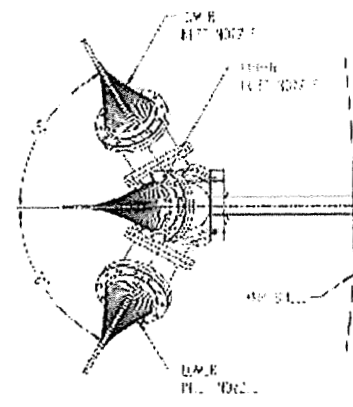
TANK DIMENSIONS	
Tank Diameter	22.00 Feet
Depth to Overflow	50.00 Feet
Depth to HWL	48.00 Feet
Depth to LWL	Feet
Tank Volume	0.16 MG

TMS DIMENSIONS	
INLET PIPE SIZE	10.00 Inch
OUTLET PIPE SIZE	10.00 Inch
Common (COM) or Separate (SEP)	COM

UPPER TIDEFLEX INLET NOZZLES	
Quantity	1
Size	0 Inch
Hydraulic Code	154

LOWER TIDEFLEX INLET NOZZLES	
Quantity	2
Size	4 Inch
Hydraulic Code	42

WATERFLEX OUTLET VALVES	
Quantity	2
Size	10.00 Inch

Notes:

1. D.M. "B" is to the centerline of the "B" of the Upper Tideflex Inlet Nozzles. The parts of the rear will be lower based on angle "F" and length of elbow and Tideflex.
2. Waterflex Outlet Valves to be located as close to base penetration as possible.



TIDEFLEX TECHNOLOGIES

600 NORTH BELL AVE.
 CARNEGIE, PA 15106 USA
 PHONE: (412) 279-0844
 FAX: (412) 279-5410

ANALYSIS BY: Michael Duer, P.E.

TIDEFLEX MIXING SYSTEM

Research Name: Hobo 0.16MG Elevated Tank
 Research Size: 32" Dia. X 30' HR
 Research Capacity: 0.16 MG
 Tank User: Hobo Water District, KY
 Contact: Mark Maloney
 Consultant: Wet or Dry
 Contact: Jay Hoffman
 Tank Valve Rep: Hydro Controls
 Contact: Dan Caskey

TANK AND TMS DIMENSIONAL TABLE

TANK DIMENSIONS	
Basin Diameter	32.00 Feet
Head Range	30.00 Feet
Depth to HWL:	Feet
Top of Foundation to HWL:	149.00 Feet
INLET PIPE SIZE	10.00 Inch
OUTLET PIPE SIZE	10.00 Inch

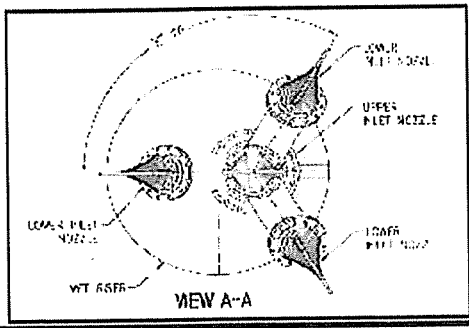
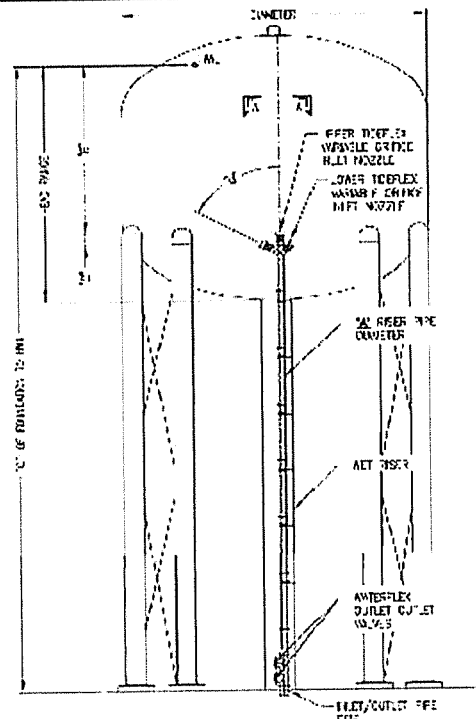
TMS DIMENSIONS	
"A" =	8 Inch
"B" =	10.00 Feet
(See Notes) "C" =	2.00 Feet
"D" =	45.0 degrees
"E" =	120.0 degrees

