

Rubin & Hays

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

December 19, 2014

RECEIVED

DEC 23 2014

PUBLIC SERVICE
COMMISSION

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

Re: Lake Village Water Association, Inc. PSC Application

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the Lake Village Water Association, Inc. for an Order authorizing the Association to issue securities pursuant to KRS 278.300.

Please be advised that the Association is requesting the Commission 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 Association.

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: Mr. Mike Sanford, Lake Village Water Association
Ms. Kristen Millard, Raymond James & Associates

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED
DEC 28 2014
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE APPLICATION OF THE LAKE VILLAGE)
WATER ASSOCIATION, INC., TO)
ISSUE SECURITIES IN THE APPROXIMATE)
PRINCIPAL AMOUNT OF \$1,515,000 FOR)
THE PURPOSE OF REFUNDING CERTAIN)
OUTSTANDING INDEBTEDNESS OF THE) Case No. 2014 - _____
ASSOCIATION PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

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

APPLICATION

The Applicant, Lake Village Water Association, Inc. (the "Association"), 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 Association to issue certain securities in the approximate principal sum \$1,515,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding indebtedness of the Association. In support of this Application, and in compliance with the rules and regulations of the Commission, the Association states as follows:

1. The Association is a non-profit water association of Mercer and Boyle Counties, created and existing under the provisions of Chapter 273 of the Kentucky Revised Statutes. The Association was incorporated in the Commonwealth of Kentucky on May 2, 1968 and is currently in good standing with the Kentucky Secretary of State. The Association is now, and has been since

its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to the Association are incorporated in this Application by reference.

2. The governing body of the Association is its Board of Directors, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS Chapter 273 and all applicable law and regulations.

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

Lake Village Water Association, Inc.
c/o Mr. Mike Sanford, Manager
P.O. Box 303
Burgin, Kentucky 40310
Telephone: (859) 748-5642
Fax: (859) 748-9114
Email: mike@lakevillagewater.org

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

5. The Association proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an assistance agreement in the estimated principal amount of \$1,515,000 (subject to adjustment of up to 10%) (the "KRWFC Loan") for the purpose of refunding the outstanding indebtedness of the Association designated as (i) Lake Village Water Association Promissory Note, dated February 13, 1986, in the original principal amount of \$520,000, bearing interest at the rate of 8.375% per annum (the "1986 Note"); (ii) Lake Village Water Association Promissory Note (Series A), dated April 12, 1994, in the original principal amount of \$825,000, bearing interest at the rate of 5.50% per annum (the "1994A Note"); (iii) Lake Village Water Association Promissory Note (Series B), dated April 12, 1994, in the original principal amount of

\$345,000, bearing interest at the rate of 5.375% per annum (the "1994B Note"); and (iv) Lake Village Water Association Promissory Note, dated October 15, 1998, in the original principal amount of \$284,000, bearing interest at the rate of 5.00% per annum (the "1998 Note") (hereinafter the 1986 Note, the 1994A Note, the 1994B Note and the 1998 Note shall be collectively referred to as the "Prior Loans"). All of said Prior Loans are currently held the United States Department of Agriculture, acting through Rural Development ("RD").

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 rate 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 Association with the funds necessary to (i) refund the Prior Loans; and (iii) pay the costs, 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 generate a net present value cashflow savings of approximately \$221,547.57. 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 may be adjusted, based upon the final interest rate as of closing of the proposed KRWFC Loan. Final financial figures will be submitted to the Commission in a timely manner. The Association will not issue the securities if

interest rates in the financial markets shift to a point where the Association will not achieve any savings.

11. The Total Refunded Debt Schedule of the outstanding Prior Loans being refunded is set forth in **Exhibit D**.

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

13. The Association 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 costs and expenses incurred in the issuance of the KRWFC Loan, and the final terms and interest rates of the KRWFC Loan.

14. The detailed (i) Statement of Assets, Liabilities and Members' Equity; (ii) Statement of Operations; (iii) Statement of Members' Equity; (iv) Statement of Operating Expenses; and (v) 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 Association hereby responds as follows:

- (i) Section 12(1)(b): The Association 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 Association's financial condition have occurred since the end of the twelve (12) month period contained in the Association's most recent annual report on file with the Commission.

- (ii) Section 12(2)(a), (b) and (c) Stock: The Association does not have any authorized, issued or outstanding stock as of the date hereof.
- (iii) Section 12(2)(d) Mortgages: The Association's mortgages are on file with the Commission in **Case No. 2010-00430**.
- (iv) Section 12(2)(e), (f) and (g) Indebtedness: The information concerning the outstanding indebtedness of the Association is contained in the 2013 Annual Report on file with this Commission.
- (v) Section 12(2)(h) Dividends: The Association has no outstanding stock and therefore pays no dividends.
- (vi) Section 12(2)(i) Financial Statements: See paragraph #14 above.

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

- (i) Section 18(1)(a): The Association has complied with the requirements of 807 KAR 5:001, Section 14.
- (ii) Section 18(1)(b): A general description of the Association's property, its field of operation and a statement of original cost of said property and the cost to the Association is contained in the Association's 2013 Annual Report on file with this Commission.
- (iii) Section 18(1)(c): The Association 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 Association's water system.

