

Rubin & Hays

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CHARLES S. MUSSON
W. RANDALL JONES
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PARALEGAL
MARY M. EMBRY

February 25, 2004

RECEIVED
FEB 26 2004
PUBLIC SERVICE
COMMISSION

Mr. Thomas Dorman, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Case 2004-00061

Re: McCreary County Water District PSC Application

Dear Mr. Dorman:

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

This Application requests approval of the issuance of securities for the purpose of refunding certain high interest Bonds of the Applicant. **Due to the extreme volatility of the financial markets and the fact that this refunding is interest rate sensitive, we request that the Commission process the Application in an expedited manner and issue an Order on or before March 24, 2004 (the date set for closing the securities).**

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. Steve Owens, McCreary County Water District
Ms. Kristen Curtis, Morgan Keegan

RECEIVED
FEB 26 2004
PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF MCCREARY COUNTY)
WATER DISTRICT TO ISSUE SECURITIES)
IN THE APPROXIMATE PRINCIPAL AMOUNT)
OF \$2,048,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2004-00061
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

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

APPLICATION

The Applicant, McCreary 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 sum \$2,048,000 (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 McCreary County, which Order is on file in the County Court Order Books in the office of the Clerk of McCreary 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:

McCreary County Water District
c/o Mr. Steve Owens, Manager
P.O. Box 488
Whitley City, Kentucky 42653
Telephone: (606) 376-2540

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 2002 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 "2004 Loan"), in the estimated principal amount of \$2,048,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as the (i) McCreary County Water District Waterworks Refunding and Improvement Revenue Bonds, Series 1973B, dated April 1, 1973, in the original principal amount of \$110,000 (the "1973 Bonds"); (ii) McCreary County Water District Waterworks Revenue Bonds, Series 1983A, dated March 28, 1985, in the original principal amount of \$209,000 (the "1983 Bonds"); (iii) McCreary County Water District Waterworks Revenue Bonds, Series 1986, dated November 18, 1986, consisting of \$615,000 of Series A Bonds and \$262,000 of Series B Bonds (the "1986 Bonds"); and (iv) McCreary County Water District Waterworks Revenue Bonds, Series 1991, dated March 16, 1992, consisting of \$745,000 of Series A Bonds and \$134,600 of

Series B Bonds (the "1991 Bonds") (hereinafter the 1973 Bonds, 1983 Bonds, 1986 Bonds, and 1991 Bonds shall be collectively referred to as the "Prior Bonds"). Said Prior Bonds are currently held by the U.S. Department of Agriculture, acting through Rural Development ("RD") and all bear interest at the rates set forth in Exhibit D referred to below.

6. The estimated debt service for the 2004 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 2004 Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The 2004 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 2004 Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the 2004 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 total gross savings of approximately \$162,377, which represents a net present value savings of \$82,248. 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 2004 Loan will be adjusted, based upon final interest rates which will be known on or about February 24, 2004, in order to provide funds sufficient to redeem, in full, the Prior Bonds. 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 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 2004 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 2004 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 2004 Loan, file with the Commission a statement setting forth the date of issuance of the 2004 Loan, the price paid, the fees and expenses incurred in the issuance of the 2004 Loan, and the terms and interest rates of the 2004 Loan.

14. The detailed Statement of Revenue and Expenses, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2002 are attached hereto and incorporated herein by reference as **Exhibit E** respectively.

15. The remaining financial schedules and other information necessary for the Financial Exhibit required by 807 KAR 5:001, Section 6 and Section 11 (2) (a) are contained in the 2002 Annual Report which is on file with the Commission. The Annual Report is incorporated herein by reference.

16. Pursuant to 807 KAR 5:001, the District hereby responds as follows:

- (a) Section 6(4) Mortgages: The District does not have any mortgages in effect as of the date hereof.

- (b) Section 6(5) Bonds: The 2004 Loan will be secured by a pledge of the revenues of the District's System.
- (c) Section 11(2)(b): The District does not have any trust deeds in effect as of the date hereof.
- (d) Section 11(2)(c): No property is being acquired as the proceeds of the securities are being used for the refunding of the Prior Bonds.