UPPER TIDEFLEX INLET NOZZLE	
Quantity	1
Size	4 Inch
Hydraulic Code	42















LOWER TIDEFLEX INLET NOZZLES	
Quantity	3
Size	4 Inch
Hydraulic Code	42

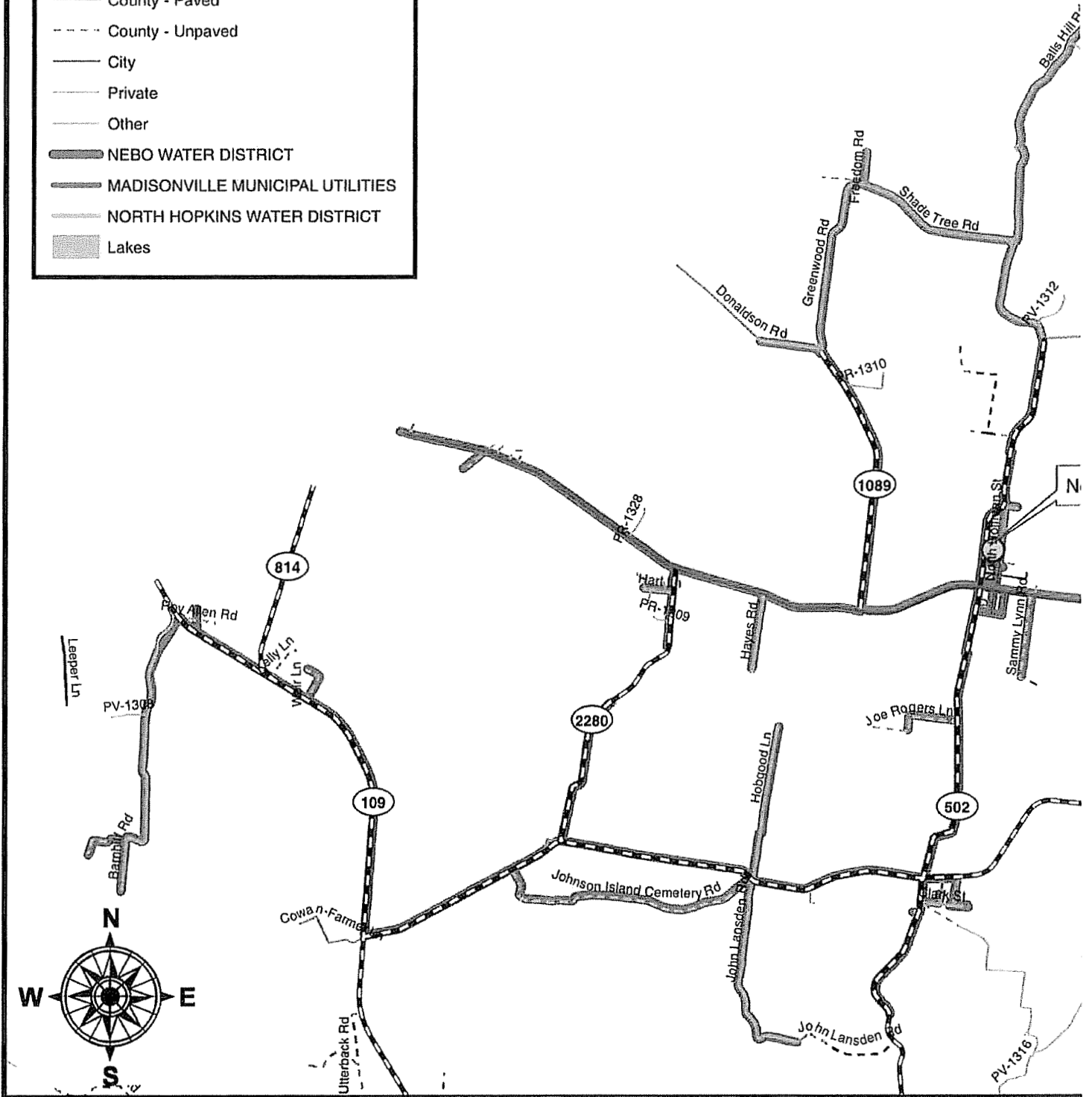
WATERFLEX OUTLET VALVES	
Quantity	2
Size	10.00 Inch

- Notes:**
- Dim "C" is to the centerline of the "bit" of the Lower Tideflex Inlet Nozzles. The ports of the riser will be lower based on angle "D" and length of elbow and Tideflex.
 - Waterflex Outlet Valves to be located as close to bottom of wet riser as possible.



Legend

-  WX21107002
-  US
-  Interstate
-  Parkway
-  State
-  County - Paved
-  County - Unpaved
-  City
-  Private
-  Other
-  NEBO WATER DISTRICT
-  MADISONVILLE MUNICIPAL UTILITIES
-  NORTH HOPKINS WATER DISTRICT
-  Lakes



Nebo Water District Water Tank Upgrade WX21107002

EXHIBIT B



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

June 12, 2012

Honorable Mark Matheny
Nebo Water District
45 N. Bernard
Nebo, KY 42441

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (B12-03)**

Dear Mr. Matheny:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On June 7, 2012, the Authority approved your loan for the Tank Upgrade project subject to the conditions stated below. The total cost of the project shall not exceed \$92,000 of which the Authority loan shall provide \$92,000 of the funding. 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 Nebo Water District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (6/12/2013) 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 \$92,000.
2. The loan shall bear interest at the rate of 2% per annum commencing with the first draw of funds.

Mr. Mark Matheny
June 12, 2012
Page 2

3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on June 1 or December 1 immediately succeeding the date of the last draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1 or December 1 which is at least six months from the date of the last draw of funds. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

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

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.

Mr. Mark Matheny
June 12, 2012
Page 3

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

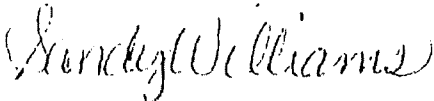
Mr. Mark Matheny
June 12, 2012
Page 4

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

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

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

Sincerely,

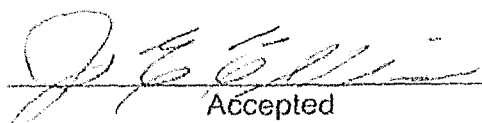


Sandy Williams
Financial Analyst

Attachments

cc: John Herring, Pennyrile Area Development District
Jay Hoffman, Wet or Dry
Dirk Bedarff, Peck, Shaffer & Williams LLP
State and Local Debt Office, DLG
Borrower File - Nebo Water District - B12-03

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


Accepted
CHAIRMAN

6-20-12
Date

EXHIBIT C

EXECUTIVE SUMMARY		Reviewer:	Sandy Williams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date:	June 7, 2012	
FUND B, INFRASTRUCTURE		KIA Loan Number:	B12-03	
REVOLVING LOAN FUND		WRIS Number	WX21107002	
BORROWER:	NEBO WATER DISTRICT			
	HOPKINS COUNTY			
BRIEF DESCRIPTION:				
This project will add mixing systems to the older rainwater stand pipe and elevated tank in the District's system. The addition will enable the system to meet residual and turnover requirements in 2014.				
PROJECT FINANCING			PROJECT BUDGET	
Fund B Loan	\$	92,000	Administrative Expenses	\$ 2,500
			Engineering	4,500
			Construction	85,000
TOTAL	\$	92,000	TOTAL	\$ 92,000
REPAYMENT	Rate	2.0%	Est. Annual Payment	\$ 5,788
	Term	20 years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Wet or Dry		
	Bond Counsel	Peck, Shaffer, & Williams		
PROJECT SCHEDULE	Bid Opening:		March 2012	
	Construction Start:		July 2012	
	Construction Stop:		November 2012	
DEBT PER CUSTOMER	Existing:	\$	420	
	Proposed:	\$	200	
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES			<u>Users</u>	<u>Avg. Bill</u>
	Current	1,554	\$	33.63 (for 4,000 gallons)
	Additional	0	\$	33.63 (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 2008	98,772	90,886	7,886	1.1
Audited 2009	136,225	91,038	45,187	1.5
Audited 2010	115,695	90,551	25,144	1.3
Audited 2011	226,316	89,920	136,396	2.5
Projected 2012	143,421	88,067	55,354	1.6
Projected 2013	147,083	20,567	126,516	7.2
Projected 2014	159,589	21,142	138,447	7.5
Projected 2015	172,277	20,696	151,581	8.3

