

Rubin & Hays

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

September 21, 2016

RECEIVED

SEP 26 2016

Public Service
Commission

Ms. Talina R. Mathews, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Re: Morgan County Water District PSC Application

Dear Ms. Mathews:

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

Please be advised that the District is requesting the Commission to expedite this Application and issue the approving Order as soon as possible due to the fact that an upward shift in the current interest rate market could negate any interest cost savings to the District.

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:jl
Enclosures

cc: Mr. Kyle Risner, Morgan County Water District
Ms. Kristen Millard, Raymond James and Associates

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

SEP 26 2016

Public Service
Commission

IN THE MATTER OF:

THE APPLICATION OF MORGAN COUNTY)
WATER DISTRICT TO ISSUE SECURITIES IN)
THE APPROXIMATE PRINCIPAL AMOUNT OF)
\$1,320,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2016 - _____
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

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

APPLICATION

The Applicant, Morgan County Water District (the "District"), 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 District to issue certain securities in the approximate principal amount of \$1,320,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding waterworks revenue bonds of the District. In support of this Application, and in compliance with the rules and regulations of the Commission, the District states as follows:

1. The District was established in accordance with the provisions of Chapter 74 of the Kentucky Revised Statutes pursuant to an Order of the County Judge/Executive of Morgan County, which Order is on file in the County Court Order Books in the office of the Clerk of Morgan County, Kentucky. The District is now, and has been since its inception, regulated by the Commission, and

all records and proceedings of the Commission with reference to the District are incorporated in this Application by reference. The District does not have any Articles of Incorporation due to the fact that it is a statutory entity.

2. The governing body of the District 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 District is as follows:

Morgan County Water District
c/o Mr. Kyle Risner, General Manager
1009 New Highway 172
West Liberty, Kentucky 41472
Telephone: (606) 743-1204
Fax: (606) 743-9585
Email: morganwater@gmail.com

4. A general description of the District's water system property, together with a statement of the original cost, is contained in the District's Annual Report for 2015 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The District 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 \$1,320,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as (i) Morgan County Water District Water Revenue Bonds, Series A of 1993 in the original principal amount of \$300,000 and Series B of 1993 in the original principal amount of \$17,000, both dated November 15, 1994 and bearing interest at the rate of 4.50% per annum (the "1993 Bonds"); (ii) Morgan County Water District Water Revenue Bonds, Series 1995, dated September 7, 1995, in the original principal amount of \$375,000, bearing

interest at the rate of 4.50% per annum (the "1995 Bonds"); (iii) Morgan County Water District Waterworks Revenue Bonds, Series 1999, dated May 11, 1999, in the original principal amount of \$75,000, bearing interest at the rate of 4.50% per annum (the "1999 Bonds"); (iv) Morgan County Water District Waterworks Revenue Bonds, Series 2002, dated August 2, 2002, in the original principal amount of \$300,000, bearing interest at the rate of 4.50% per annum (the "2002 Bonds"); and (v) Morgan County Water District Waterworks Revenue Bonds, Series 2003, dated June 4, 2004, in the original principal amount of \$600,000, bearing interest at the rate of 4.375% per annum (the "2003 Bonds")(hereinafter, the 1993 Bonds, the 1995 Bonds, the 1999 Bonds, the 2002 Bonds and the 2003 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 District 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 \$127,085.29. 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 Applicant will not issue the securities if interest rates in the bond market shift to a point where the Applicant 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 District represents that the KRWFC Loan is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the District by producing substantial debt service savings. This is a lawful object within the corporate purposes of the District's utility operations. The KRWFC Loan is necessary, appropriate for, and consistent with the proper performance by the District of its service to the public and will not impair its ability to perform that service.

13. The District 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 Fund Net Position, Statement of Cash Flows and Statement of Net Position for the twelve month period ending on December 31, 2015 are attached hereto and incorporated herein by reference as **Exhibit E** respectively.

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

- (i) Section 12(1)(b): The District 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 District's financial condition have occurred since the end of the twelve (12) month period contained in the District's most recent annual report on file with the Commission.
- (ii) Section 12(2)(a), (b) and (c) Stock: The District does not have any authorized, issued or outstanding stock as of the date hereof.
- (iii) Section 12(2)(d) Mortgages: The District 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 District is contained in the 2015 Annual Report on file with this Commission.
- (v) Section 12(2)(h) Dividends: The District 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 District hereby responds as follows:

- (i) Section 18(1)(a): The District has complied with the requirements of 807 KAR 5:001, Section 14.
- (ii) Section 18(1)(b): A general description of the District's property, its field of operation and a statement of original cost of said property and the cost to the

District is contained in the District's 2015 Annual Report on file with this Commission.