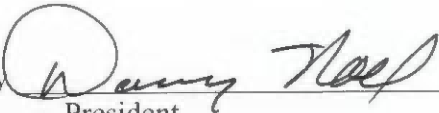
- (iv) Section 18(1)(d): The proceeds of the KRWFC Loan are being used to refund the outstanding Prior Loans.
- (v) Section 18(1)(e): No property is being acquired with the proceeds of the KRWFC Loan.
- (vi) Section 18(1)(f): The details of the refunding of the Prior Loans are contained in this Application 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 Association 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.

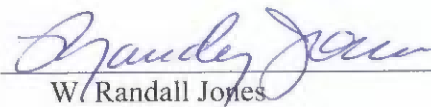
WHEREFORE, the Association respectfully requests that the Commission take the following actions:

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 Association by taking full advantage of current low interest rates, the Association 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 Association will promptly respond to any information requests by the Commission's staff.

Lake Village Water Association, Inc.

By  _____
President
P.O. Box 303
Burgin, Kentucky 40310
Phone: (859) 748-5642
Fax: (859) 748-9114
Email: mike@lakevillagewater.org

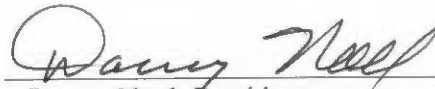
Rubin & Hays

By  _____
W. Randall Jones
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Email: wrjones@rubinhays.com
Counsel for Lake Village Water
Association, Inc.

STATE OF KENTUCKY)
) SS
COUNTY OF MERCER)

The affiant, Danny Noel, being first duly sworn, states: That he is the President of the Lake Village Water Association, Inc., 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 17th day of December, 2014.



Danny Noel, President

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Danny Noel, President of the Lake Village Water Association, Inc., on this the 17th day of December, 2014.

My Commission expires: 8/15/18.



NOTARY PUBLIC



Preliminary
\$1,515,000

Kentucky Rural Water Finance Corporation
 Public Projects Revenue Refunding Bonds
 Lake Village Water Association