Reviewer: Sandy Williams
Date: June 7, 2012
Loan Number: B12-03

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND (FUND "B")
NEBO WATER DISTRICT, HOPKINS COUNTY
PROJECT REVIEW
WX21107002**

I. PROJECT DESCRIPTION

The Nebo Water District is requesting a Fund "B" loan in the amount of \$92,000 for the Tank Upgrade project. The project will add mixing systems to the older rainwater stand pipe and elevated tank in the District's system. The addition will enable the system to meet residual and turnover requirements in 2014. The project ranked sixty-second on the 2012 Drinking Water priority list while the highest ranked project that was invited to apply was thirty-six resulting in the District's decision to pursue a Fund B loan instead.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 2,500
Engineering Fees	4,500
Construction	85,000
Total	\$ 92,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 92,000	100%
Total	\$ 92,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 92,000
Interest Rate	2.0%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 5,604
Administrative Fee (0.20%)	\$ 184
Total Estimated Annual Debt Service	\$ 5,788

V. PROJECT SCHEDULE

Bid Opening	March 2012
Construction Start	July 2012
Construction Stop	November 2012

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	1,525
Commercial	22
Industrial	7
Total	1,554

B) Rates

Date of Last Rate Increase	Current	Prior
	03/15/2012	
Minimum (2,000 Gallons)	\$18.61	\$19.39
Next 2,000 Gallons	7.51	7.90
Next 6,000 Gallons	7.06	7.45
Next 10,000 Gallons	6.63	7.02
Over 20,000 Gallons	6.18	6.57
Cost for 4,000 gallons	\$33.63	\$35.19
Increase %	-4.4%	
Affordability Index (Rate/MHI)	1.0%	

Rates were decreased in 2012 due to a decrease in the purchase water rate from the City of Madisonville from \$3.95 to \$3.63 per thousand gallons.

VII. DEMOGRAPHICS

In 2010, Hopkins County's population was 46,234 with a Median Household Income (MHI) of \$39,096. The median household income for the Commonwealth is \$41,197. The loan qualifies for a 2% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the audited financial statements for the years ended December 31, 2008 through 2011.

HISTORICAL

Revenues increased 41% from \$846,481 in 2008 to \$1,193,931 in 2011. Approximately 20% of the increase was due to volume, 6% to a one time accounting adjustment in 2011 and the balance due to rate increases. Purchased water cost increased 38% from \$468,346 to \$644,861 while operating expenses increased 8% from \$317,201 to \$343,097. The debt coverage ratio ranged from a low of 1.1 in 2008 to a high of 2.5 in 2011.

The balance sheet reflects a current ratio of 6.4 and a debt to equity ratio of 0.3 at the end of 2011. Unrestricted cash equals about 5.7 months of expenses. Accelerated debt payments of \$375,000 were made in early 2012 (in addition to required debt payments of \$58,000) to reduce higher interest borrowings (approximately 5% rate). The District has spent about \$850,000 during the past four years, 90% of which was funded with grants.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase 2% per year for growth and inflation beginning in 2013. Revenues will decline in 2012 due to the rate decrease and the accounting adjustment noted above.
- 2) Purchased water cost changes will be offset by rate adjustments
- 3) A replacement reserve of \$230 will be funded annually for ten years.
- 4) Debt service on the proposed loan is estimated at \$5,788 annually with total debt service in 2013 estimated at \$20,567.
- 5) Debt service coverage is 7.2 in 2012 when principal and interest repayments begin.

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

REPLACEMENT RESERVE

The annual replacement cost is \$230. This amount should be added to the replacement account each December 1 until the balance reaches \$2,300 and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
2001 Series Bonds (4.87%)	96,000	2025
2007A Series Bonds (4.05%)	133,000	2022
Total	\$ 229,000	

X. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

Project Title	Funding Source	Amount	Type
Water Tank and Distribution System Upgrade	HB380	300,000	Grant
Water Tank Project #275	HB410	18,000	Grant
Water Lines	HB608	452,000	Grant

XI. CONTACTS

Applicant	
Name	Nebo Water District
Address	45 N. Bernard Nebo, KY 42441
County	Hopkins
Contact	Mark Matheny
Phone	(270) 249-3709
Email	nebowater@bellsouth.net

Applicant Contact	
Name	Pennyryle Area Development District
Address	300 Hammond Drive Hopkinsville, KY 42240
Contact	John Herring
Phone	(270) 886-9484
Email	johnm.herring@ky.gov

Engineer	
Name	Jay Hoffman
Firm	Wet or Dry
Address	1609 Hillsboro Road Campbellsburg, KY 4001
Phone	(502) 532-6190
Email	diver@wetordryinspection.com

