

Rubin & Hays

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

December 18, 2014

RECEIVED

DEC 22 2014

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Re: Knox County Utility Commission PSC Application

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the Knox County Utility Commission for an Order authorizing the Commission to issue securities pursuant to KRS 278.300.

This Application requests approval of the issuance of securities for the purpose of refunding certain high interest Bonds of the Commission held by USDA, Rural Development.

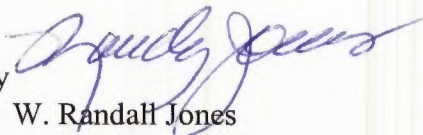
Please be advised that the Commission is requesting the PSC to expedite this Application and issue the approving Order on or before January 29, 2015 due to the fact that an upward shift in the current interest rate market could negate any interest cost savings to the Commission.

Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By



W. Randall Jones

WRJ:jlm
Enclosures

cc: Ms. Carolyn Smith, Knox County Utility Commission
Ms. Kristen Millard, Raymond James & Associates

RECEIVED

DEC 22 2014

COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE APPLICATION OF KNOX COUNTY)
UTILITY COMMISSION TO ISSUE)
SECURITIES IN THE APPROXIMATE PRINCIPAL)
AMOUNT OF \$2,490,000 FOR THE PURPOSE)
OF REFUNDING CERTAIN OUTSTANDING) Case No. 2014-
REVENUE BONDS OF THE DISTRICT)
PURSUANT TO THE PROVISIONS OF KRS 278.300)
AND 807 KAR 5:001)

** *** **** ***** **

APPLICATION

The Applicant, Knox County Utility Commission (the "Utility"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the Utility to issue certain securities in the approximate principal amount of \$2,490,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding waterworks revenue bonds of the Utility. In support of this Application, and in compliance with the rules and regulations of the Commission, the Utility states as follows:

1. The Utility was established pursuant to a Commission approved merger of the East Knox County Water District and the Dewitt Water District in accordance with the provisions of Chapters 74 and 278 of the Kentucky Revised Statutes. The Utility is now, and has been since its inception, regulated by the Commission, and all records and proceedings of the Commission with

reference to the Utility are incorporated in this Application by reference. The Utility does not have any Articles of Incorporation due to the fact that it is a statutory entity.

2. The governing body of the Utility is its Board of Commissioners which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS 74.070 and all applicable law and regulations.

3. The mailing address of the Utility is as follows:

Knox County Utility Commission
c/o Ms. Carolyn Smith, Assistant Superintendent
P.O. Box 1630
Barbourville, Kentucky 40906
Telephone: (606) 546-5300
Fax: (606) 546-3099
Email: knoxcoutility@aol.com

4. A general description of the Utility's water system property, together with a statement of the original cost, is contained in the Utility's Annual Report for 2013 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The Utility proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an Assistance Agreement (the "KRWFC Loan"), in the estimated principal amount of \$2,490,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as (i) Knox County Utility Commission Waterworks Refunding and Improvement Revenue Bonds, Series 2000, dated September 27, 2001, in the original principal amount of \$2,278,000, bearing interest at the rate of 4.50% per annum (the "2000 Bonds"); (ii) Knox County Utility Commission Waterworks Refunding Revenue Bonds, Series 2002, dated December 12, 2002, in the original principal amount of \$495,000, consisting of \$403,000 of Series A Bonds and \$92,000 of Series B Bonds, said Series A Bonds bearing interest

at the rate of 4.50% per annum and said Series B Bonds bearing interest at the rate of 5.00% (collectively, the "2002A and B Bonds"); and (iii) Knox County Utility Commission Waterworks Revenue Bonds, Series 2002, dated December 13, 2002, in the original principal amount of \$350,000, bearing interest at the rate of 4.50% per annum (the "2002 Bonds") (hereinafter, the 2000 Bonds, 2002A and B Bonds and the 2002 Bonds shall be collectively referred to as the "Prior Bonds"). The Prior Bonds are held by the U.S. Department of Agriculture, acting through Rural Development.

6. The estimated debt service for the KRWFC Loan is shown in **Exhibit A** which is attached hereto and incorporated herein by reference. The debt service schedule and estimated interest rates are subject to change because of market conditions. The final terms and details of the KRWFC Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The KRWFC Loan will provide the Utility with the funds necessary to (i) refund the Prior Bonds; and (iii) pay the fees and expenses incident to the issuance of the KRWFC Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the KRWFC Loan are detailed as **Exhibit B**, which is attached hereto and incorporated herein by reference.