- (iii) Section 18(1)(c): The District 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 District'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 (see **Exhibit "F"** attached hereto).
- (viii) Section 18(2)(a): See paragraph #15 above.
- (ix) Section 18(2)(b): The District 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.

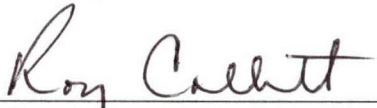
17. No rate adjustment will be necessary.

WHEREFORE, the District 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 District by taking full advantage of current low interest rates, the District requests that the Commission issued its Order as soon as possible; and
3. Process this Application without a formal hearing in order to save time and expense.


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

Morgan County Water District

By 

Roy Collett, Chairman
1009 New Highway 172
West Liberty, Kentucky 41472
Telephone: (606) 743-1204
Fax: (606) 743-9585
Email: morganwater@gmail.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 Morgan County Water District
wrjones@rubinhays.com

STATE OF KENTUCKY)
) SS
COUNTY OF MORGAN)

The affiant, Roy Collett, being first duly sworn, states: That he is the Chairman of the Morgan County Water District, 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 9 day of September, 2016.



Roy Collett, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Roy Collett, Chairman of the Morgan County Water District, on this the 9 day of September, 2016.

My Commission expires: 2/24/2018.



NOTARY PUBLIC

503505

NOTARY PUBLIC ID Number

Preliminary

\$1,320,000

Morgan County Water District
Potential Refunding through the
Kentucky Rural Water Finance Corporation

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/15/2016	-	-	-	-	-
02/01/2017	5,000.00	2.400%	26,167.33	31,167.33	-
08/01/2017	-	-	20,781.25	20,781.25	-
12/31/2017	-	-	-	-	51,948.58
02/01/2018	40,000.00	2.250%	20,781.25	60,781.25	-
08/01/2018	-	-	20,331.25	20,331.25	-
12/31/2018	-	-	-	-	81,112.50
02/01/2019	45,000.00	2.550%	20,331.25	65,331.25	-
08/01/2019	-	-	19,757.50	19,757.50	-
12/31/2019	-	-	-	-	85,088.75
02/01/2020	40,000.00	2.600%	19,757.50	59,757.50	-
08/01/2020	-	-	19,237.50	19,237.50	-
12/31/2020	-	-	-	-	78,995.00
02/01/2021	45,000.00	2.500%	19,237.50	64,237.50	-
08/01/2021	-	-	18,675.00	18,675.00	-
12/31/2021	-	-	-	-	82,912.50
02/01/2022	50,000.00	2.600%	18,675.00	68,675.00	-
08/01/2022	-	-	18,025.00	18,025.00	-
12/31/2022	-	-	-	-	86,700.00
02/01/2023	50,000.00	3.150%	18,025.00	68,025.00	-
08/01/2023	-	-	17,187.50	17,187.50	-
12/31/2023	-	-	-	-	85,212.50
02/01/2024	50,000.00	3.300%	17,187.50	67,187.50	-
08/01/2024	-	-	16,362.50	16,362.50	-
12/31/2024	-	-	-	-	83,550.00
02/01/2025	55,000.00	3.200%	16,362.50	71,362.50	-
08/01/2025	-	-	15,482.50	15,482.50	-
12/31/2025	-	-	-	-	88,845.00
02/01/2026	50,000.00	3.100%	15,482.50	65,482.50	-
08/01/2026	-	-	14,707.50	14,707.50	-
12/31/2026	-	-	-	-	80,190.00
02/01/2027	65,000.00	3.200%	14,707.50	79,707.50	-
08/01/2027	-	-	13,647.50	13,647.50	-
12/31/2027	-	-	-	-	83,175.00
02/01/2028	55,000.00	3.200%	13,647.50	68,647.50	-
08/01/2028	-	-	12,787.50	12,787.50	-
12/31/2028	-	-	-	-	81,455.00
02/01/2029	65,000.00	3.150%	12,787.50	77,787.50	-
08/01/2029	-	-	11,763.75	11,763.75	-
12/31/2029	-	-	-	-	89,551.25
02/01/2030	65,000.00	3.150%	11,763.75	76,763.75	-
08/01/2030	-	-	10,740.00	10,740.00	-
12/31/2030	-	-	-	-	87,503.75
02/01/2031	65,000.00	3.100%	10,740.00	75,740.00	-
08/01/2031	-	-	9,732.50	9,732.50	-
12/31/2031	-	-	-	-	85,472.50
02/01/2032	70,000.00	3.100%	9,732.50	79,732.50	-
08/01/2032	-	-	8,647.50	8,647.50	-
12/31/2032	-	-	-	-	88,380.00
02/01/2033	70,000.00	3.200%	8,647.50	78,647.50	-
08/01/2033	-	-	7,527.50	7,527.50	-
12/31/2033	-	-	-	-	86,175.00
02/01/2034	55,000.00	3.290%	7,527.50	62,527.50	-
08/01/2034	-	-	6,833.75	6,833.75	-
12/31/2034	-	-	-	-	69,161.25
02/01/2035	50,000.00	3.300%	6,833.75	54,833.75	-
08/01/2035	-	-	5,808.75	5,808.75	-
12/31/2035	-	-	-	-	62,442.50
02/01/2036	40,000.00	3.350%	5,808.75	45,808.75	-
08/01/2036	-	-	5,138.75	5,138.75	-
12/31/2036	-	-	-	-	50,947.50
02/01/2037	40,000.00	3.450%	5,138.75	45,138.75	-
08/01/2037	-	-	4,448.75	4,448.75	-
12/31/2037	-	-	-	-	49,587.50
02/01/2038	45,000.00	3.500%	4,448.75	49,448.75	-
08/01/2038	-	-	3,661.25	3,661.25	-
12/31/2038	-	-	-	-	53,110.00
02/01/2039	45,000.00	3.530%	3,661.25	48,661.25	-
08/01/2039	-	-	2,862.50	2,862.50	-
12/31/2039	-	-	-	-	51,523.75
02/01/2040	40,000.00	3.550%	2,862.50	42,862.50	-
08/01/2040	-	-	2,152.50	2,152.50	-
12/31/2040	-	-	-	-	45,015.00
02/01/2041	45,000.00	3.600%	2,152.50	47,152.50	-
08/01/2041	-	-	1,342.50	1,342.50	-
12/31/2041	-	-	-	-	48,495.00
02/01/2042	45,000.00	3.600%	1,342.50	46,342.50	-
08/01/2042	-	-	532.50	532.50	-
12/31/2042	-	-	-	-	48,875.00
02/01/2043	30,000.00	3.550%	532.50	30,532.50	-
12/31/2043	-	-	-	-	30,532.50
Total	\$1,320,000.00	-	\$802,157.33	\$1,922,157.33	-