XII. RECOMMENDATIONS

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

EXHIBIT 1												
NEBO WATER DISTRICT												
CASH FLOW ANALYSIS (DECEMBER YEAR END)												
	Audited	%	Audited	%	Audited	%	Audited	%	Projected	Projected	Projected	Projected
	2008	Change	2009	Change	2010	Change	2011	Change	2012	2013	2014	2015
Operating Revenues												
Water Revenues	841,020	9%	920,540	11%	1,021,401	16%	1,180,679	-8%	1,087,932	1,101,088	1,123,110	1,145,572
Other	5,451	344%	24,226	-68%	7,781	70%	13,252	-6%	12,500	12,750	13,005	13,265
Total Revenues	846,481	12%	944,766	9%	1,029,182	16%	1,193,931	-8%	1,100,432	1,113,838	1,136,115	1,158,837
Operating Expenses												
Purchased Water	468,346	11%	519,958	11%	574,913	12%	644,861	-4%	617,900	617,900	617,900	617,900
Operating Expenses	317,201	-2%	311,819	14%	355,387	-3%	343,097	3%	352,361	361,875	371,646	381,680
Depreciation	98,913	-13%	86,406	10%	95,201	18%	112,675	2%	115,000	118,700	118,700	118,700
Replacement Reserve										230	230	230
Total Expenses	884,460	4%	918,183	12%	1,025,501	7%	1,100,633	-1%	1,085,261	1,098,705	1,108,476	1,118,510
Net Operating Income	(37,979)	-170%	26,583	-86%	3,681	2435%	93,298	-84%	15,171	15,133	27,639	40,327
Non-Operating Income and Expenses												
Interest Income	25,013	-40%	14,936	-34%	9,813	0%	9,843	-42%	5,750	5,750	5,750	5,750
Tap Fees	12,825		2,800		7,000		10,500		7,500	7,500	7,500	7,500
Other	0		5,500		0		0		0	0	0	0
Total Non-Operating Income & Expenses	37,838	-39%	23,236	-28%	16,813	21%	20,343	-35%	13,250	13,250	13,250	13,250
Add Non-Cash Expenses												
Depreciation	98,913	-13%	86,406	10%	95,201	18%	112,675	2%	115,000	118,700	118,700	118,700
Cash Available for Debt Service	98,772	38%	136,225	-15%	115,695	96%	226,316	-37%	143,421	147,083	159,589	172,277
Debt Service (enter as positive #s)												
Existing Principal	49,000		52,000		54,000		56,000		58,000	10,000	11,000	11,000
Existing Interest	41,886		39,038		36,551		33,920		30,067	4,779	4,354	3,908
Proposed KIA Loan	0		0		0		0		0	5,788	5,788	5,788
Total Debt Service	90,886		91,038		90,551		89,920		88,067	20,567	21,142	20,696
Income After Debt Service	7,886		45,187		25,144		136,396		55,354	126,516	138,447	151,581
Debt Coverage Ratio	1.1		1.5		1.3		2.5		1.6	7.2	7.5	8.3

NEBO WATER DISTRICT
BALANCE SHEETS (DECEMBER YEAR END)

ASSETS	Audited <u>2008</u>	Audited <u>2009</u>	Audited <u>2010</u>	Audited <u>2011</u>	Upon Completion <u>2012</u>
Current Assets					
Cash	469,527	474,352	495,914	469,857	275,211
Accounts Receivable	48,926	27,060	24,944	108,691	105,521
Inventory	34,639	37,183	36,098	41,307	40,000
Prepaid	6,027	4,859	4,434	10,268	7,500
Total Current Assets	559,119	543,454	561,390	630,123	428,232
Restricted Assets					
Cash	248,712	262,217	256,555	269,132	144,132
Total Restricted Assets	248,712	262,217	256,555	269,132	144,132
Utility Plant					
Land, System, Building and Equipment	3,351,129	3,400,177	3,910,575	4,150,145	4,242,145
Less Accumulated Depreciation ()	(2,019,830)	(2,084,556)	(2,179,757)	(2,292,432)	(2,407,432)
Net Fixed Assets	1,331,299	1,315,621	1,730,818	1,857,713	1,834,713
Other Assets					
Bond Issue Costs	9,450	8,910	8,370	7,830	3,500
Total Other Assets	9,450	8,910	8,370	7,830	3,500
Total Assets	2,148,580	2,130,202	2,557,133	2,764,798	2,410,577
LIABILITIES					
Current Liabilities					
Accounts Payable	26,780	49,844	42,799	31,680	30,000
Accrued Expenses	6,988	3,670	5,303	8,141	8,500
Current Portion Long Term Debt	52,000	54,000	56,000	58,000	10,000
Total Current Liabilities	85,768	107,514	104,102	97,821	48,500
Long Term Liabilities					
Long Term Debt	762,000	708,000	652,000	594,000	209,000
Notes Payable - KIA	0	0	0	0	92,000
Total Long Term Liabilities	762,000	708,000	652,000	594,000	301,000
Total Liabilities	847,768	815,514	756,102	691,821	349,500
Retained Earnings:					
Contributed Capital	1,539,896	1,539,896	2,052,591	2,203,799	2,203,799
Restricted	196,712	208,217	200,555	211,132	144,132
Unrestricted	(435,796)	(433,425)	(452,115)	(341,954)	(286,854)
Total Retained Earnings	1,300,812	1,314,688	1,801,031	2,072,977	2,061,077
Total Liabilities and Equities	2,148,580	2,130,202	2,557,133	2,764,798	2,410,577
Balance Sheet Analysis					
Current Ratio	6.5	5.1	5.4	6.4	8.8
Debt to Equity	0.7	0.6	0.4	0.3	0.2
Days Sales in Accounts Receivable	21.1	10.5	8.8	33.2	35.0