9. It is anticipated that the proposed refinancing will result in a net present value cashflow savings of approximately \$235,661.78. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit C**.

10. The final principal amount of the KRWFC Loan will be adjusted based upon final interest rates which will be known on or about the date of sale of the proposed KRWFC Loan. Final financial figures will be submitted to the Commission in a timely manner. The Utility will not issue

the securities if interest rates in the bond market shift to a point where the Utility will not achieve any debt service savings.

11. The Debt Service Schedule of the outstanding Prior Bonds being refunded is set forth in **Exhibit D**.

12. The Utility represents that the KRWFC Loan is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the Utility by producing substantial debt service savings. This is a lawful object within the corporate purposes of the Utility's utility operations. The KRWFC Loan is necessary, appropriate for, and consistent with the proper performance by the Utility of its service to the public and will not impair its ability to perform that service.

13. The Utility represents that it will, as soon as reasonably possible after the closing of the KRWFC Loan, file with the Commission a statement setting forth the date of issuance of the KRWFC Loan, the price paid, the fees and expenses incurred in the issuance of the KRWFC Loan, and the terms and interest rates of the KRWFC Loan.

14. The detailed Statement of Revenues, Expenses and Changes in Net Position, Statement of Net Position and Statement of Cash Flows for the twelve month period ending on December 31, 2013 are attached hereto and incorporated herein by reference as **Exhibit E** respectively.

15. Pursuant to 807 KAR 5:001, Section 12 - Financial Exhibit; the Utility hereby responds as follows:

- (i) Section 12(1)(b): The Utility states that it had less than \$5,000,000 in gross annual revenue in the immediate past calendar year and that no material

changes to the Utility's financial condition have occurred since the end of the twelve (12) month period contained in the Utility's most recent annual report on file with the Commission.

- (ii) Section 12(2)(a), (b) and (c) Stock: The Utility does not have any authorized, issued or outstanding stock as of the date hereof.
- (iii) Section 12(2)(d) Mortgages: The Utility does not have any outstanding mortgages as of the date hereof.
- (iv) Section 12(2)(e), (f) and (g) Indebtedness: The information concerning the outstanding indebtedness of the Utility is contained in the 2013 Annual Report on file with this Commission.
- (v) Section 12(2)(h) Dividends: The Utility has no outstanding stock and therefore pays on dividends.
- (vi) Section 12(2)(i) Financial Statements: See paragraph #14 above.

16. Pursuant to 807 KAR 5:001, Section 18, the Utility hereby responds as follows:

- (i) Section 18(1)(a): The Utility has complied with the requirements of 807 KAR 5:001, Section 14.
- (ii) Section 18(1)(b): A general description of the Utility's property, its field of operation and a statement of original cost of said property and the cost to the Utility is contained in the Utility's 2013 Annual Report on file with this Commission.
- (iii) Section 18(1)(c): The Utility is not issuing any stock as part of this financing. The information concerning the proposed KRWFC Loan is

contained in this Application. The KRWFC Loan will be secured by and payable from the gross revenues of the Utility's water system.

- (iv) Section 18(1)(d): The proceeds of the KRWFC Loan are being used to refund the outstanding Prior Bonds.
- (v) Section 18(1)(e): No property is being acquired with the proceeds of the KRWFC Loan.
- (vi) Section 18(1)(f): The details of the refunding of the Prior Bonds are contained in this Application and the Exhibits hereto.
- (vii) Section 18(1)(g): Written notification of the proposed issuance of the KRWFC Loan is being provided to the State Local Debt Officer.
- (viii) Section 18(2)(a): See paragraph #15 above.
- (ix) Section 18(2)(b): The Utility does not have any outstanding trust deeds or mortgages.
- (x) Section 18(2)(c): No property is being acquired with the proceeds of the KRWFC Loan.

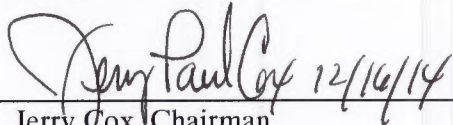
17. No rate adjustment will be necessary.