17. The District hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the application. The District states that there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2002. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2002. This is the most recent published financial data available. Because of the volatility of the bond market, the District cannot run the risk of delaying the closing of the 2004 Loan while more current financial data is compiled. Also, the refunding of the Prior Bonds will save the District significant revenues thus improving the District's financial position.

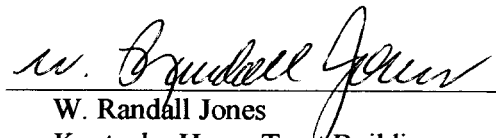
18. No rate adjustment will be necessary.

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

1. Authorize the issuance of the securities requested in the Application prior to the closing date of **March 24, 2004**;
2. Grant the District a deviation, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the District's 2002 Annual Report and 2002 Audit in lieu of more recent financial data, there being no material change in the data in 2003 and due to the volatility of the present bond market; and
3. Process this Application without a formal hearing in order to save time and expense.

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

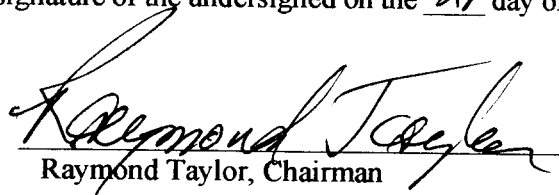
RUBIN & HAYS

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 McCreary County
Water District

STATE OF KENTUCKY)
) SS
COUNTY OF MCCREARY)

The affiant, Raymond Taylor, being first duly sworn, states: That he is the Chairman of the McCreary 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 24 day of February, 2004.


Raymond Taylor, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Raymond Taylor, Chairman of the McCreary County Water District, on this the 24 day of February, 2004.

My Commission expires: 7/13/06


NOTARY PUBLIC

\$2,048,000

*Kentucky Rural Water Finance Corporation
McCreary County Water District*

TOTAL NET DEBT SERVICE

Date	Principal	Interest	Net New D/S
12/30/2004	-	38,399.55	38,399.55
12/30/2005	62,000.00	76,393.00	138,393.00
12/30/2006	64,000.00	75,458.90	139,458.90
12/30/2007	68,000.00	74,267.90	142,267.90
12/30/2008	92,000.00	72,542.30	164,542.30
12/30/2009	93,000.00	70,266.05	163,266.05
12/30/2010	65,000.00	68,126.15	133,126.15
12/30/2011	68,000.00	66,149.30	134,149.30
12/30/2012	70,000.00	63,933.20	133,933.20
12/30/2013	73,000.00	61,479.25	134,479.25
12/30/2014	73,000.00	58,840.30	131,840.30
12/30/2015	77,000.00	56,011.40	133,011.40
12/30/2016	80,000.00	52,953.00	132,953.00
12/30/2017	86,000.00	49,674.50	135,674.50
12/30/2018	87,000.00	46,192.50	133,192.50
12/30/2019	91,000.00	42,520.75	133,520.75
12/30/2020	96,000.00	38,592.50	134,592.50
12/30/2021	98,000.00	34,421.00	132,421.00
12/30/2022	103,000.00	29,997.75	132,997.75
12/30/2023	93,000.00	25,613.50	118,613.50
12/30/2024	97,000.00	21,314.25	118,314.25
12/30/2025	101,000.00	16,784.50	117,784.50
12/30/2026	105,000.00	12,020.25	117,020.25
12/30/2027	49,000.00	8,439.75	57,439.75
12/30/2028	50,000.00	6,138.00	56,138.00
12/30/2029	52,000.00	3,766.50	55,766.50
12/30/2030	55,000.00	1,278.75	56,278.75
Total	2,048,000.00	1,171,574.80	3,219,574.80

PAR AMOUNTS OF SELECTED ISSUES

SERIES 2004 A -KRWFC - McCreary County 1985.....	204,000.00
SERIES 2004 A -KRWFC - McCreary County 1986 A.....	611,000.00
SERIES 2004 A -KRWFC - McCreary County 1986 B.....	261,000.00
SERIES 2004 A -KRWFC - McCreary County 1991 A.....	763,000.00
SERIES 2004 A -KRWFC - McCreary County 1973 B.....	71,000.00
SERIES 2004 A -KRWFC - McCreary County 1991 B.....	138,000.00
TOTAL.....	2,048,000.00