EXHIBIT D

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM, SERIES 2001 A

Borrower: Rebo Water District
 Dated Date: 06/27/01

Borrower Payment Schedule

Payment Date	Principal	Interest	Trust Fee	Total	Fiscal Total	Total Monthly Striking Fund Payments			
						Monthly Principal	Monthly Interest		
06/27/01									
01/01/02									
07/01/02									
01/01/03									
07/01/03									
01/01/04									
07/01/04									
01/01/05									
07/01/05									
01/01/06									
07/01/06									
01/01/07									
07/01/07									
01/01/08									
07/01/08									
01/01/09									
07/01/09									
01/01/10									
07/01/10									
01/01/11									
07/01/11						2/12-7/12	1,083.33	437.63	1,520.96
01/01/12	12,000.00	2,934.75	250.00	15,184.75	17,810.50	8/12-1/13	1,083.33	437.63	1,520.96
07/01/12	0.00	2,625.75	0.00	2,625.75		2/13-7/13	1,083.33	361.83	1,465.17
01/01/13	15,000.00	2,625.75	250.00	15,875.75		8/13-1/14	1,083.33	361.83	1,465.17
07/01/13	0.00	2,291.00	0.00	2,291.00	18,166.75	2/14-7/14	1,266.67	321.98	1,488.65
01/01/14	13,000.00	2,291.00	250.00	15,541.00		8/14-1/15	1,166.67	321.98	1,488.65
07/01/14	0.00	1,931.88	0.00	1,931.88	17,472.88	2/15-7/15	1,250.00	257.52	1,507.52
01/01/15	14,000.00	1,931.88	250.00	16,181.88		8/15-1/16	1,250.00	257.52	1,507.52
07/01/15	0.00	1,545.13	0.00	1,545.13	17,727.01	2/16-7/16	1,333.33	183.46	1,521.79
01/01/16	15,000.00	1,545.13	250.00	16,795.13		8/16-1/17	1,333.33	183.46	1,521.79
07/01/16	0.00	1,130.75	0.00	1,130.75	17,925.88	2/17-7/17	1,416.67	114.79	1,531.46
01/01/17	16,000.00	1,130.75	250.00	17,380.75		8/17-1/18	1,416.67	114.79	1,531.46
07/01/17	0.00	688.75	0.00	688.75	18,069.50	2/18-7/18	500.00	36.52	536.52
01/01/18	17,000.00	688.75	250.00	17,938.75		8/18-1/19	500.00	36.52	536.52
07/01/18	0.00	219.13	0.00	219.13	18,157.88	2/19-7/19	83.33	8.90	92.23
01/01/19	6,000.00	219.13	250.00	6,469.13		8/19-1/20	83.33	8.90	92.23
07/01/19	0.00	53.38	0.00	53.38	6,522.51	2/20-7/20	83.33	4.29	87.63
01/01/20	1,000.00	53.38	250.00	1,303.38		8/20-1/21	83.33	4.29	87.63
07/01/20	0.00	25.75	0.00	25.75	1,329.13	2/21-7/21	0.00	0.00	0.00
01/01/21	1,000.00	25.75	250.00	1,275.75					
07/01/21									
01/01/22									
07/01/22									
01/01/23									
07/01/23									
01/01/24									
07/01/24									
01/01/25									
07/01/25									
Totals	<u>109,000.00</u>	<u>23,957.75</u>	<u>2,500.00</u>	<u>134,457.75</u>		<u>86,000.00</u>	<u>21,024.04</u>	<u>117,024.04</u>	

NEW Payment Schedule for 2001 LOAN

EXHIBIT E

NEBO WATER DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2011



Michael L. Overby, CPA, PLLC
Certified Public Accountant
2201 Westerfield Drive, Suite C
Providence, KY 42450

INDEPENDENT AUDITOR'S REPORT

To The Commissioners
Nebo Water District
Nebo, Kentucky

I have audited the financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of the Nebo Water District ("District") as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and remaining fund information of the District at December 31, 2011, and the changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The individual fund statements described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by me in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated January 27, 2012, on my consideration of internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, grants and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of my audit.

The Nebo Water District has not presented the management's discussion and analysis section that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statements.

Providence, Kentucky
January 27, 2012

**NEBO WATER DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	Business-Type Activities
Assets	
Current Assets	
Cash and cash equivalents	\$ 469,857
Accounts receivable	108,691
Inventories	41,307
Prepaid insurance	10,268
Total current assets	630,123
Noncurrent Assets	
Restricted cash	269,132
Capital assets, net of depreciation	1,857,713
Unamortized bond issue costs	7,830
Total noncurrent assets	2,134,675
Total assets	2,764,798
Liabilities	
Current Liabilities	
Accounts payable	31,680
Accrued expenses	8,141
Current portion of bonds payable	58,000
Total current liabilities	97,821
Noncurrent Liabilities	
Noncurrent portion of bonds payable	594,000
Total noncurrent liabilities	594,000
Total liabilities	691,821
Net Assets	
Contributed capital	2,203,799
Retained earnings (deficit)	211,132
Reserve for unrestricted assets	(341,954)
Unreserved	(341,954)
Total net assets	\$ 2,072,977

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

**NEBO WATER DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

					Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Functions/Programs						
Business-type activities						
Water	\$ (1,135,093)	\$ 1,193,931	\$ 10,500	\$ -	\$ 69,338	\$ 69,338
Total business-type activities	<u>(1,135,093)</u>	<u>1,193,931</u>	<u>10,500</u>	<u>-</u>	<u>69,338</u>	<u>69,338</u>
Total government	<u>\$ (1,135,093)</u>	<u>\$ 1,193,931</u>	<u>\$ 10,500</u>	<u>\$ -</u>	<u>69,338</u>	<u>69,338</u>
					General Revenues:	
					Interest income	9,843
					Total general revenues	9,843
					Change in Net Assets	79,181
					Net assets, beginning <Restated>	1,993,796
					Net assets, ending	<u>\$ 2,072,977</u>

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

**NEBO WATER DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2011**

	<u>Business-type Activities Enterprise Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 469,857
Accounts receivable	108,691
Inventories	41,307
Prepaid insurance	<u>10,268</u>
Total current assets	<u>630,123</u>
Noncurrent Assets	
Restricted cash	269,132
Capital assets, net of depreciation	1,857,713
Unamortized bond issue costs	<u>7,830</u>
Total noncurrent assets	<u>2,134,675</u>
Total assets	<u>2,764,798</u>
Liabilities	
Current Liabilities	
Accounts payable	31,680
Accrued expenses	8,141
Current portion of bonds payable	<u>58,000</u>
Total current liabilities	<u>97,821</u>
Noncurrent Liabilities	
Noncurrent portion of bonds payable	<u>594,000</u>
Total noncurrent liabilities	<u>594,000</u>
Total liabilities	<u>691,821</u>
Net Assets	
Contributed capital	2,203,799
Retained earnings (deficit)	
Reserved for restricted assets	211,132
Unreserved	<u>(341,954)</u>
Total net assets	<u>\$ 2,072,977</u>