WHEREFORE, the Knox County Utility Commission respectfully requests that the Commission take the following actions:

1. Authorize the issuance of the securities requested in the Application;
2. Due to the volatility of the present bond market and in order to achieve substantial interest cost savings to the Utility by taking full advantage of current low interest rates, the Utility requests that the Commission issued its Order on or before **January 29, 2015**; and
3. Process this Application without a formal hearing in order to save time and expense.

The Utility will promptly respond to any information requests by the Commission's staff.

Knox County Utility Commission

By  12/16/14
Jerry Cox, Chairman
P.O. Box 1630
Barbourville, Kentucky 40906
Phone: (606) 546-5300
Fax: (606) 546-3099
Email: knoxcountility@aol.com

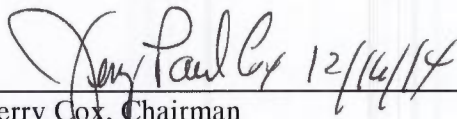
Rubin & Hays

By 
W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Counsel for Knox County Utility Commission
wrrjones@rubinhays.com

STATE OF KENTUCKY)
) SS
COUNTY OF KNOX)

The affiant, Jerry Cox, being first duly sworn, states: That he is the Chairman of the Knox County Utility Commission, the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except as to matters which are herein stated to be based on information or belief, and that these matters, he believes to be true and correct.

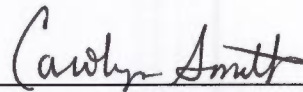
IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 16th day of December, 2014.



Jerry Cox, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Jerry Cox, Chairman of the Knox County Utility Commission, on this the 16th day of December, 2014.

My Commission expires: 12-10-17.



NOTARY PUBLIC

Preliminary

\$2,490,000

Knox County Utility Commission
 Potential Refunding through the
 Kentucky Rural Water Finance Corporation

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/04/2014	-	-	-	-	-
08/01/2015	-	-	58,005.75	58,005.75	-
12/31/2015	-	-	-	-	58,005.75
02/01/2016	75,000.00	2.850%	44,055.00	119,055.00	-
08/01/2016	-	-	42,986.25	42,986.25	-
12/31/2016	-	-	-	-	162,041.25
02/01/2017	75,000.00	2.650%	42,986.25	117,986.25	-
08/01/2017	-	-	41,992.50	41,992.50	-
12/31/2017	-	-	-	-	159,978.75
02/01/2018	80,000.00	2.700%	41,992.50	121,992.50	-
08/01/2018	-	-	40,912.50	40,912.50	-
12/31/2018	-	-	-	-	162,905.00
02/01/2019	80,000.00	2.700%	40,912.50	120,912.50	-
08/01/2019	-	-	39,832.50	39,832.50	-
12/31/2019	-	-	-	-	160,745.00
02/01/2020	80,000.00	2.950%	39,832.50	119,832.50	-
08/01/2020	-	-	38,652.50	38,652.50	-
12/31/2020	-	-	-	-	158,485.00
02/01/2021	85,000.00	3.800%	38,652.50	123,652.50	-
08/01/2021	-	-	37,037.50	37,037.50	-
12/31/2021	-	-	-	-	160,690.00
02/01/2022	90,000.00	3.750%	37,037.50	127,037.50	-
08/01/2022	-	-	35,350.00	35,350.00	-
12/31/2022	-	-	-	-	162,387.50
02/01/2023	90,000.00	3.650%	35,350.00	125,350.00	-
08/01/2023	-	-	33,707.50	33,707.50	-
12/31/2023	-	-	-	-	159,057.50
02/01/2024	95,000.00	3.550%	33,707.50	128,707.50	-
08/01/2024	-	-	32,021.25	32,021.25	-
12/31/2024	-	-	-	-	160,728.75
02/01/2025	100,000.00	3.500%	32,021.25	132,021.25	-
08/01/2025	-	-	30,271.25	30,271.25	-
12/31/2025	-	-	-	-	162,292.50
02/01/2026	100,000.00	3.500%	30,271.25	130,271.25	-
08/01/2026	-	-	28,521.25	28,521.25	-
12/31/2026	-	-	-	-	158,792.50
02/01/2027	105,000.00	3.550%	28,521.25	133,521.25	-
08/01/2027	-	-	26,657.50	26,657.50	-
12/31/2027	-	-	-	-	160,178.75
02/01/2028	110,000.00	3.500%	26,657.50	136,657.50	-
08/01/2028	-	-	24,732.50	24,732.50	-
12/31/2028	-	-	-	-	161,390.00
02/01/2029	110,000.00	3.500%	24,732.50	134,732.50	-
08/01/2029	-	-	22,807.50	22,807.50	-
12/31/2029	-	-	-	-	157,540.00
02/01/2030	115,000.00	3.450%	22,807.50	137,807.50	-
08/01/2030	-	-	20,823.75	20,823.75	-
12/31/2030	-	-	-	-	158,631.25
02/01/2031	120,000.00	3.550%	20,823.75	140,823.75	-
08/01/2031	-	-	18,693.75	18,693.75	-
12/31/2031	-	-	-	-	159,517.50
02/01/2032	125,000.00	3.550%	18,693.75	143,693.75	-
08/01/2032	-	-	16,475.00	16,475.00	-
12/31/2032	-	-	-	-	160,168.75
02/01/2033	125,000.00	3.650%	16,475.00	141,475.00	-
08/01/2033	-	-	14,193.75	14,193.75	-
12/31/2033	-	-	-	-	155,668.75
02/01/2034	110,000.00	3.650%	14,193.75	124,193.75	-
08/01/2034	-	-	12,186.25	12,186.25	-
12/31/2034	-	-	-	-	136,380.00
02/01/2035	110,000.00	3.800%	12,186.25	122,186.25	-
08/01/2035	-	-	10,096.25	10,096.25	-
12/31/2035	-	-	-	-	132,282.50
02/01/2036	115,000.00	3.900%	10,096.25	125,096.25	-
08/01/2036	-	-	7,853.75	7,853.75	-
12/31/2036	-	-	-	-	132,950.00
02/01/2037	120,000.00	3.900%	7,853.75	127,853.75	-
08/01/2037	-	-	5,513.75	5,513.75	-
12/31/2037	-	-	-	-	133,367.50
02/01/2038	125,000.00	3.950%	5,513.75	130,513.75	-
08/01/2038	-	-	3,045.00	3,045.00	-
12/31/2038	-	-	-	-	133,558.75
02/01/2039	130,000.00	4.050%	3,045.00	133,045.00	-
08/01/2039	-	-	412.50	412.50	-
12/31/2039	-	-	-	-	133,457.50
02/01/2040	10,000.00	4.100%	412.50	10,412.50	-
08/01/2040	-	-	207.50	207.50	-
12/31/2040	-	-	-	-	10,620.00
02/01/2041	10,000.00	4.150%	207.50	10,207.50	-
12/31/2041	-	-	-	-	10,207.50
Total	\$2,490,000.00	-	\$1,272,028.25	\$3,762,028.25	-

