

Rubin & Hays

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

September 28, 2016

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

RECEIVED

OCT 3 - 2016

Public Service
Commission

Re: North Mercer Water District PSC Application

Dear Ms. Mathews:


Enclosed please find the original and ten (10) copies of the Application of the North Mercer 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: Ms. Mischell Lee, North Mercer Water District
Ms. Kristen Millard, Raymond James and Associates

RECEIVED

OCT 3 - 2016

Public Service
Commission

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF NORTH MERCER)
WATER DISTRICT TO ISSUE SECURITIES IN)
THE APPROXIMATE PRINCIPAL AMOUNT OF)
\$1,890,000 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, North Mercer 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 \$1,890,000 (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 Mercer County, which Order is on file in the County Court Order Books in the office of the Clerk of Mercer 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:

North Mercer Water District
c/o Ms. Mischell Lee, Manager
P.O. Box 79
Salvisa, Kentucky 40372
Telephone: (859) 865-2292
Fax: (859) 865-4572
Email: mlee@northmercerwater.org

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 \$1,890,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as (i) North Mercer Water District Waterworks Revenue Bonds of 1994 in the original principal amount of \$439,000, dated February 7, 1995 and bearing interest at the rate of 4.50% per annum (the "1994 Bonds"); (ii) North Mercer Water District Waterworks Revenue Bonds, Series 1996, dated January 9, 1997, in the original principal amount of \$433,000, bearing interest at the rate of 5.50% per annum (the "1996 Bonds"); and (iii) North

Mercer Water District Waterworks Revenue Bonds, Series 2003, dated May 12, 2004, in the original principal amount of \$1,450,000, bearing interest at the rate of 4.375% per annum (the "2003 Bonds")(hereinafter, the 1994 Bonds, the 1996 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 \$298,021.13. 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.

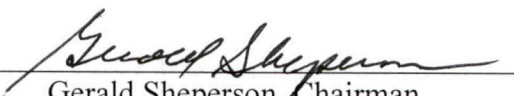
17. No rate adjustment will be necessary.

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

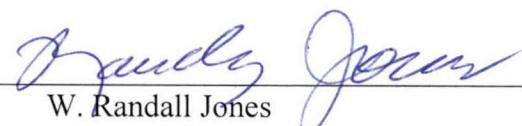
1. Authorize the issuance of the securities requested in the Application;
2. Due to the volatility of the present bond market and in order to achieve substantial interest cost savings to the District by taking full advantage of current low interest rates, the District requests that the Commission issued 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.

North Mercer Water District

By 
Gerald Sheperson, Chairman
P.O. Box 79
Salvisa, Kentucky 40372
Telephone: (859) 865-2292
Fax: (859) 865-4572
Email: mlee@northmercerwater.org

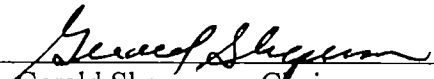
Rubin & Hays

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 North Mercer Water District
wrjones@rubinhays.com

STATE OF KENTUCKY)
) SS
COUNTY OF MERCER)

The affiant, Gerald Sheperson, being first duly sworn, states: That he is the Chairman of the North Mercer 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 21 day of September, 2016.



Gerald Sheperson, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Gerald Sheperson, Chairman of the North Mercer Water District, on this the 21st day of September, 2016.

My Commission expires: 6-27-20.