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

**NEBO WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Business-type Activities Enterprise Fund</u>
Operating Revenues:	
Charges for services	\$ 1,180,679
Other income	13,252
	<hr/>
Total operating revenues	1,193,931
Operating Expenses:	
Purchased water	644,861
Purchased power	9,418
Salaries and wages	169,736
Contract services	14,515
Depreciation	112,675
Material and supplies	17,293
Insurance	14,787
Payroll taxes and benefits	49,606
Miscellaneous expense	11,113
Utilities	8,315
Repairs	17,565
Office expense	11,950
Vehicle expense	16,866
Advertising	1,933
	<hr/>
Total operating expenses	1,100,633
Operating income (loss)	<hr/> 93,298
Nonoperating revenues (expenses):	
Interest income	9,843
Interest expense	(33,920)
Amortization of bond issue costs	(540)
Tap on fees	10,500
	<hr/>
Total nonoperating revenues (expenses)	(14,117)
Change in net assets	79,181
Total net assets, beginning <Restated>	<hr/> 1,993,796
Total net assets, ending	<hr/> \$ 2,072,977 <hr/>

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

**NEBO WATER DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Business-type Activities Enterprise Fund</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,180,679
Payments to suppliers	(921,293)
Payments to employees	(169,736)
Other receipts (payments)	<u>13,252</u>
Net cash provided by operating activities	<u>102,902</u>
Cash Flows from Capital and Related Financing Activities	
Grant revenue	686,781
Principal paid on bonds and notes payable	(56,000)
Interest paid on bonds and notes payable	(33,920)
Capital contributions from customers	10,500
Acquisition of capital assets	<u>(733,526)</u>
Net cash (used) in capital and related financing activities	<u>(126,165)</u>
Cash Flows from Investing Activities	
Interest income	<u>9,843</u>
Net increase in cash and cash equivalents	(13,420)
Balances, beginning of year	<u>752,409</u>
Balances, ending of year	<u><u>\$ 738,989</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ 93,298
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	112,675
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(83,747)
(Increase) decrease in inventory	(5,209)
(Increase) decrease in prepaid insurance	(5,834)
Increase (decrease) in accounts payable	(11,119)
Increase (decrease) in accrued expense	<u>2,838</u>
Net cash provided by operating activities	<u><u>\$ 102,902</u></u>

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

**NEBO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2011**

Note 1. **Summary of Significant Accounting Policies**

A. **Financial Reporting Entity.**

The Nebo Water District (the "District") was created on September 2, 1965, under the provisions of chapter 74 of the Kentucky Revised Statutes of the Commonwealth of Kentucky. The principal office of the District is located in Nebo, Kentucky. The District is comprised of three commissioners who are appointed by the Hopkins County Judge Executive and provides water to customers in Hopkins County, Kentucky.

B. **Basis of Presentation.**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all activities of the District. The government-wide financial statements are divided into two types: governmental activities and business-type activities. The District only has business-type activities due to its reliance to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expense of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers as applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliances.

Governmental funds are those funds through which most governmental functions typically are financial. The District does not maintain governmental funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. Operating expenses for the proprietary funds include the costs of operational and contracted services, revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. **Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts

and reported in the financial statements. Basis of accounting relates to the timing of the measurement made regardless of the measurement focus applied.

The government-wide statements and the fund financial statements for the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned including unbilled water service which is accrued. Expenses are recognized at the time the liability is incurred.

D. **Cash and Investments**

For the purpose of the proprietary fund of the Nebo Water District, cash on hand, cash in bank and certificates of deposits are considered to be cash and cash equivalents.

Unrestricted cash is available to be expended for normal operating costs. Restricted cash is limited to payments of bond principal and interest, emergency capital improvements, and construction projects.

State statute requires that all deposits and investments in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Kentucky or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The District's deposits, including certificates of deposit, were fully collateralized as required by state statutes at December 31, 2011.

At year end, bank balances totaled \$738,989. These balances were fully covered by FDIC Insurance.

E. **Inventory**

Inventory is stated at the lower of cost or market. Cost is determined primarily by the first in first-out method.

F. **Capital Assets**

Capital assets, which include property, plant and equipment are reported in the business-type activities column in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance is recorded as expenses. Renewals and betterments are capitalized. Depreciation is provided in the proprietary fund in an amount sufficient to relate the cost of the depreciable assets, to operations over their estimated lives on the straight-line basis. The service lives range from 3 to 50 years.

Note 2. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balances January 1	Additions	Retirements	Balances December 31
Business-type Activities				
Land and land rights	\$ 38,258	\$ -	\$ -	\$ 38,258
Structures and improvements	89,751	-	-	89,751
Distribution reservoirs	707,510	-	-	707,510
Transmission mains	2,396,931	167,231	-	2,564,162
Water meters	420,183	-	-	420,183
Hydrants	27,367	-	-	27,367
Office equipment	34,790	15,397	-	50,187
Tools and shop equipment	112,331	54,277	-	166,608
Pumping equipment	73,138	-	-	73,138
Communication equipment	10,316	2,665	-	12,981
Total capital assets	3,910,575	239,570	-	4,150,145
Less accumulated depreciation	(2,179,757)	(112,675)	-	(2,292,432)
Business-type Activities:				
Capital Assets, Net	<u>\$ 1,730,818</u>	<u>\$ 126,895</u>	<u>\$ -</u>	<u>\$ 1,857,713</u>

Note 3 Noncurrent Liabilities

At December 31, 2011, noncurrent liabilities consisted of the following:

	<u>Business-type</u>
Bonds payable (series of 1979) payable to the United States of America, Rural Development, formerly Farmers Home Administration, in the amount of \$ 845,000 maturing in annual installments through 2018. Interest is payable semi-annually on January 1 and July 1 at 5% per annum and principal is payable annually on January 1.	\$ 271,000
Bonds payable (Series of 2001) payable to the Kentucky Rural Water Corporation in the amount of \$ 343,000 maturing in annual installments through 2025. Interest is payable semi-annually on January 1 and July 1 at an average of 4.87% per annum and principal is payable annually on January 1.	248,000
Bonds payable (Series 2007A) payable to the Kentucky Rural Water Corporation in the amount of \$ 168,000 maturing in annual installments through 2022. Interest is payable semi-annually on January 1 and July 1 at a rate of 4.05% per annum and principal is payable annually on January 1.	<u>133,000</u>
Total	652,000
Less amount due in one year	<u>(58,000)</u>
Amount due in more than one year	<u>\$ 594,000</u>