Yield Statistics

Bond Year Dollars	\$34,494.25
Average Life	13.853 Years
Average Coupon	3.6876530%
Net Interest Cost (NIC)	3.7583707%
True Interest Cost (TIC)	3.7622605%
Bond Yield for Arbitrage Purposes	3.6164639%
All Inclusive Cost (AIC)	3.9481680%
IRS Form 8038	
Net Interest Cost	3.6717294%
Weighted Average Maturity	13.700 Years

Raymond James

Preliminary

\$2,490,000

Knox County Utility Commission
Potential Refunding through the
Kentucky Rural Water Finance Corporation

Sources & Uses

Dated 12/04/2014 | Delivered 12/04/2014

Sources Of Funds

Par Amount of Bonds	\$2,490,000.00
Reoffering Premium	12,956.45
Transfers from Prior Issue Debt Service Funds	99,610.42
Total Sources	\$2,602,566.87

Uses Of Funds

Total Underwriter's Discount (1.500%)	37,350.00
Costs of Issuance	38,850.00
Deposit to Current Refunding Fund	2,524,372.64
Rounding Amount	1,994.23
Total Uses	\$2,602,566.87

Preliminary

\$2,490,000

Knox County Utility Commission
 Potential Refunding through the
 Kentucky Rural Water Finance Corporation

Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/31/2014	-	-	-	-	-
12/31/2015	58,005.75	450.00	58,455.75	168,160.00	109,704.25
12/31/2016	162,041.25	450.00	162,491.25	168,482.50	5,991.25
12/31/2017	159,978.75	450.00	160,428.75	167,692.50	7,263.75
12/31/2018	162,905.00	450.00	163,355.00	168,767.50	5,412.50
12/31/2019	160,745.00	450.00	161,195.00	167,707.50	6,512.50
12/31/2020	158,485.00	450.00	158,935.00	167,535.00	8,600.00
12/31/2021	160,690.00	450.00	161,140.00	169,182.50	8,042.50
12/31/2022	162,387.50	450.00	162,837.50	167,672.50	4,835.00
12/31/2023	159,057.50	450.00	159,507.50	168,027.50	8,520.00
12/31/2024	160,728.75	450.00	161,178.75	168,202.50	7,023.75
12/31/2025	162,292.50	450.00	162,742.50	168,197.50	5,455.00
12/31/2026	158,792.50	450.00	159,242.50	168,012.50	8,770.00
12/31/2027	160,178.75	450.00	160,628.75	168,625.00	7,996.25
12/31/2028	161,390.00	450.00	161,840.00	168,035.00	6,195.00
12/31/2029	157,540.00	450.00	157,990.00	167,265.00	9,275.00
12/31/2030	158,631.25	450.00	159,081.25	168,270.00	9,188.75
12/31/2031	159,517.50	450.00	159,967.50	168,027.50	8,060.00
12/31/2032	160,168.75	450.00	160,618.75	167,560.00	6,941.25
12/31/2033	155,668.75	450.00	156,118.75	164,912.50	8,793.75
12/31/2034	136,380.00	450.00	136,830.00	143,557.50	6,727.50
12/31/2035	132,282.50	450.00	132,732.50	142,472.50	9,740.00
12/31/2036	132,950.00	450.00	133,400.00	143,162.50	9,762.50
12/31/2037	133,367.50	450.00	133,817.50	143,582.50	9,765.00
12/31/2038	133,558.75	450.00	134,008.75	141,777.50	7,768.75
12/31/2039	133,457.50	450.00	133,907.50	141,747.50	7,840.00
12/31/2040	10,620.00	450.00	11,070.00	19,260.00	8,190.00
12/31/2041	10,207.50	450.00	10,657.50	19,427.50	8,770.00
Total	\$3,762,028.25	\$12,150.00	\$3,774,178.25	\$4,085,322.50	\$311,144.25

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	311,144.25
Gross PV Debt Service Savings	243,266.89
Effects of changes in Expenses	(7,605.11)
Net PV Cashflow Savings @ 3.948%(AIC)	235,661.78
Transfers from Prior Issue Debt Service Fund	(99,610.42)
Contingency or Rounding Amount	1,994.23
Net Present Value Benefit	\$138,045.59
Net PV Benefit / \$2,477,000 Refunded Principal	5.573%
Net Future Value Benefit	\$213,528.06
Net PV Benefit / \$2,490,000 Refunding Principal	5.544%
Average Annual Cash Flow Savings	11,523.86

Refunding Bond Information

Refunding Dated Date	12/04/2014
Refunding Delivery Date	12/04/2014

Raymond James

Preliminary

\$317,000

Knox County Utility Commission

Loan 90-06

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2015	10,000.00	-	13,590.00	23,590.00
12/31/2016	11,000.00	-	13,117.50	24,117.50
12/31/2017	11,000.00	-	12,622.50	23,622.50
12/31/2018	12,000.00	-	12,105.00	24,105.00
12/31/2019	12,000.00	-	11,565.00	23,565.00
12/31/2020	13,000.00	-	11,002.50	24,002.50
12/31/2021	14,000.00	-	10,395.00	24,395.00
12/31/2022	14,000.00	-	9,765.00	23,765.00
12/31/2023	15,000.00	-	9,112.50	24,112.50
12/31/2024	16,000.00	-	8,415.00	24,415.00
12/31/2025	17,000.00	-	7,672.50	24,672.50
12/31/2026	17,000.00	-	6,907.50	23,907.50
12/31/2027	19,000.00	-	6,097.50	25,097.50
12/31/2028	19,000.00	-	5,242.50	24,242.50
12/31/2029	20,000.00	-	4,365.00	24,365.00
12/31/2030	21,000.00	-	3,442.50	24,442.50
12/31/2031	22,000.00	-	2,475.00	24,475.00
12/31/2032	23,000.00	-	1,462.50	24,462.50
12/31/2033	21,000.00	4.500%	472.50	21,472.50
Total	\$307,000.00	-	\$149,827.50	\$456,827.50