Debt Service Schedule

| Date | Principal | Coupon | Interest | Total P+I | Fiscal Total |
|--------------|-----------------------|----------|---------------------|-----------------------|--------------|
| 12/15/2014 | - | - | - | - | - |
| 06/01/2015 | - | - | 33,128.46 | 33,128.46 | - |
| 12/30/2015 | - | - | - | - | 33,128.46 |
| 02/01/2016 | 75,000.00 | 1.070% | 26,385.50 | 101,385.50 | - |
| 08/01/2016 | - | - | 25,984.25 | 25,984.25 | - |
| 12/30/2016 | - | - | - | - | 127,369.75 |
| 02/01/2017 | 75,000.00 | 1.560% | 25,984.25 | 100,984.25 | - |
| 08/01/2017 | - | - | 25,399.25 | 25,399.25 | - |
| 12/30/2017 | - | - | - | - | 126,383.50 |
| 02/01/2018 | 80,000.00 | 2.280% | 25,399.25 | 105,399.25 | - |
| 08/01/2018 | - | - | 24,487.25 | 24,487.25 | - |
| 12/30/2018 | - | - | - | - | 129,886.50 |
| 02/01/2019 | 80,000.00 | 2.380% | 24,487.25 | 104,487.25 | - |
| 08/01/2019 | - | - | 23,535.25 | 23,535.25 | - |
| 12/30/2019 | - | - | - | - | 128,022.50 |
| 02/01/2020 | 80,000.00 | 2.700% | 23,535.25 | 103,535.25 | - |
| 08/01/2020 | - | - | 22,455.25 | 22,455.25 | - |
| 12/30/2020 | - | - | - | - | 125,990.50 |
| 02/01/2021 | 85,000.00 | 2.950% | 22,455.25 | 107,455.25 | - |
| 08/01/2021 | - | - | 21,201.50 | 21,201.50 | - |
| 12/30/2021 | - | - | - | - | 126,656.75 |
| 02/01/2022 | 85,000.00 | 3.210% | 21,201.50 | 106,201.50 | - |
| 08/01/2022 | - | - | 19,837.25 | 19,837.25 | - |
| 12/30/2022 | - | - | - | - | 126,038.75 |
| 02/01/2023 | 90,000.00 | 3.380% | 19,837.25 | 109,837.25 | - |
| 08/01/2023 | - | - | 18,325.25 | 18,325.25 | - |
| 12/30/2023 | - | - | - | - | 128,162.50 |
| 02/01/2024 | 90,000.00 | 3.510% | 18,325.25 | 108,325.25 | - |
| 08/01/2024 | - | - | 16,745.75 | 16,745.75 | - |
| 12/30/2024 | - | - | - | - | 125,071.00 |
| 02/01/2025 | 95,000.00 | 4.010% | 16,745.75 | 111,745.75 | - |
| 08/01/2025 | - | - | 14,841.00 | 14,841.00 | - |
| 12/30/2025 | - | - | - | - | 126,586.75 |
| 02/01/2026 | 100,000.00 | 4.010% | 14,841.00 | 114,841.00 | - |
| 08/01/2026 | - | - | 12,836.00 | 12,836.00 | - |
| 12/30/2026 | - | - | - | - | 127,677.00 |
| 02/01/2027 | 55,000.00 | 4.010% | 12,836.00 | 67,836.00 | - |
| 08/01/2027 | - | - | 11,733.25 | 11,733.25 | - |
| 12/30/2027 | - | - | - | - | 79,569.25 |
| 02/01/2028 | 60,000.00 | 4.010% | 11,733.25 | 71,733.25 | - |
| 08/01/2028 | - | - | 10,530.25 | 10,530.25 | - |
| 12/30/2028 | - | - | - | - | 82,263.50 |
| 02/01/2029 | 60,000.00 | 4.010% | 10,530.25 | 70,530.25 | - |
| 08/01/2029 | - | - | 9,327.25 | 9,327.25 | - |
| 12/30/2029 | - | - | - | - | 79,857.50 |
| 02/01/2030 | 65,000.00 | 4.010% | 9,327.25 | 74,327.25 | - |
| 08/01/2030 | - | - | 8,024.00 | 8,024.00 | - |
| 12/30/2030 | - | - | - | - | 82,351.25 |
| 02/01/2031 | 65,000.00 | 4.720% | 8,024.00 | 73,024.00 | - |
| 08/01/2031 | - | - | 6,490.00 | 6,490.00 | - |
| 12/30/2031 | - | - | - | - | 79,514.00 |
| 02/01/2032 | 70,000.00 | 4.720% | 6,490.00 | 76,490.00 | - |
| 08/01/2032 | - | - | 4,838.00 | 4,838.00 | - |
| 12/30/2032 | - | - | - | - | 81,328.00 |
| 02/01/2033 | 75,000.00 | 4.720% | 4,838.00 | 79,838.00 | - |
| 08/01/2033 | - | - | 3,068.00 | 3,068.00 | - |
| 12/30/2033 | - | - | - | - | 82,906.00 |
| 02/01/2034 | 75,000.00 | 4.720% | 3,068.00 | 78,068.00 | - |
| 08/01/2034 | - | - | 1,298.00 | 1,298.00 | - |
| 12/30/2034 | - | - | - | - | 79,366.00 |
| 02/01/2035 | 5,000.00 | 4.720% | 1,298.00 | 6,298.00 | - |
| 08/01/2035 | - | - | 1,180.00 | 1,180.00 | - |
| 12/30/2035 | - | - | - | - | 7,478.00 |
| 02/01/2036 | 5,000.00 | 4.720% | 1,180.00 | 6,180.00 | - |
| 08/01/2036 | - | - | 1,062.00 | 1,062.00 | - |
| 12/30/2036 | - | - | - | - | 7,242.00 |
| 03/01/2037 | 5,000.00 | 4.720% | 1,062.00 | 6,062.00 | - |
| 08/01/2037 | - | - | 944.00 | 944.00 | - |
| 12/30/2037 | - | - | - | - | 7,006.00 |
| 02/01/2038 | 5,000.00 | 4.720% | 944.00 | 5,944.00 | - |
| 08/01/2038 | - | - | 826.00 | 826.00 | - |
| 12/30/2038 | - | - | - | - | 6,770.00 |
| 02/01/2039 | 5,000.00 | 4.720% | 826.00 | 5,826.00 | - |
| 08/01/2039 | - | - | 708.00 | 708.00 | - |
| 12/30/2039 | - | - | - | - | 6,534.00 |
| 02/01/2040 | 5,000.00 | 4.720% | 708.00 | 5,708.00 | - |
| 08/01/2040 | - | - | 590.00 | 590.00 | - |
| 12/30/2040 | - | - | - | - | 6,298.00 |
| 02/01/2041 | 5,000.00 | 4.720% | 590.00 | 5,590.00 | - |
| 08/01/2041 | - | - | 472.00 | 472.00 | - |
| 12/30/2041 | - | - | - | - | 6,061.00 |
| 02/01/2042 | 10,000.00 | 4.720% | 472.00 | 10,472.00 | - |
| 08/01/2042 | - | - | 236.00 | 236.00 | - |
| 12/30/2042 | - | - | - | - | 10,708.00 |
| 02/01/2043 | 10,000.00 | 4.720% | 236.00 | 10,236.00 | - |
| 12/30/2043 | - | - | - | - | 10,236.00 |
| Total | \$1,515,000.00 | - | \$633,463.46 | \$2,148,463.46 | - |

Yield Statistics

| | |
|-----------------------------------|--------------|
| Bond Year Dollars | \$15,679.58 |
| Average Life | 10.349 Years |
| Average Coupon | 4.0403106% |
| Net Interest Cost (NIC) | 4.1852535% |
| True Interest Cost (TIC) | 4.1572083% |
| Bond Yield for Arbitrage Purposes | 4.1554852% |
| All Inclusive Cost (AIC) | 4.4263174% |
| IRS Form 8038 | |
| Net Interest Cost | 4.0403106% |
| Weighted Average Maturity | 10.349 Years |

Raymond James

Preliminary

\$1,515,000

Kentucky Rural Water Finance Corporation
Public Projects Revenue Refunding Bonds
Lake Village Water Association