NOTARY PUBLIC

559687

NOTARY PUBLIC ID Number

Preliminary

\$1,890,000

North Mercer Water District

Potential Loan through the

Kentucky Rural Water Finance Corporation

Debt Service Schedule

Part 1 of 3

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/21/2016	-	-	-	-	-
01/01/2017	-	-	15,497.92	15,497.92	-
07/01/2017	40,000.00	2.450%	27,896.25	67,896.25	-
12/31/2017	-	-	-	-	83,394.17
01/01/2018	-	-	27,406.25	27,406.25	-
07/01/2018	65,000.00	2.450%	27,406.25	92,406.25	-
12/31/2018	-	-	-	-	119,812.50
01/01/2019	-	-	26,610.00	26,610.00	-
07/01/2019	65,000.00	2.450%	26,610.00	91,610.00	-
12/31/2019	-	-	-	-	118,220.00
01/01/2020	-	-	25,813.75	25,813.75	-
07/01/2020	65,000.00	2.500%	25,813.75	90,813.75	-
12/31/2020	-	-	-	-	116,627.50
01/01/2021	-	-	25,001.25	25,001.25	-
07/01/2021	65,000.00	2.400%	25,001.25	90,001.25	-
12/31/2021	-	-	-	-	115,002.50
01/01/2022	-	-	24,221.25	24,221.25	-
07/01/2022	65,000.00	2.600%	24,221.25	89,221.25	-
12/31/2022	-	-	-	-	113,442.50
01/01/2023	-	-	23,376.25	23,376.25	-
07/01/2023	65,000.00	3.300%	23,376.25	88,376.25	-
12/31/2023	-	-	-	-	111,752.50
01/01/2024	-	-	22,303.75	22,303.75	-
07/01/2024	70,000.00	3.200%	22,303.75	92,303.75	-
12/31/2024	-	-	-	-	114,607.50
01/01/2025	-	-	21,183.75	21,183.75	-
07/01/2025	70,000.00	3.100%	21,183.75	91,183.75	-
12/31/2025	-	-	-	-	112,367.50
01/01/2026	-	-	20,098.75	20,098.75	-
07/01/2026	75,000.00	2.900%	20,098.75	95,098.75	-
12/31/2026	-	-	-	-	115,197.50
01/01/2027	-	-	19,011.25	19,011.25	-
07/01/2027	75,000.00	3.000%	19,011.25	94,011.25	-
12/31/2027	-	-	-	-	113,022.50
01/01/2028	-	-	17,886.25	17,886.25	-
07/01/2028	85,000.00	3.000%	17,886.25	102,886.25	-
12/31/2028	-	-	-	-	120,772.50
01/01/2029	-	-	16,611.25	16,611.25	-
07/01/2029	85,000.00	2.900%	16,611.25	101,611.25	-
12/31/2029	-	-	-	-	118,222.50
01/01/2030	-	-	15,378.75	15,378.75	-
07/01/2030	85,000.00	2.900%	15,378.75	100,378.75	-
12/31/2030	-	-	-	-	115,757.50
01/01/2031	-	-	14,146.25	14,146.25	-

North Mercer 8.1.16 | Issue Summary | 8/2/2016 | 8:51 AM

Raymond James & Associates, Inc.