\$2,048,000
Kentucky Rural Water Finance Corporation
McCreary County Water District

SOURCES & USES

Dated 02/01/2004

Delivered 03/24/2004

SOURCES OF FUNDS

Par Amount of Bonds.....	\$2,048,000.00
Accrued Interest.....	11,306.53
Transfers from Prior Issue Debt Service Funds.....	93,877.13
TOTAL SOURCES.....	\$2,153,183.66

USES OF FUNDS

Original Issue Discount (OID).....	15,116.94
Total Underwriter's Discount.....	19,364.85
Costs of Issuance.....	37,637.50
Gross Bond Insurance Premium.....	9,336.76
Deposit to Debt Service Fund.....	11,306.53
Deposit to Current Refunding Fund.....	2,057,979.69
Rounding Amount.....	2,441.39
TOTAL USES.....	\$2,153,183.66

\$2,048,000
 Kentucky Rural Water Finance Corporation
 McCreary County Water District

DEBT SERVICE COMPARISON

Date	Total P+I	Net New D/S	Old Net D/S	Savings
12/30/2004	38,399.55	38,399.55	145,690.07	107,290.52
12/30/2005	138,393.00	138,393.00	144,200.50	5,807.50
12/30/2006	139,458.90	139,458.90	145,818.75	6,359.85
12/30/2007	142,267.90	142,267.90	148,232.50	5,964.60
12/30/2008	164,542.30	164,542.30	170,996.25	6,453.95
12/30/2009	163,266.05	163,266.05	169,957.50	6,691.45
12/30/2010	133,126.15	133,126.15	136,550.00	3,423.85
12/30/2011	134,149.30	134,149.30	136,870.00	2,720.70
12/30/2012	133,933.20	133,933.20	135,957.50	2,024.30
12/30/2013	134,479.25	134,479.25	136,987.50	2,508.25
12/30/2014	131,840.30	131,840.30	135,857.50	4,017.20
12/30/2015	133,011.40	133,011.40	137,542.50	4,531.10
12/30/2016	132,953.00	132,953.00	136,042.50	3,089.50
12/30/2017	135,674.50	135,674.50	138,332.50	2,658.00
12/30/2018	133,192.50	133,192.50	136,412.50	3,220.00
12/30/2019	133,520.75	133,520.75	136,332.50	2,811.75
12/30/2020	134,592.50	134,592.50	136,140.00	1,547.50
12/30/2021	132,421.00	132,421.00	135,635.00	3,214.00
12/30/2022	132,997.75	132,997.75	135,992.50	2,994.75
12/30/2023	118,613.50	118,613.50	120,387.50	1,774.00
12/30/2024	118,314.25	118,314.25	120,045.00	1,730.75
12/30/2025	117,784.50	117,784.50	119,487.50	1,703.00
12/30/2026	117,020.25	117,020.25	119,690.00	2,669.75
12/30/2027	57,439.75	57,439.75	57,325.00	(114.75)
12/30/2028	56,138.00	56,138.00	56,292.50	154.50
12/30/2029	55,766.50	55,766.50	56,267.50	501.00
12/30/2030	56,278.75	56,278.75	56,122.50	(156.25)
12/30/2031	-	-	55,760.00	55,760.00
Total	3,219,574.80	3,219,574.80	3,460,925.57	241,350.77

PRESENT VALUE ANALYSIS SUMMARY (NET TO NET)

Gross PV Debt Service Savings.....	162,377.11
Net PV Cashflow Savings @ 4.383%(AIC).....	162,377.11
Accrued Interest Credit to Debt Service Fund.....	11,306.53
Transfers from Prior Issue Debt Service Fund.....	(93,877.13)
Contingency or Rounding Amount.....	2,441.39
NET PRESENT VALUE BENEFIT.....	\$82,247.90
NET PV BENEFIT / \$2,009,790 REFUNDED PRINCIPAL.....	4.092%
NET PV BENEFIT / \$2,048,000 REFUNDING PRINCIPAL.....	4.016%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	
Refunding Delivery Date.....	3/24/2004