Sources & Uses

Dated 12/15/2014 | Delivered 12/15/2014

Sources Of Funds

| | |
|---|----------------|
| Par Amount of Bonds | \$1,515,000.00 |
| Transfers from Prior Issue Debt Service Funds | 87,204.57 |

Total Sources **\$1,602,204.57**

Uses Of Funds

| | |
|---------------------------------------|--------------|
| Total Underwriter's Discount (1.500%) | 22,725.00 |
| Costs of Issuance | 31,740.00 |
| Deposit to Current Refunding Fund | 1,543,586.42 |
| Rounding Amount | 4,153.15 |

Total Uses **\$1,602,204.57**

Preliminary

\$1,515,000

Kentucky Rural Water Finance Corporation
 Public Projects Revenue Refunding Bonds
 Lake Village Water Association

Debt Service Comparison

| Date | Total P+I | Net New D/S | Old Net D/S | Savings |
|--------------|-----------------------|-----------------------|-----------------------|---------------------|
| 12/30/2014 | - | - | - | - |
| 12/30/2015 | 33,128.46 | 33,128.46 | 136,198.25 | 103,069.79 |
| 12/30/2016 | 127,369.75 | 127,369.75 | 136,198.63 | 8,828.88 |
| 12/30/2017 | 126,383.50 | 126,383.50 | 136,198.15 | 9,814.65 |
| 12/30/2018 | 129,886.50 | 129,886.50 | 136,200.07 | 6,313.57 |
| 12/30/2019 | 128,022.50 | 128,022.50 | 136,198.30 | 8,175.80 |
| 12/30/2020 | 125,990.50 | 125,990.50 | 136,198.97 | 10,208.47 |
| 12/30/2021 | 128,656.75 | 128,656.75 | 136,200.52 | 7,543.77 |
| 12/30/2022 | 126,038.75 | 126,038.75 | 136,199.13 | 10,160.38 |
| 12/30/2023 | 128,162.50 | 128,162.50 | 136,198.72 | 8,036.22 |
| 12/30/2024 | 125,071.00 | 125,071.00 | 136,199.36 | 11,128.36 |
| 12/30/2025 | 126,586.75 | 126,586.75 | 136,198.38 | 9,611.63 |
| 12/30/2026 | 127,677.00 | 127,677.00 | 136,198.45 | 8,521.45 |
| 12/30/2027 | 79,569.25 | 79,569.25 | 90,498.01 | 10,928.76 |
| 12/30/2028 | 82,263.50 | 82,263.50 | 90,497.85 | 8,234.35 |
| 12/30/2029 | 79,857.50 | 79,857.50 | 90,498.14 | 10,640.64 |
| 12/30/2030 | 82,351.25 | 82,351.25 | 90,498.22 | 8,146.97 |
| 12/30/2031 | 79,514.00 | 79,514.00 | 90,497.97 | 10,983.97 |
| 12/30/2032 | 81,328.00 | 81,328.00 | 90,497.80 | 9,169.80 |
| 12/30/2033 | 82,906.00 | 82,906.00 | 90,498.59 | 7,592.59 |
| 12/30/2034 | 79,366.00 | 79,366.00 | 90,497.59 | 11,131.59 |
| 12/30/2035 | 7,478.00 | 7,478.00 | 16,816.65 | 9,338.65 |
| 12/30/2036 | 7,242.00 | 7,242.00 | 16,817.45 | 9,575.45 |
| 12/30/2037 | 7,006.00 | 7,006.00 | 16,816.80 | 9,810.80 |
| 12/30/2038 | 6,770.00 | 6,770.00 | 16,816.60 | 10,046.60 |
| 12/30/2039 | 6,534.00 | 6,534.00 | 16,816.60 | 10,282.60 |
| 12/30/2040 | 6,298.00 | 6,298.00 | 16,817.50 | 10,519.50 |
| 12/30/2041 | 6,062.00 | 6,062.00 | 16,816.90 | 10,754.90 |
| 12/30/2042 | 10,708.00 | 10,708.00 | 16,817.45 | 6,109.45 |
| 12/30/2043 | 10,236.00 | 10,236.00 | 16,816.60 | 6,580.60 |
| 12/30/2044 | - | - | 16,816.85 | 16,816.85 |
| 12/30/2045 | - | - | 16,817.50 | 16,817.50 |
| 12/30/2046 | - | - | 16,816.80 | 16,816.80 |
| Total | \$2,148,463.46 | \$2,148,463.46 | \$2,560,174.80 | \$411,711.34 |

PV Analysis Summary (Net to Net)

| | |
|--|--------------|
| Net FV Cashflow Savings | 411,711.34 |
| Gross PV Debt Service Savings | 221,547.57 |
| Net PV Cashflow Savings @ 4.426%(AIC) | 221,547.57 |
| Transfers from Prior Issue Debt Service Fund | (78,736.14) |
| Contingency or Rounding Amount | 3,749.84 |
| Net Present Value Benefit | \$146,561.27 |
| Net PV Benefit / \$1,486,766 Refunded Principal | 9.858% |
| Net Future Value Benefit | \$336,725.04 |
| Net PV Benefit / \$1,515,000 Refunding Principal | 9.674% |
| Average Annual Cash Flow Savings | 12,476.10 |