Yield Statistics

Bond Year Dollars	\$18,243.87
Average Life	15.8211 Years
Average Coupon	3.9008376%
Net Interest Cost (NIC)	3.3461266%
True Interest Cost (TIC)	3.3404959%
Bond Yield for Arbitrage Purposes	3.1991731%
All Inclusive Cost (AIC)	3.5985157%
IRS Form 8038	
Net Interest Cost	3.2416453%
Weighted Average Maturity	13.884 Years

Preliminary

\$1,320,000

Morgan County Water District
Potential Refunding through the
Kentucky Rural Water Finance Coproation

Total Issue Sources And Uses

Dated 06/15/2016 | Delivered 06/15/2016

	Series 1993						
	Series 1993 A	B	Series 1995	Series 1999	Series 2002	Series 2003	Issue Summary
Sources Of Funds							
Par Amount of Bonds	\$200,000.00	\$10,000.00	\$265,000.00	\$60,000.00	\$255,000.00	\$530,000.00	\$1,320,000.00
Reoffering Premium	4,018.75	-	4,711.65	-	1,497.05	1,784.55	12,012.00
Transfers from Prior Issue Debt Service Funds	7,437.50	420.41	9,187.50	1,725.63	6,927.71	13,536.46	39,235.21
Total Sources	\$211,456.25	\$10,420.41	\$278,899.15	\$61,725.63	\$263,424.76	\$545,321.01	\$1,371,247.21
Uses Of Funds							
Original Issue Discount (OID)	-	124.45	-	386.40	-	-	510.85
Total Underwriter's Discount (1.500%)	3,000.00	150.00	3,975.00	900.00	3,825.00	7,950.00	19,800.00
Costs of Issuance	4,136.37	206.82	5,480.68	1,240.91	5,273.86	10,961.36	27,300.00
Deposit to Current Refunding Fund	201,487.22	11,639.21	266,945.00	59,903.35	256,859.85	524,244.31	1,321,078.94
Rounding Amount	2,832.66	(1,700.07)	2,498.47	(705.03)	(2,533.95)	2,165.34	2,557.42
Total Uses	\$211,456.25	\$10,420.41	\$278,899.15	\$61,725.63	\$263,424.76	\$545,321.01	\$1,371,247.21