\$84,076
McCreary County Water District
Series 1973 B

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	-	-
12/30/2004	4,076.00	-	3,896.81	7,972.81
12/30/2005	4,000.00	-	3,705.00	7,705.00
12/30/2006	5,000.00	-	3,491.25	8,491.25
12/30/2007	8,000.00	-	3,182.50	11,182.50
12/30/2008	31,000.00	-	2,256.25	33,256.25
12/30/2009	32,000.00	-	760.00	32,760.00
Total	84,076.00	-	17,291.81	101,367.81

YIELD STATISTICS

Average Life.....	3.997 Years
Weighted Average Maturity (Par Basis).....	3.849 Years
Average Coupon.....	4.9437357%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	2/01/2004
Refunding Delivery Date.....	3/24/2004

Morgan Keegan & Co., Inc.
Kentucky Public Finance

File = SERIES 2004 A 9 bp.SF-SINGLE PURPOSE
2/25/2004 1:06 PM

\$203,031
McCreary County Water District
Series 1985

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	5,075.77	5,075.77
12/30/2004	7,030.62	-	9,975.77	17,006.39
12/30/2005	7,000.00	-	9,625.00	16,625.00
12/30/2006	7,000.00	-	9,275.00	16,275.00
12/30/2007	8,000.00	-	8,900.00	16,900.00
12/30/2008	8,000.00	-	8,500.00	16,500.00
12/30/2009	9,000.00	-	8,075.00	17,075.00
12/30/2010	9,000.00	-	7,625.00	16,625.00
12/30/2011	9,000.00	-	7,175.00	16,175.00
12/30/2012	10,000.00	-	6,700.00	16,700.00
12/30/2013	10,000.00	-	6,200.00	16,200.00
12/30/2014	11,000.00	-	5,675.00	16,675.00
12/30/2015	11,000.00	-	5,125.00	16,125.00
12/30/2016	12,000.00	-	4,550.00	16,550.00
12/30/2017	13,000.00	-	3,925.00	16,925.00
12/30/2018	13,000.00	-	3,275.00	16,275.00
12/30/2019	14,000.00	-	2,600.00	16,600.00
12/30/2020	14,000.00	-	1,900.00	15,900.00
12/30/2021	15,000.00	-	1,175.00	16,175.00
12/30/2022	16,000.00	-	400.00	16,400.00
Total	203,030.62	-	115,751.54	318,782.16

YIELD STATISTICS

Average Life.....	10.569 Years
Weighted Average Maturity (Par Basis).....	10.422 Years
Average Coupon.....	5.0771139%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	2/01/2004
Refunding Delivery Date.....	3/24/2004

Morgan Keegan & Co., Inc.
 Kentucky Public Finance

File = SERIES 2004 A 9 bp.SF-SINGLE PURPOSE
 2/25/2004 1:05 PM

\$601,090
McCreary County Water District
Series 1986 A

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+i
12/30/2003	-	-	15,027.26	15,027.26
12/30/2004	14,090.43	-	29,702.26	43,792.69
12/30/2005	15,000.00	-	28,975.00	43,975.00
12/30/2006	16,000.00	-	28,200.00	44,200.00
12/30/2007	17,000.00	-	27,375.00	44,375.00
12/30/2008	18,000.00	-	26,500.00	44,500.00
12/30/2009	18,000.00	-	25,600.00	43,600.00
12/30/2010	19,000.00	-	24,675.00	43,675.00
12/30/2011	20,000.00	-	23,700.00	43,700.00
12/30/2012	21,000.00	-	22,675.00	43,675.00
12/30/2013	22,000.00	-	21,600.00	43,600.00
12/30/2014	23,000.00	-	20,475.00	43,475.00
12/30/2015	25,000.00	-	19,275.00	44,275.00
12/30/2016	26,000.00	-	18,000.00	44,000.00
12/30/2017	28,000.00	-	16,650.00	44,650.00
12/30/2018	29,000.00	-	15,225.00	44,225.00
12/30/2019	30,000.00	-	13,750.00	43,750.00
12/30/2020	32,000.00	-	12,200.00	44,200.00
12/30/2021	33,000.00	-	10,575.00	43,575.00
12/30/2022	35,000.00	-	8,875.00	43,875.00
12/30/2023	37,000.00	-	7,075.00	44,075.00
12/30/2024	39,000.00	-	5,175.00	44,175.00
12/30/2025	41,000.00	-	3,175.00	44,175.00
12/30/2026	43,000.00	-	1,075.00	44,075.00
Total	601,090.43	-	425,554.52	1,026,644.95