Refunding Bond Information

| | |
|-------------------------|------------|
| Refunding Dated Date | 12/15/2014 |
| Refunding Delivery Date | 12/15/2014 |

Raymond James

Preliminary

\$825,000

Lake Village Water Association

Series 1992 (Loan 91-06)

Total Refunded Debt Service

| Date | Principal | Coupon | Interest | Total P+I |
|--------------|---------------------|----------|---------------------|-----------------------|
| 04/12/2015 | 17,890.00 | 5.500% | 34,309.22 | 52,199.22 |
| 04/12/2016 | 18,874.00 | 5.500% | 33,325.27 | 52,199.27 |
| 04/12/2017 | 19,912.00 | 5.500% | 32,287.20 | 52,199.20 |
| 04/12/2018 | 21,008.00 | 5.500% | 31,192.04 | 52,200.04 |
| 04/12/2019 | 22,163.00 | 5.500% | 30,036.60 | 52,199.60 |
| 04/12/2020 | 23,382.00 | 5.500% | 28,817.64 | 52,199.64 |
| 04/12/2021 | 24,668.00 | 5.500% | 27,531.63 | 52,199.63 |
| 04/12/2022 | 26,025.00 | 5.500% | 26,174.89 | 52,199.89 |
| 04/12/2023 | 27,456.00 | 5.500% | 24,743.51 | 52,199.51 |
| 04/12/2024 | 28,966.00 | 5.500% | 23,233.43 | 52,199.43 |
| 04/12/2025 | 30,559.00 | 5.500% | 21,640.30 | 52,199.30 |
| 04/12/2026 | 32,240.00 | 5.500% | 19,959.56 | 52,199.56 |
| 04/12/2027 | 34,013.00 | 5.500% | 18,186.36 | 52,199.36 |
| 04/12/2028 | 35,884.00 | 5.500% | 16,315.64 | 52,199.64 |
| 04/12/2029 | 37,857.00 | 5.500% | 14,342.02 | 52,199.02 |
| 04/12/2030 | 39,940.00 | 5.500% | 12,259.89 | 52,199.89 |
| 04/12/2031 | 42,136.00 | 5.500% | 10,063.19 | 52,199.19 |
| 04/12/2032 | 44,454.00 | 5.500% | 7,745.71 | 52,199.71 |
| 04/12/2033 | 46,899.00 | 5.500% | 5,300.74 | 52,199.74 |
| 04/12/2034 | 49,478.00 | 5.500% | 2,721.29 | 52,199.29 |
| Total | \$623,804.00 | - | \$420,186.13 | \$1,043,990.13 |

Yield Statistics

| | |
|---|--------------|
| Base date for Avg. Life & Avg. Coupon Calculation | 12/15/2014 |
| Average Life | 11.572 Years |
| Average Coupon | 5.5000006% |
| Weighted Average Maturity (Par Basis) | 11.572 Years |

Refunding Bond Information

| | |
|-------------------------|------------|
| Refunding Dated Date | 12/15/2014 |
| Refunding Delivery Date | 12/15/2014 |

Raymond James

Preliminary

\$520,000

Lake Village Water Association

Series 1983 (Loan 91-05)

Total Refunded Debt Service

| Date | Principal | Coupon | Interest | Total P+I |
|--------------|---------------------|--------|---------------------|---------------------|
| 02/13/2015 | 17,409.00 | 8.375% | 28,291.84 | 45,700.84 |
| 02/13/2016 | 18,867.00 | 8.375% | 26,833.84 | 45,700.84 |
| 02/13/2017 | 20,447.00 | 8.375% | 25,253.72 | 45,700.72 |
| 02/13/2018 | 22,160.00 | 8.375% | 23,541.29 | 45,701.29 |
| 02/13/2019 | 24,015.00 | 8.375% | 21,685.39 | 45,700.39 |
| 02/13/2020 | 26,027.00 | 8.375% | 19,674.13 | 45,701.13 |
| 02/13/2021 | 28,207.00 | 8.375% | 17,494.37 | 45,701.37 |
| 02/13/2022 | 30,569.00 | 8.375% | 15,132.03 | 45,701.03 |
| 02/13/2023 | 33,129.00 | 8.375% | 12,571.88 | 45,700.88 |
| 02/13/2024 | 35,904.00 | 8.375% | 9,797.33 | 45,701.33 |
| 02/13/2025 | 38,910.00 | 8.375% | 6,790.37 | 45,700.37 |
| 02/13/2026 | 42,169.00 | 8.375% | 3,531.65 | 45,700.65 |
| Total | \$337,813.00 | - | \$210,597.84 | \$548,410.84 |

Yield Statistics

| | |
|---|-------------|
| Base date for Avg. Life & Avg. Coupon Calculation | 12/15/2014 |
| Average Life | 6.605 Years |
| Average Coupon | 8.3750002% |
| Weighted Average Maturity (Par Basis) | 6.605 Years |

Refunding Bond Information

| | |
|-------------------------|------------|
| Refunding Dated Date | 12/15/2014 |
| Refunding Delivery Date | 12/15/2014 |