Public Finance

Raymond James

Preliminary

\$1,320,000

Morgan County Water District
Potential Refunding through the
Kentucky Rural Water Finance Coproation

Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/31/2016	-	-	31,269.56	47,082.20	15,812.64
12/31/2017	51,948.58	450.00	71,165.27	94,351.95	23,186.68
12/31/2018	81,112.50	450.00	84,550.57	94,480.16	9,929.59
12/31/2019	85,088.75	450.00	81,777.52	94,161.84	12,384.32
12/31/2020	78,995.00	450.00	84,052.89	94,561.47	10,508.58
12/31/2021	82,912.50	450.00	87,942.10	94,109.16	6,167.06
12/31/2022	86,700.00	450.00	87,504.58	94,431.88	6,927.30
12/31/2023	85,212.50	450.00	85,892.12	93,714.73	7,822.61
12/31/2024	83,550.00	450.00	88,404.58	93,942.12	5,537.54
12/31/2025	86,845.00	450.00	83,329.52	92,684.28	9,354.76
12/31/2026	80,190.00	450.00	89,244.46	93,181.91	3,937.45
12/31/2027	93,375.00	450.00	86,445.56	92,703.36	6,257.80
12/31/2028	81,455.00	450.00	88,304.08	92,684.55	4,380.47
12/31/2029	89,551.25	450.00	89,221.16	92,971.18	3,750.02
12/31/2030	87,503.75	450.00	87,590.32	93,149.62	5,559.30
12/31/2031	85,472.50	450.00	85,569.90	92,726.49	7,156.59
12/31/2032	88,380.00	450.00	87,326.56	92,819.68	5,493.12
12/31/2033	86,175.00	450.00	73,378.28	75,709.09	2,330.81
12/31/2034	69,161.25	450.00	64,848.76	73,312.15	8,463.39
12/31/2035	62,442.50	450.00	54,009.16	55,005.56	996.40
12/31/2036	50,947.50	450.00	50,950.83	53,336.55	2,385.72
12/31/2037	49,587.50	450.00	53,744.16	54,171.51	427.35
12/31/2038	53,110.00	450.00	53,035.01	54,057.74	1,022.73
12/31/2039	51,523.75	450.00	47,274.57	50,115.11	2,840.54
12/31/2040	45,015.00	450.00	49,158.31	49,687.22	528.91
12/31/2041	48,495.00	450.00	48,405.00	49,261.60	856.60
12/31/2042	46,875.00	450.00	34,285.00	34,718.62	433.62
12/31/2043	30,532.50	450.00	5,627.50	2,783.33	(2,844.17)
Total	\$1,922,157.33	\$12,150.00	\$1,934,307.33	\$2,095,915.06	\$161,607.73

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	161,607.73
Gross PV Debt Service Savings	175,174.04
Effects of changes in DSR investments	(40,324.10)
Effects of changes in Expenses	(7,764.65)

Net PV Cashflow Savings @ 3.599%(AIC)	127,085.29
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Transfers from Prior Issue Debt Service Fund	(39,235.21)
Contingency or Rounding Amount	2,557.42
Net Present Value Benefit	\$90,407.50

Net PV Benefit / \$1,293,780 Refunded Principal	6.988%
Net Future Value Benefit	\$124,929.94
Net PV Benefit / \$1,320,000 Refunding Principal	6.849%

Average Annual Cash Flow Savings	5,985.47
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Refunding Bond Information

Refunding Dated Date	6/15/2016
Refunding Delivery Date	6/15/2016

Raymond James

Preliminary

\$300,000

Morgan County Water District

Series 1993A

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2016	-	-	4,925.00	4,925.00
12/31/2017	8,000.00	-	9,650.00	17,650.00
12/31/2018	8,000.00	-	9,250.00	17,250.00
12/31/2019	9,000.00	-	8,825.00	17,825.00
12/31/2020	9,000.00	-	8,375.00	17,375.00
12/31/2021	10,000.00	-	7,900.00	17,900.00
12/31/2022	10,000.00	-	7,400.00	17,400.00
12/31/2023	11,000.00	-	6,875.00	17,875.00
12/31/2024	11,000.00	-	6,325.00	17,325.00
12/31/2025	12,000.00	-	5,750.00	17,750.00
12/31/2026	11,000.00	-	5,175.00	16,175.00
12/31/2027	12,000.00	-	4,600.00	16,600.00
12/31/2028	13,000.00	-	3,975.00	16,975.00
12/31/2029	13,000.00	-	3,325.00	16,325.00
12/31/2030	14,000.00	-	2,650.00	16,650.00
12/31/2031	15,000.00	-	1,925.00	16,925.00
12/31/2032	15,000.00	-	1,175.00	16,175.00
12/31/2033	16,000.00	5.000%	400.00	16,400.00
Total	\$197,000.00	-	\$98,500.00	\$295,500.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	3/15/2016
Average Life	9.794 Years
Average Coupon	5.0000000%
Weighted Average Maturity (Par Basis)	9.794 Years