YIELD STATISTICS

Average Life.....	13.326 Years
Weighted Average Maturity (Par Basis).....	13.179 Years
Average Coupon.....	5.0611596%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	2/01/2004
Refunding Delivery Date.....	3/24/2004

\$256,039
McCreary County Water District
Series 1986 B

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	6,400.96	6,400.96
12/30/2004	6,038.56	-	12,650.96	18,689.52
12/30/2005	6,000.00	-	12,350.00	18,350.00
12/30/2006	7,000.00	-	12,025.00	19,025.00
12/30/2007	7,000.00	-	11,675.00	18,675.00
12/30/2008	7,000.00	-	11,325.00	18,325.00
12/30/2009	8,000.00	-	10,950.00	18,950.00
12/30/2010	8,000.00	-	10,550.00	18,550.00
12/30/2011	9,000.00	-	10,125.00	19,125.00
12/30/2012	9,000.00	-	9,675.00	18,675.00
12/30/2013	10,000.00	-	9,200.00	19,200.00
12/30/2014	10,000.00	-	8,700.00	18,700.00
12/30/2015	11,000.00	-	8,175.00	19,175.00
12/30/2016	11,000.00	-	7,625.00	18,625.00
12/30/2017	12,000.00	-	7,050.00	19,050.00
12/30/2018	12,000.00	-	6,450.00	18,450.00
12/30/2019	13,000.00	-	5,825.00	18,825.00
12/30/2020	13,000.00	-	5,175.00	18,175.00
12/30/2021	14,000.00	-	4,500.00	18,500.00
12/30/2022	15,000.00	-	3,775.00	18,775.00
12/30/2023	16,000.00	-	3,000.00	19,000.00
12/30/2024	17,000.00	-	2,175.00	19,175.00
12/30/2025	17,000.00	-	1,325.00	18,325.00
12/30/2026	18,000.00	-	450.00	18,450.00
Total	256,038.56	-	181,151.92	437,190.48

YIELD STATISTICS

Average Life.....	13.317 Years
Weighted Average Maturity (Par Basis).....	13.170 Years
Average Coupon.....	5.0612011%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	2/01/2004
Refunding Delivery Date.....	3/24/2004

\$132,520
McCreary County Water District
Series 1991 B

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	-	-
12/30/2004	2,300.00	-	6,568.50	8,868.50
12/30/2005	2,420.00	-	6,450.50	8,870.50
12/30/2006	2,500.00	-	6,327.50	8,827.50
12/30/2007	2,600.00	-	6,200.00	8,800.00
12/30/2008	2,800.00	-	6,065.00	8,865.00
12/30/2009	2,900.00	-	5,922.50	8,822.50
12/30/2010	3,000.00	-	5,775.00	8,775.00
12/30/2011	3,200.00	-	5,620.00	8,820.00
12/30/2012	3,300.00	-	5,457.50	8,757.50
12/30/2013	3,500.00	-	5,287.50	8,787.50
12/30/2014	3,700.00	-	5,107.50	8,807.50
12/30/2015	3,900.00	-	4,917.50	8,817.50
12/30/2016	4,100.00	-	4,717.50	8,817.50
12/30/2017	4,300.00	-	4,507.50	8,807.50
12/30/2018	4,500.00	-	4,287.50	8,787.50
12/30/2019	4,700.00	-	4,057.50	8,757.50
12/30/2020	5,000.00	-	3,815.00	8,815.00
12/30/2021	5,200.00	-	3,560.00	8,760.00
12/30/2022	5,500.00	-	3,292.50	8,792.50
12/30/2023	5,700.00	-	3,012.50	8,712.50
12/30/2024	6,000.00	-	2,720.00	8,720.00
12/30/2025	6,300.00	-	2,412.50	8,712.50
12/30/2026	6,600.00	-	2,090.00	8,690.00
12/30/2027	7,000.00	-	1,750.00	8,750.00
12/30/2028	7,300.00	-	1,392.50	8,692.50
12/30/2029	7,700.00	-	1,017.50	8,717.50
12/30/2030	8,100.00	-	622.50	8,722.50
12/30/2031	8,400.00	-	210.00	8,610.00
Total	132,520.00	-	113,164.00	245,684.00