Public Finance

Page 3

Preliminary

\$1,890,000

North Mercer Water District

Potential Loan through the

Kentucky Rural Water Finance Corporation

Debt Service Schedule

Part 2 of 3

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/01/2031	85,000.00	2.900%	14,146.25	99,146.25	-
12/31/2031	-	-	-	-	113,292.50
01/01/2032	-	-	12,913.75	12,913.75	-
07/01/2032	90,000.00	2.900%	12,913.75	102,913.75	-
12/31/2032	-	-	-	-	115,827.50
01/01/2033	-	-	11,608.75	11,608.75	-
07/01/2033	90,000.00	3.000%	11,608.75	101,608.75	-
12/31/2033	-	-	-	-	113,217.50
01/01/2034	-	-	10,258.75	10,258.75	-
07/01/2034	90,000.00	3.000%	10,258.75	100,258.75	-
12/31/2034	-	-	-	-	110,517.50
01/01/2035	-	-	8,908.75	8,908.75	-
07/01/2035	80,000.00	3.050%	8,908.75	88,908.75	-
12/31/2035	-	-	-	-	97,817.50
01/01/2036	-	-	7,688.75	7,688.75	-
07/01/2036	55,000.00	3.050%	7,688.75	62,688.75	-
12/31/2036	-	-	-	-	70,377.50
01/01/2037	-	-	6,850.00	6,850.00	-
07/01/2037	55,000.00	3.150%	6,850.00	61,850.00	-
12/31/2037	-	-	-	-	68,700.00
01/01/2038	-	-	5,983.75	5,983.75	-
07/01/2038	55,000.00	3.200%	5,983.75	60,983.75	-
12/31/2038	-	-	-	-	66,967.50
01/01/2039	-	-	5,103.75	5,103.75	-
07/01/2039	60,000.00	3.200%	5,103.75	65,103.75	-
12/31/2039	-	-	-	-	70,207.50
01/01/2040	-	-	4,143.75	4,143.75	-
07/01/2040	60,000.00	3.250%	4,143.75	64,143.75	-
12/31/2040	-	-	-	-	68,287.50
01/01/2041	-	-	3,168.75	3,168.75	-
07/01/2041	65,000.00	3.250%	3,168.75	68,168.75	-
12/31/2041	-	-	-	-	71,337.50
01/01/2042	-	-	2,112.50	2,112.50	-
07/01/2042	65,000.00	3.250%	2,112.50	67,112.50	-
12/31/2042	-	-	-	-	69,225.00
01/01/2043	-	-	1,056.25	1,056.25	-
07/01/2043	65,000.00	3.250%	1,056.25	66,056.25	-
12/31/2043	-	-	-	-	67,112.50
Total	\$1,890,000.00	-	\$801,086.67	\$2,691,086.67	-

Preliminary

\$1,890,000

North Mercer Water District

Potential Loan through the

Kentucky Rural Water Finance Corporation

Debt Service Schedule

Part 3 of 3

Yield Statistics

Bond Year Dollars	\$26,195.00
Average Life	13.860 Years
Average Coupon	3.0581663%

Net Interest Cost (NIC)	3.1013391%
True Interest Cost (TIC)	3.1018835%
Bond Yield for Arbitrage Purposes	2.9625567%
All Inclusive Cost (AIC)	3.2570551%

IRS Form 8038

Net Interest Cost	2.9963643%
Weighted Average Maturity	13.721 Years

Preliminary

\$1,890,000

North Mercer Water District

Potential Loan through the

Kentucky Rural Water Finance Corporation

Total Issue Sources And Uses

Dated 09/21/2016 | Delivered 09/21/2016

	Series 1994	Series 1996	Series 2003	Issue Summary
Sources Of Funds				
Par Amount of Bonds	\$310,000.00	\$325,000.00	\$1,255,000.00	\$1,890,000.00
Reoffering Premium	5,814.80	5,089.20	6,136.90	17,040.90
Transfers from Prior Issue Debt Service Funds	4,105.83	9,340.00	25,682.82	39,128.65
Total Sources	\$319,920.63	\$339,429.20	\$1,286,819.72	\$1,946,169.55
Uses Of Funds				
Total Underwriter's Discount (1.500%)	4,650.00	4,875.00	18,825.00	28,350.00
Costs of Issuance	5,060.06	5,304.89	20,485.05	30,850.00
Deposit to Current Refunding Fund	306,030.00	332,008.89	1,248,521.53	1,886,560.42
Rounding Amount	4,180.57	(2,759.58)	(1,011.86)	409.13
Total Uses	\$319,920.63	\$339,429.20	\$1,286,819.72	\$1,946,169.55