Raymond James

Preliminary

\$345,000

Lake Village Water Association

Series 1994 B (Loan 91-07)

Total Refunded Debt Service

| Date | Principal | Coupon | Interest | Total P+I |
|--------------|---------------------|----------|---------------------|---------------------|
| 04/12/2015 | 7,539.00 | 5.375% | 13,942.59 | 21,481.59 |
| 04/12/2016 | 7,944.00 | 5.375% | 13,537.37 | 21,481.37 |
| 04/12/2017 | 8,371.00 | 5.375% | 13,110.38 | 21,481.38 |
| 04/12/2018 | 8,821.00 | 5.375% | 12,660.44 | 21,481.44 |
| 04/12/2019 | 9,295.00 | 5.375% | 12,186.31 | 21,481.31 |
| 04/12/2020 | 9,795.00 | 5.375% | 11,686.70 | 21,481.70 |
| 04/12/2021 | 10,322.00 | 5.375% | 11,160.22 | 21,482.22 |
| 04/12/2022 | 10,876.00 | 5.375% | 10,605.41 | 21,481.41 |
| 04/12/2023 | 11,461.00 | 5.375% | 10,020.83 | 21,481.83 |
| 04/12/2024 | 12,077.00 | 5.375% | 9,404.80 | 21,481.80 |
| 04/12/2025 | 12,726.00 | 5.375% | 8,755.66 | 21,481.66 |
| 04/12/2026 | 13,410.00 | 5.375% | 8,071.64 | 21,481.64 |
| 04/12/2027 | 14,131.00 | 5.375% | 7,350.85 | 21,481.85 |
| 04/12/2028 | 14,890.00 | 5.375% | 6,591.31 | 21,481.31 |
| 04/12/2029 | 15,691.00 | 5.375% | 5,790.97 | 21,481.97 |
| 04/12/2030 | 16,534.00 | 5.375% | 4,947.58 | 21,481.58 |
| 04/12/2031 | 17,423.00 | 5.375% | 4,058.88 | 21,481.88 |
| 04/12/2032 | 18,359.00 | 5.375% | 3,122.39 | 21,481.39 |
| 04/12/2033 | 19,346.00 | 5.375% | 2,135.60 | 21,481.60 |
| 04/12/2034 | 20,386.00 | 5.375% | 1,095.75 | 21,481.75 |
| Total | \$259,397.00 | - | \$170,235.68 | \$429,632.68 |

Yield Statistics

| | |
|---|--------------|
| Base date for Avg. Life & Avg. Coupon Calculation | 12/15/2014 |
| Average Life | 11.535 Years |
| Average Coupon | 5.3750008% |
| Weighted Average Maturity (Par Basis) | 11.535 Years |

Refunding Bond Information

| | |
|-------------------------|------------|
| Refunding Dated Date | 12/15/2014 |
| Refunding Delivery Date | 12/15/2014 |

Raymond James

Preliminary

\$284,000

Lake Village Water Association

Series 1997 (Loan 91-08)

Total Refunded Debt Service

| Date | Principal | Coupon | Interest | Total P+I |
|--------------|---------------------|----------|---------------------|---------------------|
| 12/01/2015 | 3,529.00 | 5.000% | 13,287.60 | 16,816.60 |
| 12/01/2016 | 3,706.00 | 5.000% | 13,111.15 | 16,817.15 |
| 12/01/2017 | 3,891.00 | 5.000% | 12,925.85 | 16,816.85 |
| 12/01/2018 | 4,086.00 | 5.000% | 12,731.30 | 16,817.30 |
| 12/01/2019 | 4,290.00 | 5.000% | 12,527.00 | 16,817.00 |
| 12/01/2020 | 4,504.00 | 5.000% | 12,312.50 | 16,816.50 |
| 12/01/2021 | 4,730.00 | 5.000% | 12,087.30 | 16,817.30 |
| 12/01/2022 | 4,966.00 | 5.000% | 11,850.80 | 16,816.80 |
| 12/01/2023 | 5,214.00 | 5.000% | 11,602.50 | 16,816.50 |
| 12/01/2024 | 5,475.00 | 5.000% | 11,341.80 | 16,816.80 |
| 12/01/2025 | 5,749.00 | 5.000% | 11,068.05 | 16,817.05 |
| 12/01/2026 | 6,036.00 | 5.000% | 10,780.60 | 16,816.60 |
| 12/01/2027 | 6,338.00 | 5.000% | 10,478.80 | 16,816.80 |
| 12/01/2028 | 6,655.00 | 5.000% | 10,161.90 | 16,816.90 |
| 12/01/2029 | 6,988.00 | 5.000% | 9,829.15 | 16,817.15 |
| 12/01/2030 | 7,337.00 | 5.000% | 9,479.75 | 16,816.75 |
| 12/01/2031 | 7,704.00 | 5.000% | 9,112.90 | 16,816.90 |
| 12/01/2032 | 8,089.00 | 5.000% | 8,727.70 | 16,816.70 |
| 12/01/2033 | 8,494.00 | 5.000% | 8,323.25 | 16,817.25 |
| 12/01/2034 | 8,918.00 | 5.000% | 7,898.55 | 16,816.55 |
| 12/01/2035 | 9,364.00 | 5.000% | 7,452.65 | 16,816.65 |
| 12/01/2036 | 9,833.00 | 5.000% | 6,984.45 | 16,817.45 |
| 12/01/2037 | 10,324.00 | 5.000% | 6,492.80 | 16,816.80 |
| 12/01/2038 | 10,840.00 | 5.000% | 5,976.60 | 16,816.60 |
| 12/01/2039 | 11,382.00 | 5.000% | 5,434.60 | 16,816.60 |
| 12/01/2040 | 11,952.00 | 5.000% | 4,865.50 | 16,817.50 |
| 12/01/2041 | 12,549.00 | 5.000% | 4,267.90 | 16,816.90 |
| 12/01/2042 | 13,177.00 | 5.000% | 3,640.45 | 16,817.45 |
| 12/01/2043 | 13,835.00 | 5.000% | 2,981.60 | 16,816.60 |
| 12/01/2044 | 14,527.00 | 5.000% | 2,289.85 | 16,816.85 |
| 12/01/2045 | 15,254.00 | 5.000% | 1,563.50 | 16,817.50 |
| 12/01/2046 | 16,016.00 | 5.000% | 800.80 | 16,816.80 |
| Total | \$265,752.00 | - | \$272,389.15 | \$538,141.15 |