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	12/04/2014
Average Life	10.420 Years
Average Coupon	4.500000%
Weighted Average Maturity (Par Basis)	10.420 Years

Refunding Bond Information

Refunding Dated Date	12/04/2014
Refunding Delivery Date	12/04/2014

Raymond James

Preliminary

\$1,911,000

Knox County Utility Commission

Loan 90-01

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+i
12/31/2015	42,000.00	-	83,250.00	125,250.00
12/31/2016	44,000.00	-	81,315.00	125,315.00
12/31/2017	46,000.00	-	79,290.00	125,290.00
12/31/2018	48,000.00	-	77,175.00	125,175.00
12/31/2019	50,000.00	-	74,970.00	124,970.00
12/31/2020	52,000.00	-	72,675.00	124,675.00
12/31/2021	55,000.00	-	70,267.50	125,267.50
12/31/2022	57,000.00	-	67,747.50	124,747.50
12/31/2023	60,000.00	-	65,115.00	125,115.00
12/31/2024	62,000.00	-	62,370.00	124,370.00
12/31/2025	65,000.00	-	59,512.50	124,512.50
12/31/2026	68,000.00	-	56,520.00	124,520.00
12/31/2027	71,000.00	-	53,392.50	124,392.50
12/31/2028	75,000.00	-	50,107.50	125,107.50
12/31/2029	77,000.00	-	46,687.50	123,687.50
12/31/2030	82,000.00	-	43,110.00	125,110.00
12/31/2031	85,000.00	-	39,352.50	124,352.50
12/31/2032	89,000.00	-	35,437.50	124,437.50
12/31/2033	93,000.00	-	31,342.50	124,342.50
12/31/2034	97,000.00	-	27,067.50	124,067.50
12/31/2035	101,000.00	-	22,612.50	123,612.50
12/31/2036	106,000.00	-	17,955.00	123,955.00
12/31/2037	111,000.00	-	13,072.50	124,072.50
12/31/2038	115,000.00	-	7,987.50	122,987.50
12/31/2039	120,000.00	4.500%	2,700.00	122,700.00
Total	\$1,871,000.00	-	\$1,241,032.50	\$3,112,032.50

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	12/04/2014
Average Life	14.315 Years
Average Coupon	4.5000000%
Weighted Average Maturity (Par Basis)	14.315 Years

Refunding Bond Information

Refunding Dated Date	12/04/2014
Refunding Delivery Date	12/04/2014

Raymond James

Preliminary

\$305,000

Knox County Utility Commission

Loan 90-08

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2015	6,000.00	-	13,320.00	19,320.00
12/31/2016	6,000.00	-	13,050.00	19,050.00
12/31/2017	6,000.00	-	12,780.00	18,780.00
12/31/2018	7,000.00	-	12,487.50	19,487.50
12/31/2019	7,000.00	-	12,172.50	19,172.50
12/31/2020	7,000.00	-	11,857.50	18,857.50
12/31/2021	8,000.00	-	11,520.00	19,520.00
12/31/2022	8,000.00	-	11,160.00	19,160.00
12/31/2023	8,000.00	-	10,800.00	18,800.00
12/31/2024	9,000.00	-	10,417.50	19,417.50
12/31/2025	9,000.00	-	10,012.50	19,012.50
12/31/2026	10,000.00	-	9,585.00	19,585.00
12/31/2027	10,000.00	-	9,135.00	19,135.00
12/31/2028	10,000.00	-	8,685.00	18,685.00
12/31/2029	11,000.00	-	8,212.50	19,212.50
12/31/2030	11,000.00	-	7,717.50	18,717.50
12/31/2031	12,000.00	-	7,200.00	19,200.00
12/31/2032	12,000.00	-	6,660.00	18,660.00
12/31/2033	13,000.00	-	6,097.50	19,097.50
12/31/2034	14,000.00	-	5,490.00	19,490.00
12/31/2035	14,000.00	-	4,860.00	18,860.00
12/31/2036	15,000.00	-	4,207.50	19,207.50
12/31/2037	16,000.00	-	3,510.00	19,510.00
12/31/2038	16,000.00	-	2,790.00	18,790.00
12/31/2039	17,000.00	-	2,047.50	19,047.50
12/31/2040	18,000.00	-	1,260.00	19,260.00
12/31/2041	19,000.00	4.500%	427.50	19,427.50
Total	\$299,000.00	-	\$217,462.50	\$516,462.50