Preliminary

\$1,890,000

North Mercer Water District

Potential Loan through the

Kentucky Rural Water Finance Corporation

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
12/31/2016	-	-	-	-
12/31/2017	83,394.17	83,394.17	130,463.75	47,069.58
12/31/2018	119,812.50	119,812.50	129,816.87	10,004.37
12/31/2019	118,220.00	118,220.00	130,585.00	12,365.00
12/31/2020	116,627.50	116,627.50	131,212.19	14,584.69
12/31/2021	115,002.50	115,002.50	130,212.19	15,209.69
12/31/2022	113,442.50	113,442.50	131,116.25	17,673.75
12/31/2023	111,752.50	111,752.50	130,879.37	19,126.87
12/31/2024	114,607.50	114,607.50	130,501.56	15,894.06
12/31/2025	112,367.50	112,367.50	131,003.13	18,635.63
12/31/2026	115,197.50	115,197.50	130,852.82	15,655.32
12/31/2027	113,022.50	113,022.50	131,536.88	18,514.38
12/31/2028	120,772.50	120,772.50	130,544.38	9,771.88
12/31/2029	118,222.50	118,222.50	131,920.32	13,697.82
12/31/2030	115,757.50	115,757.50	131,060.94	15,303.44
12/31/2031	113,292.50	113,292.50	132,031.56	18,739.06
12/31/2032	115,827.50	115,827.50	131,787.19	15,959.69
12/31/2033	113,217.50	113,217.50	132,327.82	19,110.32
12/31/2034	110,517.50	110,517.50	131,653.44	21,135.94
12/31/2035	97,817.50	97,817.50	106,766.87	8,949.37
12/31/2036	70,377.50	70,377.50	77,590.62	7,213.12
12/31/2037	68,700.00	68,700.00	77,585.94	8,885.94
12/31/2038	66,967.50	66,967.50	77,471.88	10,504.38
12/31/2039	70,207.50	70,207.50	77,737.50	7,530.00
12/31/2040	68,287.50	68,287.50	77,382.81	9,095.31
12/31/2041	71,337.50	71,337.50	77,407.81	6,070.31
12/31/2042	69,225.00	69,225.00	77,301.56	8,076.56
12/31/2043	67,112.50	67,112.50	75,107.81	7,995.31
TOTAL	\$2,691,086.67	\$2,691,086.67	\$3,083,858.46	\$392,771.79

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	298,021.13
Net PV Cashflow Savings @ 3.257%(AIC)	298,021.13
Transfers from Prior Issue Debt Service Fund	(39,128.65)
Contingency or Rounding Amount	409.13
Net Present Value Benefit	\$259,301.61
Net PV Benefit / \$1,867,500 Refunded Principal	13.885%
Net PV Benefit / \$1,890,000 Refunding Principal	13.720%
Future Value Benefit	\$354,052.27
Average Annual Cash Flow Savings	14,547.10