Yield Statistics

| | |
|---|--------------|
| Base date for Avg. Life & Avg. Coupon Calculation | 12/15/2014 |
| Average Life | 20.461 Years |
| Average Coupon | 5.000000% |
| Weighted Average Maturity (Par Basis) | 20.461 Years |

Refunding Bond Information

| | |
|-------------------------|------------|
| Refunding Dated Date | 12/15/2014 |
| Refunding Delivery Date | 12/15/2014 |

Raymond James

Lake Village Water Association, Inc.
Statement of Assets, Liabilities, and Members' Equity-Statutory Basis
December 31, 2013
(With comparative Totals for December 31, 2012)

| | <u>2013</u> | <u>2012</u> |
|--|-------------------------|-------------------------|
| <u>Assets</u> | | |
| Current Assets: | | |
| Cash (Note 3) | \$ 93,582 | \$ 159,588 |
| Accounts Receivable (Net of Allowance) | 113,304 | 109,642 |
| Inventory (Note 2) | 18,914 | 19,928 |
| Prepaid Expenses (Note 2) | <u>18,251</u> | <u>18,095</u> |
| Total Current Assets | 244,051 | 307,253 |
| Restricted Assets: | | |
| Cash (Note 3) | 273,555 | 322,124 |
| Property & Equipment, net (Note 2 and 4) | <u>6,227,093</u> | <u>5,301,131</u> |
| Total Assets | <u>\$ 6,744,699</u> | <u>\$ 5,930,508</u> |

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

Lake Village Water Association, Inc.
Statement of Assets, Liabilities, and Members' Equity-Statutory Basis
December 31, 2013
(With comparative Totals for December 31, 2012)

| | <u>2013</u> | <u>2012</u> |
|--------------------------------------|---------------------|---------------------|
| <u>Liabilities & Equity</u> | | |
| Current Liabilities: | | |
| Current Portion - Debt (Note 5) | \$ 98,723 | \$ 93,100 |
| Cash Overdraft (Note 3) | 67,954 | 59,780 |
| Accounts Payable | 40,368 | 42,364 |
| Due to Mercer Sanitation District | 11,462 | 13,135 |
| Accrued Interest | 109,034 | 120,268 |
| Other Current Liabilities | <u>38,677</u> | <u>37,083</u> |
| Total Current Liabilities | 366,218 | 365,730 |
| Long - Term Debt (Note 5) | <u>3,457,062</u> | <u>3,548,482</u> |
| Total Liabilities | 3,823,280 | 3,914,212 |
| Members' Equity: | | |
| Memberships | 679,551 | 675,951 |
| Contributions in Aid of Construction | 3,665,469 | 2,598,369 |
| Retained Deficit | <u>(1,423,601)</u> | <u>(1,258,024)</u> |
| Total Equity | <u>2,921,419</u> | <u>2,016,296</u> |
| Total Liabilities & Members' Equity | <u>\$ 6,744,699</u> | <u>\$ 5,930,508</u> |

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

Lake Village Water Association, Inc.
Statement of Operations-Statutory Basis
For the Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Operating Revenue: | | |
| Water Sales | \$ 1,219,580 | \$ 1,108,639 |
| Management Fee Income | 25,000 | 25,000 |
| Other Operating Revenue | <u>18,239</u> | <u>51,835</u> |
| Total Operating Revenue | 1,262,819 | 1,185,474 |
| Operating Expenses | <u>993,926</u> | <u>906,951</u> |
| Net Operating Income Before Depreciation | 268,893 | 278,523 |
| Depreciation (Note 2) | <u>267,332</u> | <u>262,053</u> |
| Net Operating Income | 1,561 | 16,470 |
| Non-Operating Income (Expenses): | | |
| Interest Income | 1,126 | 3,051 |
| Interest Expense | <u>(168,264)</u> | <u>(173,080)</u> |
| Total Non-Operating Income (Expenses): | <u>(167,138)</u> | <u>(170,029)</u> |
| Net Income (Loss) | <u>\$ (165,577)</u> | <u>\$ (153,559)</u> |