Refunding Bond Information

Refunding Dated Date	3/15/2016
Refunding Delivery Date	3/15/2016

Preliminary

\$17,000

Morgan County Water District

Series 1993B

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2016	-	-	284.50	284.50
12/31/2017	440.00	-	558.00	998.00
12/31/2018	460.00	-	535.50	995.50
12/31/2019	480.00	-	512.00	992.00
12/31/2020	510.00	-	487.25	997.25
12/31/2021	530.00	-	461.25	991.25
12/31/2022	560.00	-	434.00	994.00
12/31/2023	590.00	-	405.25	995.25
12/31/2024	620.00	-	375.00	995.00
12/31/2025	650.00	-	343.25	993.25
12/31/2026	680.00	-	310.00	990.00
12/31/2027	720.00	-	275.00	995.00
12/31/2028	750.00	-	238.25	988.25
12/31/2029	790.00	-	199.75	989.75
12/31/2030	830.00	-	159.25	989.25
12/31/2031	870.00	-	116.75	986.75
12/31/2032	910.00	-	72.25	982.25
12/31/2033	990.00	5.000%	24.75	1,014.75
Total	\$11,380.00	-	\$5,792.00	\$17,172.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	3/15/2016
Average Life	9.974 Years
Average Coupon	5.0000000%
Weighted Average Maturity (Par Basis)	9.974 Years

Refunding Bond Information

Refunding Dated Date	3/15/2016
Refunding Delivery Date	3/15/2016

Preliminary

\$375,000

Morgan County Water District

Series 1995

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2016	-	-	6,525.00	6,525.00
12/31/2017	9,000.00	-	12,825.00	21,825.00
12/31/2018	9,500.00	-	12,362.50	21,862.50
12/31/2019	10,000.00	-	11,875.00	21,875.00
12/31/2020	10,000.00	-	11,375.00	21,375.00
12/31/2021	11,000.00	-	10,850.00	21,850.00
12/31/2022	11,000.00	-	10,300.00	21,300.00
12/31/2023	12,000.00	-	9,725.00	21,725.00
12/31/2024	12,000.00	-	9,125.00	21,125.00
12/31/2025	13,000.00	-	8,500.00	21,500.00
12/31/2026	13,500.00	-	7,837.50	21,337.50
12/31/2027	14,000.00	-	7,150.00	21,150.00
12/31/2028	14,500.00	-	6,437.50	20,937.50
12/31/2029	15,500.00	-	5,687.50	21,187.50
12/31/2030	16,000.00	-	4,900.00	20,900.00
12/31/2031	16,500.00	-	4,087.50	20,587.50
12/31/2032	17,500.00	-	3,237.50	20,737.50
12/31/2033	18,000.00	-	2,350.00	20,350.00
12/31/2034	19,000.00	-	1,425.00	20,425.00
12/31/2035	19,000.00	5.000%	475.00	19,475.00
Total	\$261,000.00	-	\$147,050.00	\$408,050.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	3/15/2016
Average Life	11.063 Years
Average Coupon	5.0000000%
Weighted Average Maturity (Par Basis)	11.063 Years