Refunding Bond Information

Refunding Dated Date	9/21/2016
Refunding Delivery Date	9/21/2016

Preliminary

\$439,000

North Mercer Water District

Series 1994

Debt Service To Maturity And To Call

Part 1 of 2

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
09/21/2016	303,000.00	3,030.00	306,030.00	-	-	-	-
01/01/2017	-	-	-	-	-	6,817.50	6,817.50
07/01/2017	-	-	-	11,000.00	4.500%	6,817.50	17,817.50
01/01/2018	-	-	-	-	-	6,570.00	6,570.00
07/01/2018	-	-	-	11,000.00	4.500%	6,570.00	17,570.00
01/01/2019	-	-	-	-	-	6,322.50	6,322.50
07/01/2019	-	-	-	12,000.00	4.500%	6,322.50	18,322.50
01/01/2020	-	-	-	-	-	6,052.50	6,052.50
07/01/2020	-	-	-	13,000.00	4.500%	6,052.50	19,052.50
01/01/2021	-	-	-	-	-	5,760.00	5,760.00
07/01/2021	-	-	-	13,000.00	4.500%	5,760.00	18,760.00
01/01/2022	-	-	-	-	-	5,467.50	5,467.50
07/01/2022	-	-	-	14,000.00	4.500%	5,467.50	19,467.50
01/01/2023	-	-	-	-	-	5,152.50	5,152.50
07/01/2023	-	-	-	15,000.00	4.500%	5,152.50	20,152.50
01/01/2024	-	-	-	-	-	4,815.00	4,815.00
07/01/2024	-	-	-	15,000.00	4.500%	4,815.00	19,815.00
01/01/2025	-	-	-	-	-	4,477.50	4,477.50
07/01/2025	-	-	-	16,000.00	4.500%	4,477.50	20,477.50
01/01/2026	-	-	-	-	-	4,117.50	4,117.50
07/01/2026	-	-	-	17,000.00	4.500%	4,117.50	21,117.50
01/01/2027	-	-	-	-	-	3,735.00	3,735.00
07/01/2027	-	-	-	18,000.00	4.500%	3,735.00	21,735.00
01/01/2028	-	-	-	-	-	3,330.00	3,330.00
07/01/2028	-	-	-	18,000.00	4.500%	3,330.00	21,330.00
01/01/2029	-	-	-	-	-	2,925.00	2,925.00
07/01/2029	-	-	-	20,000.00	4.500%	2,925.00	22,925.00
01/01/2030	-	-	-	-	-	2,475.00	2,475.00
07/01/2030	-	-	-	20,000.00	4.500%	2,475.00	22,475.00
01/01/2031	-	-	-	-	-	2,025.00	2,025.00
07/01/2031	-	-	-	21,000.00	4.500%	2,025.00	23,025.00
01/01/2032	-	-	-	-	-	1,552.50	1,552.50
07/01/2032	-	-	-	22,000.00	4.500%	1,552.50	23,552.50
01/01/2033	-	-	-	-	-	1,057.50	1,057.50
07/01/2033	-	-	-	23,000.00	4.500%	1,057.50	24,057.50
01/01/2034	-	-	-	-	-	540.00	540.00
07/01/2034	-	-	-	24,000.00	4.500%	540.00	24,540.00
Total	\$303,000.00	\$3,030.00	\$306,030.00	\$303,000.00	-	\$146,385.00	\$449,385.00

Series 1994 | SINGLE PURPOSE | 8/2/2016 | 9:51 AM

Preliminary

\$439,000

North Mercer Water District

Series 1994

Debt Service To Maturity And To Call

Part 2 of 2

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	9/21/2016
Average Life	10.514 Years
Average Coupon	4.5000000%
Weighted Average Maturity (Par Basis)	10.514 Years