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	12/04/2014
Average Life	15.737 Years
Average Coupon	4.5000000%
Weighted Average Maturity (Par Basis)	15.737 Years

Refunding Bond Information

Refunding Dated Date	12/04/2014
Refunding Delivery Date	12/04/2014

Raymond James

Knox County Utility Commission
 Statements of Net Position
 December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 646,675	\$ 507,449
Investments	-	107,977
Receivables, less allowance	82,795	83,088
Unbilled accounts receivable	55,740	60,857
Inventories	23,473	24,688
Other current assets	223	207
Total Current Assets	<u>808,906</u>	<u>784,266</u>
Noncurrent assets		
Restricted assets		
Restricted cash and cash equivalents	<u>89,698</u>	<u>92,880</u>
Capital Assets		
Land and improvements	44,619	44,619
Structures and improvements	508,160	506,837
Pumping equipment	131,664	125,822
Meters and meter installation	721,162	704,237
Hydrants	53,816	53,816
Storage tanks	1,148,102	1,148,102
Transmission and distribution plant	10,127,318	10,119,405
Vehicles and other equipment	409,727	403,697
Office equipment	54,898	52,465
Lift stations	344,195	344,195
	<u>13,543,661</u>	<u>13,503,195</u>
Accumulated depreciation	<u>(5,546,108)</u>	<u>(5,075,724)</u>
Net Capital Assets	<u>7,997,553</u>	<u>8,427,471</u>
Other Assets		
Bond issue costs, net of amortization	<u>8,865</u>	<u>9,287</u>
Total Other Assets	<u>8,865</u>	<u>9,287</u>
Total Noncurrent Assets	<u>8,096,116</u>	<u>8,529,638</u>
Total Assets	<u>8,905,022</u>	<u>9,313,904</u>

See accompanying notes to financial statements.

Knox County Utility Commission
 Statements of Net Position (Continued)
 December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Liabilities		
Current Liabilities		
Current portion of long-term debt	56,000	52,000
Accounts payable	37,652	27,821
Accrued interest payable	47	47
Accrued salaries and taxes payable	16,171	18,234
Total Current Liabilities	109,870	98,102
Noncurrent Liabilities		
Customer deposits	27,172	28,099
Long-term debt, less current portion	2,477,000	2,533,000
Total Noncurrent Liabilities	2,504,172	2,561,099
Total Liabilities	2,614,042	2,659,201
Net Position		
Net investment in capital assets	5,464,553	5,842,471
Restricted	89,698	92,880
Unrestricted	736,729	719,352
Total Net Position	\$ 6,290,980	\$ 6,654,703

See accompanying notes to financial statements.

Knox County Utility Commission
 Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Water sales	\$ 1,086,674	\$ 1,119,411
Sewer sales	18,360	14,528
Service charges	15,195	15,825
Tap fees	18,479	22,474
Penalties	30,162	30,185
Other revenues	6,358	8,151
Total Operating Revenues	<u>1,175,228</u>	<u>1,210,574</u>
Operating Expenses		
Salaries and wages	276,661	267,104
Employee benefits	175,401	174,126
Purchased power	209,756	208,563
Utilities	58,945	55,602
Chemicals	57,407	57,384
Repairs and maintenance	32,791	32,123
Contracted services	21,895	26,711
Vehicle and equipment expenses	25,497	25,891
Insurance	31,245	33,687
Sewer treatment	14,916	9,921
Amortization	422	444
Depreciation	470,384	473,756
Bad debt expense, net of recoveries	11,947	13,248
Other operating expenses	44,135	46,932
Total Operating Expenses	<u>1,431,402</u>	<u>1,425,492</u>
Operating Loss	<u>(256,174)</u>	<u>(214,918)</u>
Nonoperating Revenues (Expenses)		
Interest income	4,759	16,641
Federal and state grants	4,158	14,010
Interest expense	<u>(116,466)</u>	<u>(119,708)</u>
Total Nonoperating Revenues (Expenses)	<u>(107,549)</u>	<u>(89,057)</u>
Change in Net Position	(363,723)	(303,975)
Net Position, Beginning of Year	<u>6,654,703</u>	<u>6,958,678</u>
Net Position, End of Year	<u>\$ 6,290,980</u>	<u>\$ 6,654,703</u>

See accompanying notes to financial statements.