Refunding Bond Information

Refunding Dated Date	3/15/2016
Refunding Delivery Date	3/15/2016

Preliminary

\$75,000

Morgan County Water District

Series 1999

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2016	-	-	1,320.75	1,320.75
12/31/2017	1,500.00	-	2,607.75	4,107.75
12/31/2018	1,600.00	-	2,538.00	4,138.00
12/31/2019	1,600.00	-	2,466.00	4,066.00
12/31/2020	1,800.00	-	2,389.50	4,189.50
12/31/2021	1,800.00	-	2,308.50	4,108.50
12/31/2022	1,900.00	-	2,225.25	4,125.25
12/31/2023	2,000.00	-	2,137.50	4,137.50
12/31/2024	2,000.00	-	2,047.50	4,047.50
12/31/2025	2,200.00	-	1,953.00	4,153.00
12/31/2026	2,200.00	-	1,854.00	4,054.00
12/31/2027	2,400.00	-	1,750.50	4,150.50
12/31/2028	2,400.00	-	1,642.50	4,042.50
12/31/2029	2,600.00	-	1,530.00	4,130.00
12/31/2030	2,700.00	-	1,410.75	4,110.75
12/31/2031	2,800.00	-	1,287.00	4,087.00
12/31/2032	2,900.00	-	1,158.75	4,058.75
12/31/2033	3,100.00	-	1,023.75	4,123.75
12/31/2034	3,200.00	-	882.00	4,082.00
12/31/2035	3,300.00	-	735.75	4,035.75
12/31/2036	3,500.00	-	582.75	4,082.75
12/31/2037	3,600.00	-	423.00	4,023.00
12/31/2038	3,800.00	-	256.50	4,056.50
12/31/2039	3,800.00	4.500%	85.50	3,885.50
Total	\$58,700.00	-	\$36,616.50	\$95,316.50

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	3/15/2016
Average Life	13.656 Years
Average Coupon	4.500000%
Weighted Average Maturity (Par Basis)	13.656 Years

Refunding Bond Information

Refunding Dated Date	3/15/2016
Refunding Delivery Date	3/15/2016

Preliminary

\$300,000

Morgan County Water District

Series 2002

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2016	-	-	5,663.25	5,663.25
12/31/2017	5,300.00	-	11,207.25	16,507.25
12/31/2018	5,500.00	-	10,964.25	16,464.25
12/31/2019	5,800.00	-	10,710.00	16,510.00
12/31/2020	6,000.00	-	10,444.50	16,444.50
12/31/2021	6,300.00	-	10,167.75	16,467.75
12/31/2022	6,600.00	-	9,877.50	16,477.50
12/31/2023	6,900.00	-	9,573.75	16,473.75
12/31/2024	7,200.00	-	9,256.50	16,456.50
12/31/2025	7,500.00	-	8,925.75	16,425.75
12/31/2026	7,900.00	-	8,579.25	16,479.25
12/31/2027	8,200.00	-	8,217.00	16,417.00
12/31/2028	8,600.00	-	7,839.00	16,439.00
12/31/2029	9,000.00	-	7,443.00	16,443.00
12/31/2030	9,400.00	-	7,029.00	16,429.00
12/31/2031	9,800.00	-	6,597.00	16,397.00
12/31/2032	10,200.00	-	6,147.00	16,347.00
12/31/2033	10,700.00	-	5,676.75	16,376.75
12/31/2034	11,200.00	-	5,184.00	16,384.00
12/31/2035	11,700.00	-	4,668.75	16,368.75
12/31/2036	12,200.00	-	4,131.00	16,331.00
12/31/2037	12,800.00	-	3,568.50	16,368.50
12/31/2038	13,300.00	-	2,981.25	16,281.25
12/31/2039	14,000.00	-	2,367.00	16,367.00
12/31/2040	14,500.00	-	1,725.75	16,225.75
12/31/2041	15,300.00	-	1,055.25	16,355.25
12/31/2042	15,800.00	4.500%	355.50	16,155.50
Total	\$251,700.00	-	\$180,355.50	\$432,055.50

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	3/15/2016
Average Life	15.718 Years
Average Coupon	4.5000000%
Weighted Average Maturity (Par Basis)	15.718 Years

Refunding Bond Information

Refunding Dated Date	3/15/2016
Refunding Delivery Date	3/15/2016

Preliminary

\$600,000

Morgan County Water District

Series 2003

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2016	-	-	11,243.75	11,243.75
12/31/2017	10,000.00	-	22,268.75	32,268.75
12/31/2018	11,000.00	-	21,809.38	32,809.38
12/31/2019	11,000.00	-	21,328.13	32,328.13
12/31/2020	12,000.00	-	20,825.00	32,825.00
12/31/2021	12,000.00	-	20,300.00	32,300.00
12/31/2022	13,000.00	-	19,753.13	32,753.13
12/31/2023	13,000.00	-	19,184.38	32,184.38
12/31/2024	14,000.00	-	18,593.75	32,593.75
12/31/2025	14,000.00	-	17,981.25	31,981.25
12/31/2026	15,000.00	-	17,346.88	32,346.88
12/31/2027	16,000.00	-	16,668.76	32,668.76
12/31/2028	16,000.00	-	15,968.76	31,968.76
12/31/2029	17,000.00	-	15,246.88	32,246.88
12/31/2030	18,000.00	-	14,481.25	32,481.25
12/31/2031	19,000.00	-	13,671.88	32,671.88
12/31/2032	20,000.00	-	12,818.76	32,818.76
12/31/2033	21,000.00	-	11,921.88	32,921.88
12/31/2034	21,000.00	-	11,003.13	32,003.13
12/31/2035	22,000.00	-	10,062.51	32,062.51
12/31/2036	23,000.00	-	9,078.13	32,078.13
12/31/2037	24,000.00	-	8,050.00	32,050.00
12/31/2038	26,000.00	-	6,956.25	32,956.25
12/31/2039	27,000.00	-	5,796.88	32,796.88
12/31/2040	28,000.00	-	4,593.76	32,593.76
12/31/2041	29,000.00	-	3,346.88	32,346.88
12/31/2042	30,000.00	-	2,056.25	32,056.25
12/31/2043	32,000.00	4.375%	700.00	32,700.00
Total	\$514,000.00	-	\$373,056.36	\$887,056.36