Refunding Bond Information

Refunding Dated Date	9/21/2016
Refunding Delivery Date	9/21/2016

Preliminary

\$433,000

North Mercer Water District

Series 1994

Debt Service To Maturity And To Call

Part 1 of 2

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
09/21/2016	328,000.00	4,008.89	332,008.89	-	-	-	-
01/01/2017	-	-	-	9,500.00	5.500%	9,020.00	18,520.00
07/01/2017	-	-	-	-	-	8,758.75	8,758.75
01/01/2018	-	-	-	10,000.00	5.500%	8,758.75	18,758.75
07/01/2018	-	-	-	-	-	8,483.75	8,483.75
01/01/2019	-	-	-	11,000.00	5.500%	8,483.75	19,483.75
07/01/2019	-	-	-	-	-	8,181.25	8,181.25
01/01/2020	-	-	-	11,500.00	5.500%	8,181.25	19,681.25
07/01/2020	-	-	-	-	-	7,865.00	7,865.00
01/01/2021	-	-	-	12,000.00	5.500%	7,865.00	19,865.00
07/01/2021	-	-	-	-	-	7,535.00	7,535.00
01/01/2022	-	-	-	13,000.00	5.500%	7,535.00	20,535.00
07/01/2022	-	-	-	-	-	7,177.50	7,177.50
01/01/2023	-	-	-	13,500.00	5.500%	7,177.50	20,677.50
07/01/2023	-	-	-	-	-	6,806.25	6,806.25
01/01/2024	-	-	-	14,500.00	5.500%	6,806.25	21,306.25
07/01/2024	-	-	-	-	-	6,407.50	6,407.50
01/01/2025	-	-	-	15,500.00	5.500%	6,407.50	21,907.50
07/01/2025	-	-	-	-	-	5,981.25	5,981.25
01/01/2026	-	-	-	16,000.00	5.500%	5,981.25	21,981.25
07/01/2026	-	-	-	-	-	5,541.25	5,541.25
01/01/2027	-	-	-	17,500.00	5.500%	5,541.25	23,041.25
07/01/2027	-	-	-	-	-	5,060.00	5,060.00
01/01/2028	-	-	-	18,000.00	5.500%	5,060.00	23,060.00
07/01/2028	-	-	-	-	-	4,565.00	4,565.00
01/01/2029	-	-	-	19,500.00	5.500%	4,565.00	24,065.00
07/01/2029	-	-	-	-	-	4,028.75	4,028.75
01/01/2030	-	-	-	20,500.00	5.500%	4,028.75	24,528.75
07/01/2030	-	-	-	-	-	3,465.00	3,465.00
01/01/2031	-	-	-	22,500.00	5.500%	3,465.00	25,965.00
07/01/2031	-	-	-	-	-	2,846.25	2,846.25
01/01/2032	-	-	-	23,500.00	5.500%	2,846.25	26,346.25
07/01/2032	-	-	-	-	-	2,200.00	2,200.00
01/01/2033	-	-	-	25,500.00	5.500%	2,200.00	27,700.00
07/01/2033	-	-	-	-	-	1,498.75	1,498.75
01/01/2034	-	-	-	26,500.00	5.500%	1,498.75	27,998.75
07/01/2034	-	-	-	-	-	770.00	770.00
01/01/2035	-	-	-	28,000.00	5.500%	770.00	28,770.00
Total	\$328,000.00	\$4,008.89	\$332,008.89	\$328,000.00	-	\$203,362.50	\$531,362.50

Series 1996 | SINGLE PURPOSE | 8/2/2016 | 9:51 AM

Preliminary

\$433,000

North Mercer Water District

Series 199#6

Debt Service To Maturity And To Call

Part 2 of 2

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	9/21/2016
Average Life	11.051 Years
Average Coupon	5.5000000%
Weighted Average Maturity (Par Basis)	11.051 Years