The following is a summary of the revenue bond transaction of the District for the year ended December 31, 2011:

	Balances 12/31/10	Additions	Reductions	Balances 12/31/11	Due Within One Year
1979 Series	\$ 306,000	\$ -	\$ 35,000	\$ 271,000	\$ 36,000
2001 Series	260,000	-	12,000	248,000	12,000
2007A Series	142,000	-	9,000	133,000	10,000
Total	<u>\$ 708,000</u>	<u>\$ -</u>	<u>\$ 56,000</u>	<u>\$ 652,000</u>	<u>\$ 58,000</u>

The following is a bond retirement schedule for each issue:

Series 1979

Year Ending December 31	Bonds Due	Interest Due	Total	Bonds Outstanding End of Year
2011				271,000
2012	\$ 36,000	\$ 11,750	\$ 47,750	235,000
2013	37,000	9,900	46,900	198,000
2014	38,000	8,000	46,000	160,000
2015	40,000	6,000	46,000	120,000
2016	40,000	4,000	44,000	80,000
2017	40,000	2,000	42,000	40,000
2018	40,000	-	40,000	-
	<u>\$ 271,000</u>	<u>\$ 41,650</u>	<u>\$ 312,650</u>	

Series 2001

Year Ending December 31	Bonds Due	Interest Due	Total	Bonds Outstanding End of Year
2011				248,000
2012	\$ 12,000	\$ 13,133	\$ 25,133	236,000
2013	13,000	12,489	25,489	223,000
2014	13,000	11,795	24,795	210,000
2015	14,000	11,050	25,050	196,000
2016	15,000	10,248	25,248	181,000
2017	16,000	9,392	25,392	165,000
2018	17,000	8,480	25,480	148,000
2019	18,000	7,514	25,514	130,000
2020	19,000	6,491	25,491	111,000
2021	20,000	5,452	25,452	91,000
2022	21,000	4,396	25,396	70,000
2023	22,000	3,289	25,289	48,000
2024	23,000	2,130	25,130	25,000
2025	25,000	894	25,894	-
Total	<u>\$ 248,000</u>	<u>\$ 106,753</u>	<u>\$ 354,753</u>	

Series of 2007A

Year Ending December 31	Bonds Due	Interest Due	Total	Bonds Outstanding End of Year
2011				133,000
2012	\$ 10,000	\$ 5,184	\$ 15,184	123,000
2013	10,000	4,779	14,779	113,000
2014	11,000	4,354	15,354	102,000
2015	11,000	3,908	14,908	91,000
2016	12,000	3,442	15,442	79,000
2017	12,000	2,957	14,957	67,000
2018	12,000	2,471	14,471	55,000
2019	13,000	1,964	14,964	42,000
2020	13,000	1,438	14,438	29,000
2021	14,000	891	14,891	15,000
2022	15,000	304	15,304	-
	<u>\$ 133,000</u>	<u>\$ 31,692</u>	<u>\$ 164,692</u>	

Note 4. Purchase Contracts

The District entered into a purchase agreement with the City of Madisonville, Kentucky. The District is billed monthly for the water usage.

Note 5. Litigation

The District attorney is unaware of any pending litigation against the District.

Note 6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchased commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 7. Beginning Net Assets Restated

The net assets as previously reported have been restated due to grant monies not recorded as contributed capital.

	Business-Type Activities
Net Assets December 31, 2010	\$ 1,801,031
Prior Year Adjustments	<u>192,765</u>
Net Assets, Restated	<u>\$ 1,993,796</u>

SUPPLEMENTARY INFORMATION



Michael L. Overby, CPA, PLLC
Certified Public Accountant

2201 Westerfield Drive, Suite C
Providence, KY 42450

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 Commissioners
Nebo Water District
Nebo, Kentucky

I have audited the accompanying financial statements of the governmental activities, the business-type activities, major funds, and the remaining fund information as of and for the year ended December 31, 2011, which collectively comprise the Nebo Water District's basic financial statements and have issued my report thereon dated January 27, 2012. I conducted my 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 my audit, I considered Nebo Water District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nebo Water District's financial statements are free of material misstatement, I 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 compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of Nebo Water District, in a separate letter dated January 27, 2012.

This report is intended solely for the information and use of management and the commissioners and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'Michael L. Overby CPA'.

Providence, Kentucky
January 27, 2012

EXHIBIT F

08/01/2012 14:29 2702493714

NEBO WATER

PAGE 03

01/06/2012 12:44 2709267008

NRCS/USDA

PAGE 02/02

NEBO WATER DISTRICT

10677

VENDOR ID: USDA
PAYEE: USDA

CHECK NO: 00010677
MEMO:

DATE: 01/19/12

ACCOUNT

AMOUNT

2300 Bonds Payable(1979)-Current

271,668.23

rec'd 1/19/2012
Bill H. Bone
USDA Bond Developer

CHECK TOTAL: ***\$271,668.23

STAN TPOF 271,668.23 STAA ESST

USIA QMDU .00 ICGR

CASE NUMBER: 20 054 0610974474 STATUS TYPE: AI LOAN: 01 ACCT: 011912

Total payoff as of 01/19/12:
\$ 271,668.23

USDA

(2)