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	3/15/2016
Average Life	16.384 Years
Average Coupon	4.3750013%
Weighted Average Maturity (Par Basis)	16.384 Years

Refunding Bond Information

Refunding Dated Date	3/15/2016
Refunding Delivery Date	3/15/2016

MORGAN COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash - Unrestricted	\$ 22,267	\$ 24,919
Cash - Restricted	169,136	165,604
Accounts Receivable	87,951	87,951
Unbilled Receivables	49,569	49,569
Allowance for Doubtful Accts.	(8,011)	(8,011)
Prepaid Insurance	<u>7,412</u>	<u>7,412</u>
Total Current Assets	328,324	327,444
NONCURRENT ASSETS		
Prepaid Capital Lease		
(Net of Accumulated Amortization of \$17,104 and \$12,828)	406,259	410,535
Cash - Restricted	<u>50,567</u>	<u>107,928</u>
Total Noncurrent Assets	456,826	518,463
PROPERTY AND EQUIPMENT		
Construction in Progress		1,558,691
Water Lines	21,795,865	20,172,162
Accum. Depr. Water Lines	(4,415,126)	(4,000,377)
Office Equipment	1,099	1,099
Accum. Depr. Office Equipment	(1,099)	(1,099)
Equipment and Vehicles	457,603	472,403
Accum. Depr. Equipment and Vehicles	(333,595)	(321,357)
Land	<u>66,176</u>	<u>75,200</u>
Total Property and Equipment	<u>17,570,923</u>	<u>17,956,722</u>
TOTAL ASSETS	18,356,073	18,802,629
DEFERRED OUTFLOWS OF RESOURCES		
Pension Liabilities	28,251	

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

MORGAN COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accrued Interest	92,524	97,986
Accrued Expenses	73,971	57,079
Accrued Salaries	3,000	3,000
Accounts Payable-Construction	14,939	110,823
Accounts Payable-Retirement	2,842	2,842
Bonds Payable	<u>76,850</u>	<u>71,440</u>
Total Current Liabilities	264,126	343,170
LONG-TERM LIABILITIES		
Compensated Absences	10,953	10,953
Net Pension Liability	218,000	
Bonds Payable	<u>3,763,870</u>	<u>3,840,720</u>
	3,992,823	3,851,673
OTHER LIABILITIES		
Customer Deposits	<u>17,149</u>	<u>19,645</u>
TOTAL LIABILITIES	4,274,098	4,214,488
DEFERRED INFLOWS OF RESOURCES		
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	24,000	
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	14,136,462	14,344,274
Restricted for Debt Service	169,136	165,604
Restricted for Depreciation Reserve	29,228	84,190
Restricted for Construction	752	645
Unrestricted	<u>(249,352)</u>	<u>(6,572)</u>
TOTAL NET POSITION	<u>14,086,226</u>	<u>14,588,141</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 18,384,324</u>	<u>\$ 18,802,629</u>

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

MORGAN COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
For The Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Water Collection	\$ 1,222,203	\$ 1,150,949
Sales Tax	(1,689)	(1,639)
Utility And Local Tax	(34,031)	(32,625)
State Reimb. Relocation Projects	228,396	196,956
Tap-On Fees	32,589	37,578
Miscellaneous	19,567	29,795
Net Operating Revenues	1,467,035	1,381,014
OPERATING EXPENSES		
Advertising	50	736
Bank Charges	382	388
Depreciation	441,786	436,533
Fuel	10,608	16,379
Insurance	55,680	51,185
Miscellaneous	5,082	5,160
Office Supplies	5,027	4,022
Outside Services	47,074	22,985
Payroll Taxes	11,827	12,328
Postage	12,586	12,234
Relocation Project Expenses	231,038	196,956
Repairs & Maintenance	5,053	5,331
Retirement	17,000	31,008
Salaries	161,037	166,679
Supplies & Testing	43,425	79,937
Travel	774	819
Uniforms	1,392	1,999
Unemployment Insurance	326	436
Utilities and Telephone	39,290	35,996
Water Purchased	679,447	557,322
Worker's Compensation	4,724	4,771
Total Operating Expenses	1,773,608	1,643,204
NET OPERATING INCOME	(306,573)	(262,190)