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

Lake Village Water Association, Inc.
Statement of Members' Equity-Statutory Basis
For the Years Ended December 31, 2013 and 2012

| | <u>Memberships</u> | <u>Contributions in Aid of Construction</u> | <u>Retained Deficit</u> | <u>Total</u> |
|--------------------------------------|--------------------|---|-----------------------------|---------------------|
| Balance at January 1, 2012 | \$ 668,301 | \$ 2,565,469 | \$(1,104,465) | \$ 2,129,305 |
| 2012 Net Loss | - | - | (153,559) | (153,559) |
| Capital Contribution - Government | - | 32,900 | - | 32,900 |
| Memberships | <u>7,650</u> | <u>-</u> | <u>-</u> | <u>7,650</u> |
| Balance at December 31, 2012 | 675,951 | 2,598,369 | (1,258,024) | 2,016,296 |
| 2013 Net Loss | - | - | (165,577) | (165,577) |
| Capital Contribution - Government | - | 317,100 | - | 317,100 |
| Customers | - | 750,000 | - | 750,000 |
| Memberships | <u>3,600</u> | <u>-</u> | <u>-</u> | <u>3,600</u> |
| Balance at December 31, 2013 | <u>\$ 679,551</u> | <u>\$ 3,665,469</u> | <u>\$(1,423,601)</u> | <u>\$ 2,921,419</u> |

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

Lake Village Water Association, Inc.
Statement of Operating Expenses-Statutory Basis
For the Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

| | <u>2013</u> | <u>2012</u> |
|--------------------------------------|-------------------|-------------------|
| Source of Supply Expense: | | |
| Water Purchases | \$ <u>421,605</u> | \$ <u>348,485</u> |
| Total | 421,605 | 348,485 |
| Transmission & Distribution Expense: | | |
| Maintenance & Repairs | <u>28,483</u> | <u>33,937</u> |
| Total | 28,483 | 33,937 |
| Customer Accounts Expense: | | |
| Uncollectible Accounts | 100 | - |
| Supplies & Postage | <u>14,902</u> | <u>12,784</u> |
| Total | 15,002 | 12,784 |
| Administrative & General: | | |
| Salaries | 288,839 | 270,360 |
| Insurance | 26,598 | 27,861 |
| Utilities | 24,205 | 24,107 |
| Office Supplies & Expense | 26,898 | 15,027 |
| Transportation Expense | 17,436 | 17,307 |
| Payroll Taxes | 23,591 | 21,784 |
| Staff Benefits | 73,242 | 75,586 |
| Legal Expense | 3,225 | 3,250 |
| Audit & Accounting | 4,850 | 4,850 |
| Commissioners' Fees | 24,000 | 24,000 |
| Engineering Fees | 2,201 | 2,256 |
| Miscellaneous General Expense | 11,635 | 23,395 |
| Other Licenses & Taxes | <u>2,116</u> | <u>1,962</u> |
| Total Administrative & General | <u>528,836</u> | <u>511,745</u> |
| Total Operating Expenses | <u>\$ 993,926</u> | <u>\$ 906,951</u> |

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

Lake Village Water Association, Inc.
Statement of Cash Flows-Statutory Basis
For the Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Net Loss | \$ (165,577) | \$ (153,559) |
| Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities: | | |
| Depreciation | 267,332 | 262,053 |
| Decrease (Increase) in Accounts Receivable | (3,662) | (18,082) |
| Decrease (Increase) in Inventory | 1,014 | 1,304 |
| Decrease (Increase) in Prepaid Expenses | (156) | 3,808 |
| Increase (Decrease) in Accounts Payable | (4,202) | (1,926) |
| Increase (Decrease) in Due to Sanitation District | (1,673) | 6,774 |
| Increase (Decrease) in Contractors Payable | 2,206 | 10,660 |
| Increase (Decrease) in Other Current Liabilities | 1,594 | 453 |
| Increase (Decrease) in Accrued Interest | <u>(11,234)</u> | <u>(2,226)</u> |
| Net Cash Provided By (Used In) Operating Activities | <u>85,642</u> | <u>109,259</u> |
| Cash Flows From Investing Activities | | |
| Construction/Acquisition of Property & Equipment | <u>(443,294)</u> | <u>(76,972)</u> |
| Net Cash Used in Investing Activities | <u>(443,294)</u> | <u>(76,972)</u> |
| Cash Flows From Financing Activities | | |
| Memberships (Tap Fees) | 3,600 | 7,650 |
| Cash Contributions - Government | 317,100 | 32,900 |
| Repayments of RD Loans | <u>(85,797)</u> | <u>(72,075)</u> |
| Net Cash Provided By (Used In) Financing Activities | <u>234,903</u> | <u>(31,525)</u> |
| Net Increase (Decrease) in Cash | (122,749) | 762 |
| Cash at Beginning of Year | <u>421,932</u> | <u>421,170</u> |
| Cash at End of Year | <u>\$ 299,183</u> | <u>\$ 421,932</u> |

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