TERM NBR	710	OPR ID	710	ACCOUNT INFORMATION				ACDT	011912
CNUM	20-054-0610974474	NAME	NEBO WATER DISTRICT	STDT	010512	ACDT	011912	ZSPC	0
FCOD	9120	LNUM	01	KCOD	00	DUES	00	FMCD	0
				FLAG				CSDT	
DEFL	DEXD	DECL		DFLA		DFCA			
DSED	DSXD	DSCD		LSAA		DSLO		SPCL	0
				DCCA		FYLN	19	ICRC	INR1 5.0000
DOLN	122079	AMND	000000	APDT				PAYC	7
EDLP	121911	ZDLR	122711	RGT2	1	LRDT	062910	RGT1	02
								CCCD	0
XAON	845,000.00	XAOA				RCCT			EPMT .00
PTC1	574,000.00	PTC3				QPCR	574,000.00		CICR
ICRT	1,035,439.04	INCR				QICR	1,035,439.04		QNIC
SSTS	42,650.00A	SSC3				QSST	42,650.00A		MICE
UNPN	271,000.00	UNPA				QUPR	271,000.00		YICE
UNIN	668.23	UNIA				QUIN	668.23		YNIC
DACN	37.1233	DACA				QDIN	37.1233		MOIN
UPAM		UPUN				FC10	54,200.01		QMTI
UIAM		UIUN				FCIN			QMTI
STAM		ZADI				ZAAI			ZEDI
XAIC		PTC2				CYIC			AVIR
XANI	42,650.00	ZDNI	010112	JTOI	1	STIN			PNSR
STAN		STAA				QSTA			ICDF
TPOF	271,668.23	ZSST				QMDU	.00		ICGR

CASE NUMBER: 20 054 0610974474 STATUS TYPE: AI LOAN: 01 ACDT: 011912

Total payoff as of 01/19/12:

\$ 271,668.23

USDA

(3)

EXHIBIT G

Madisonville, KY 42431
270-821-5555
www.efirstunitedbank.com

695
**NEBO WATER DISTRICT
SINKING FUND
45 N BERNARD ST
NEBO, KY 42441**

Statement Date: 02/29/2012 Enclosures: 1

Account No:

Page: 1

Now Account

Category	Number	Amount
Balance Forward From 02/01/2012		164,711.42
Deposits and Other Credits	2	7,706.86
Withdrawals and Other Debits	5	146,622.62
Ending Balance On 02/29/2012		25,795.66
Service Charge(s)	0	0
Interest Added This Statement		3.86
Interest Period From	02/01/2012 - 02/29/2012	
Days in Earnings Period	29	
Annual Percentage Yield Earned (APY)	0.03%	
Interest Paid Year to Date	4.66	
Average Balance	162,077.98	



ELECTRONIC DEBITS

Date	Description	Amount
02/08/2012	Ach withdrawal TRUST REMITTANCE ACH TRSFR	250.00
02/08/2012	Ach withdrawal TRUST REMITTANCE ACH TRSFR	250.00
02/22/2012	Ach withdrawal TRUST REMITTANCE ACH TRSFR	1,248.46
02/22/2012	Ach withdrawal TRUST REMITTANCE ACH TRSFR	1,520.96
02/29/2012	Ach withdrawal TRUST REMITTANCE ACH TRSFR	143,353.20

4

ACCOUNT STATEMENT

REGIONS BANK
 KRWFPC PUBLIC PROJECTS REVENUE
 BONDS (FLEXIBLE TERM PROGRAM)
 SREIES 2001 A
 NEBO WD REVENUE

Statement Period
 Account Number

01/01/2012 through 03/31/2012

Chronological Schedule Of Transactions

DATE	DESCRIPTION	CASH	COST
02/02/2012	SOLD 186 SHS FEDERATED TREAS OBLIGS FD-INSTL SVC SHS ON 02/02/2012 AT 1.00 CUSIP # 60934N872	186.00	186.00-
02/07/2012	RECEIVED FROM FIRST UNITED BANK CHECKING ACCT TRUSTEE FEES	250.00	0.00
02/07/2012	PURCHASED 250 SHS FEDERATED TREAS OBLIGS FD-INSTL SVC SHS ON 02/07/2012 AT 1.00 CUSIP # 60934N872	250.00-	250.00
02/09/2012	TRANSFERRED TO ACCOUNT 2080014852 KY PROG ADM FEE ANNUAL TRUSTEE FEES DUE 2/2012	250.00-	0.00
02/09/2012	SOLD 250 SHS FEDERATED TREAS OBLIGS FD-INSTL SVC SHS ON 02/09/2012 AT 1.00 CUSIP # 60934N872	250.00	250.00-
02/21/2012	RECEIVED FROM FIRST UNITED BANK CHECKING ACCT RECEIVED ACH FROM FIRST UNITED BANK CHECKING ACCT #400 598 & NEBO WATER DISTRICT	1,520.96	0.00
02/21/2012	PURCHASED 1,520.96 SHS FEDERATED TREAS OBLIGS FD-INSTL SVC SHS ON 02/21/2012 AT 1.00 CUSIP # 60934N872	1,520.96-	1,520.96
02/28/2012	RECEIVED FROM FIRST UNITED BANK CHECKING ACCT PARTIAL REDEMPTION OF 2001 NEBO BONDS	143,353.20	0.00
02/28/2012	PURCHASED 143,353.2 SHS FEDERATED TREAS OBLIGS FD-INSTL SVC SHS ON 02/28/2012 AT 1.00 CUSIP # 60934N872	143,353.20-	143,353.20
02/29/2012	TRANSFERRED TO ACCOUNT 9990001235 CT.OPS.CONTROL BIF 329 PARTIAL REDEMPTION OF 2001 NEBO BONDS	143,353.20-	0.00

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PAGE 06

NEBO WATER

2702493714

08/01/2012 14:29

EXHIBIT H

BANK ACCOUNT INFORMATION REPORT

**BANK ID: 01
O & M FUND**

**Account Balance: 59,745.20
Account Type: Checking
Transit Number:
Account Number:**

**Phone:
Contact:**

Ext:

Fax:

**Cash Account: 1000 Cash- O & M Fund
Interest Account:
Service Charge Account:**

**BANK ID: 02
DEPRECIATION FUND**

**Account Balance: 15,728.32
Account Type: Checking
Transit Number:
Account Number:**

**Phone:
Contact:**

Ext:

Fax:

**Cash Account: 1001 Cash- Depreciation Fund
Interest Account: 7030 Interest Income
Service Charge Account: 6120 Bank Service Charges**

**BANK ID: 03
BOND SINKING FUND**

**Account Balance: 60,939.52
Account Type: Checking
Transit Number:
Account Number:**

**Phone:
Contact:**

Ext:

Fax:

**Cash Account: 1002 Cash- Bond Sinking Fund
Interest Account: 7030 Interest Income
Service Charge Account: 6120 Bank Service Charges**