Refunding Bond Information

Refunding Dated Date	9/21/2016
Refunding Delivery Date	9/21/2016

Preliminary

\$1,450,000

North Mercer Water District

Series 2003

Debt Service To Maturity And To Call

Part 1 of 2

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
09/21/2016	1,236,500.00	12,021.53	1,248,521.53	-	-	-	-
01/01/2017	-	-	-	25,000.00	4.375%	27,048.44	52,048.44
07/01/2017	-	-	-	-	-	26,501.56	26,501.56
01/01/2018	-	-	-	26,000.00	4.375%	26,501.56	52,501.56
07/01/2018	-	-	-	-	-	25,932.81	25,932.81
01/01/2019	-	-	-	27,000.00	4.375%	25,932.81	52,932.81
07/01/2019	-	-	-	-	-	25,342.19	25,342.19
01/01/2020	-	-	-	28,500.00	4.375%	25,342.19	53,842.19
07/01/2020	-	-	-	-	-	24,718.75	24,718.75
01/01/2021	-	-	-	29,500.00	4.375%	24,718.75	54,218.75
07/01/2021	-	-	-	-	-	24,073.44	24,073.44
01/01/2022	-	-	-	31,000.00	4.375%	24,073.44	55,073.44
07/01/2022	-	-	-	-	-	23,395.31	23,395.31
01/01/2023	-	-	-	32,000.00	4.375%	23,395.31	55,395.31
07/01/2023	-	-	-	-	-	22,695.31	22,695.31
01/01/2024	-	-	-	33,500.00	4.375%	22,695.31	56,195.31
07/01/2024	-	-	-	-	-	21,962.50	21,962.50
01/01/2025	-	-	-	35,000.00	4.375%	21,962.50	56,962.50
07/01/2025	-	-	-	-	-	21,196.88	21,196.88
01/01/2026	-	-	-	36,500.00	4.375%	21,196.88	57,696.88
07/01/2026	-	-	-	-	-	20,398.44	20,398.44
01/01/2027	-	-	-	38,000.00	4.375%	20,398.44	58,398.44
07/01/2027	-	-	-	-	-	19,567.19	19,567.19
01/01/2028	-	-	-	40,000.00	4.375%	19,567.19	59,567.19
07/01/2028	-	-	-	-	-	18,692.19	18,692.19
01/01/2029	-	-	-	41,500.00	4.375%	18,692.19	60,192.19
07/01/2029	-	-	-	-	-	17,784.38	17,784.38
01/01/2030	-	-	-	43,500.00	4.375%	17,784.38	61,284.38
07/01/2030	-	-	-	-	-	16,832.81	16,832.81
01/01/2031	-	-	-	45,500.00	4.375%	16,832.81	62,332.81
07/01/2031	-	-	-	-	-	15,837.50	15,837.50
01/01/2032	-	-	-	47,500.00	4.375%	15,837.50	63,337.50
07/01/2032	-	-	-	-	-	14,798.44	14,798.44
01/01/2033	-	-	-	49,500.00	4.375%	14,798.44	64,298.44
07/01/2033	-	-	-	-	-	13,715.63	13,715.63
01/01/2034	-	-	-	51,500.00	4.375%	13,715.63	65,215.63
07/01/2034	-	-	-	-	-	12,589.06	12,589.06
01/01/2035	-	-	-	54,000.00	4.375%	12,589.06	66,589.06
07/01/2035	-	-	-	-	-	11,407.81	11,407.81
01/01/2036	-	-	-	56,000.00	4.375%	11,407.81	67,407.81
07/01/2036	-	-	-	-	-	10,182.81	10,182.81
01/01/2037	-	-	-	58,500.00	4.375%	10,182.81	68,682.81
07/01/2037	-	-	-	-	-	8,903.13	8,903.13

Series 2003 | SINGLE PURPOSE | 8/2/2016 | 9:51 AM

Preliminary

\$1,450,000

North Mercer Water District

Series 2003

Debt Service To Maturity And To Call

Part 2 of 2

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
01/01/2038	-	-	-	61,000.00	4.375%	8,903.13	69,903.13
07/01/2038	-	-	-	-	-	7,568.75	7,568.75
01/01/2039	-	-	-	64,000.00	4.375%	7,568.75	71,568.75
07/01/2039	-	-	-	-	-	6,168.75	6,168.75
01/01/2040	-	-	-	66,500.00	4.375%	6,168.75	72,668.75
07/01/2040	-	-	-	-	-	4,714.06	4,714.06
01/01/2041	-	-	-	69,500.00	4.375%	4,714.06	74,214.06
07/01/2041	-	-	-	-	-	3,193.75	3,193.75
01/01/2042	-	-	-	72,500.00	4.375%	3,193.75	75,693.75
07/01/2042	-	-	-	-	-	1,607.81	1,607.81
01/01/2043	-	-	-	73,500.00	4.375%	1,607.81	75,107.81
Total	\$1,236,500.00	\$12,021.53	\$1,248,521.53	\$1,236,500.00	-	\$866,610.96	\$2,103,110.96

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	9/21/2016
Average Life	15.797 Years
Average Coupon	4.3750001%
Weighted Average Maturity (Par Basis)	15.797 Years

Refunding Bond Information

Refunding Dated Date	9/21/2016
Refunding Delivery Date	9/21/2016

NORTH MERCER WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2014)