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

MORGAN COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
For The Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
NON OPERATING REVENUES (EXPENSES)		
Interest and Amortization Expense	(162,257)	(170,704)
Interest Income	153	347
Gain on Sale of Land	15,826	
Grant Proceeds	<u>175,936</u>	<u>1,399,014</u>
Total Non Operating Revenues (Expenses)	<u>29,658</u>	<u>1,228,657</u>
Change in Net Position	(276,915)	966,467
Total Net Position - Beginning (2015 Restated)	<u>14,363,141</u>	<u>13,621,674</u>
Total Net Position - Ending	<u><u>\$ 14,086,226</u></u>	<u><u>\$ 14,588,141</u></u>

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

MORGAN COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments from Customers	\$ 1,272,250	\$ 1,203,227
State Reimb. Relocation Projects	228,396	196,956
Miscellaneous Income	2,109	3,526
Payments to Vendors	(1,101,772)	(985,171)
Payments for Payroll and Related Expenses	<u>(245,190)</u>	<u>(250,817)</u>
Net Cash Provided/(Used) by Operating Activities:	155,793	167,721
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net (Deposits)/Withdrawals Customer Deposit Account	<u>2,505</u>	<u>(1,240)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	2,505	(1,240)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest and Amortization	(163,443)	(166,427)
Net (Deposits)/Withdrawals into or from Bond Sinking Fund	(3,532)	(244)
Net (Deposits)/Withdrawals into or from Dep. Reserve Fund	54,963	68,677
Net (Deposits)/Withdrawals into or from Cash - Construction	(105)	(65)
Net Customer Deposits (Returned)/Collected	(2,496)	1,216
Grant Proceeds	175,936	1,399,014
Constructed Fixed Assets	(175,836)	(1,398,635)
Sale of Assets	24,850	
Reduction in Bonds Payable	<u>(71,440)</u>	<u>(69,260)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	(161,103)	(165,724)

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

MORGAN COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Received from Interest	<u>153</u>	<u>347</u>
Net Cash Provided/(Used) by Investing Activities	<u>153</u>	<u>347</u>
INCREASE/(DECREASE) IN CASH	(2,652)	1,104
CASH AT BEGINNING OF YEAR	<u>24,919</u>	<u>23,815</u>
CASH AT END OF YEAR	<u><u>\$ 22,267</u></u>	<u><u>\$ 24,919</u></u>

Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:

Net Operating Income	\$ (306,573)	\$ (262,190)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	441,786	436,533
Accounts Receivable		(11,568)
Accounts Payable Water Line Relcoation Projects	14,939	
Accrued Pension Liability	(11,251)	
Accrued Expenses	<u>16,892</u>	<u>4,946</u>
Net Cash Provided/Used by Operating Activities	<u><u>\$ 155,793</u></u>	<u><u>\$ 167,721</u></u>

Supplementary Information

	<u>2015</u>	<u>2014</u>
Total Interest Cost	<u><u>\$ 157,981</u></u>	<u><u>\$ 166,427</u></u>

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

Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410
Telephone (502) 569-7525 Telefax (502) 569-7555 www.rubinhays.com

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

September 21, 2016

Honorable Sandra K. Dunahoo
Commissioner and State Local Debt Officer
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

Re: Morgan County Water District
Notice of Intent to Issue Securities

Dear Ms. Dunahoo:

Pursuant to the regulations of the Kentucky Public Service Commission, specifically 807 KAR 5:001: Section 18(1)(g), please be advised that the Morgan County Water District (the "District") hereby notifies the State Local Debt Officer that the District intends on issuing securities in the form of a loan from the Kentucky Rural Water Finance Corporation ("KRWFC") for the purpose of refinancing certain outstanding indebtedness of the District in order to achieve substantial interest cost savings for the District.

We will file the appropriate documents with your office in accordance with the requirements of KRS 65.117, once the securities are issued.

Very truly yours,

Rubin & Hays

By 
W. Randall Jones

WRJ:jlm
Enclosures
cc: Distribution List