	<u>2015</u>	<u>2014</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	\$ 25,906	\$ 38,253
Accrued liabilities	24,038	23,393
Customer deposits	95,045	84,187
Accrued interest payable	114,460	116,641
Current portion of long-term liabilities	<u>231,000</u>	<u>223,000</u>
Total current liabilities	490,449	485,474
Non-Current Liabilities:		
Accrued compensated absences	17,203	9,958
Net pension liability	550,383	621,321
Water revenue bonds	6,431,500	6,617,500
Notes due to State of Kentucky	<u>137,500</u>	<u>182,500</u>
Total non-current liabilities	7,136,586	7,431,279
Total Liabilities	<u>7,627,035</u>	<u>7,916,753</u>
Deferred inflows of resources	<u>48,800</u>	<u>-</u>
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	3,893,513	4,042,781
Unrestricted	<u>632,983</u>	<u>659,866</u>
Total Net Position, as restated	<u>4,526,496</u>	<u>4,702,647</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 12,202,331</u>	<u>\$ 12,619,400</u>

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

NORTH MERCER WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)

	<u>2015</u>	<u>2014</u>
Operating Revenue:		
Water sales	\$ 1,971,576	\$ 2,003,293
Miscellaneous	<u>63,514</u>	<u>60,244</u>
Total Operating Revenue	2,035,090	2,063,537
Operating Expenses:		
Source of supply	629,216	673,596
Transmission and distribution	459,207	480,812
Customer accounts	169,845	176,629
General and administrative	<u>214,900</u>	<u>201,427</u>
Total Operating Expenses Before		
Taxes and Depreciation	1,473,169	1,532,464
Taxes	36,756	35,259
Depreciation	<u>455,478</u>	<u>450,729</u>
Total Operating Expenses	<u>1,965,403</u>	<u>2,018,452</u>
Operating Income	<u>69,687</u>	<u>45,085</u>
Non-Operating Revenue (Expenses):		
Rent	2,780	2,682
Interest income	7,298	8,051
Interest expense	(265,001)	(267,430)
Amortization of bond discount	<u>(2,815)</u>	<u>(2,815)</u>
Total Non-Operating Revenue (Expenses)	<u>(257,738)</u>	<u>(259,512)</u>
Change in Net Position Before Capital Contributions	(188,051)	(214,427)
Capital contributions	<u>11,900</u>	<u>14,300</u>
Change in Net Position	(176,151)	(200,127)
Net Position - Beginning of Year, as restated	<u>4,702,647</u>	<u>4,902,774</u>
Net Position - End of Year	<u>\$ 4,526,496</u>	<u>\$ 4,702,647</u>

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

NORTH MERCER WATER DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Tap Fees</u>	<u>Contributions In Aid Of Construction</u>	<u>Retained Deficit</u>	<u>Total</u>
Balance at January 1, 2014	\$ 2,096,414	\$ 4,834,335	\$(1,487,993)	\$ 5,442,756
2014 capital contributions-government	-	-	-	-
Tap fees	14,300	-	-	14,300
Restatement of retained deficit as a result of implementation of GASB 68	-	-	(539,982)	(539,982)
2014 change in net position before capital contributions	<u>-</u>	<u>-</u>	<u>(214,427)</u>	<u>(214,427)</u>
Balance at December 31, 2014	2,110,714	4,834,335	(2,242,402)	4,702,647
2015 capital contributions-government	-	-	-	-
Tap fees	11,900	-	-	11,900
2015 change in net position before capital contributions	<u>-</u>	<u>-</u>	<u>(188,051)</u>	<u>(188,051)</u>
Balance at December 31, 2015	<u>\$ 2,122,614</u>	<u>\$ 4,834,335</u>	<u>\$(2,430,453)</u>	<u>\$ 4,526,496</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 27, 2016

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

Re: North Mercer 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 North Mercer 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