YIELD STATISTICS

Average Life.....	16.745 Years
Weighted Average Maturity (Par Basis).....	16.598 Years
Average Coupon.....	5.0486710%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	2/01/2004
Refunding Delivery Date.....	3/24/2004

Morgan Keegan & Co., Inc.
 Kentucky Public Finance

File = SERIES 2004 A 9 bp.SF-SINGLE PURPOSE
 2/25/2004 1:06 PM

\$733,110
McCreary County Water District
Series 1992

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	18,327.76	18,327.76
12/30/2004	13,110.21	-	36,327.76	49,437.97
12/30/2005	13,000.00	-	35,675.00	48,675.00
12/30/2006	14,000.00	-	35,000.00	49,000.00
12/30/2007	14,000.00	-	34,300.00	48,300.00
12/30/2008	16,000.00	-	33,550.00	49,550.00
12/30/2009	16,000.00	-	32,750.00	48,750.00
12/30/2010	17,000.00	-	31,925.00	48,925.00
12/30/2011	18,000.00	-	31,050.00	49,050.00
12/30/2012	18,000.00	-	30,150.00	48,150.00
12/30/2013	20,000.00	-	29,200.00	49,200.00
12/30/2014	20,000.00	-	28,200.00	48,200.00
12/30/2015	22,000.00	-	27,150.00	49,150.00
12/30/2016	22,000.00	-	26,050.00	48,050.00
12/30/2017	24,000.00	-	24,900.00	48,900.00
12/30/2018	25,000.00	-	23,675.00	48,675.00
12/30/2019	26,000.00	-	22,400.00	48,400.00
12/30/2020	28,000.00	-	21,050.00	49,050.00
12/30/2021	29,000.00	-	19,625.00	48,625.00
12/30/2022	30,000.00	-	18,150.00	48,150.00
12/30/2023	32,000.00	-	16,600.00	48,600.00
12/30/2024	33,000.00	-	14,975.00	47,975.00
12/30/2025	35,000.00	-	13,275.00	48,275.00
12/30/2026	37,000.00	-	11,475.00	48,475.00
12/30/2027	39,000.00	-	9,575.00	48,575.00
12/30/2028	40,000.00	-	7,600.00	47,600.00
12/30/2029	42,000.00	-	5,550.00	47,550.00
12/30/2030	44,000.00	-	3,400.00	47,400.00
12/30/2031	46,000.00	-	1,150.00	47,150.00
Total	733,110.21	-	643,055.52	1,376,165.73

YIELD STATISTICS

Average Life.....	16.710 Years
Weighted Average Maturity (Par Basis).....	16.563 Years
Average Coupon.....	5.0487747%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	2/01/2004
Refunding Delivery Date.....	3/24/2004

McCREARY COUNTY WATER DISTRICT
WATER AND SEWER DIVISION AND EAST PINE KNOT ESTATES SEWER
COMBINED STATEMENT OF CASH FLOWS
DECEMBER 31, 2002

Cash Flows From Operating Activities:	
Operating Income	\$ (<u>170,678</u>)
Adjustments to Reconcile Net Income to Cash	
Provided by Operating Activities:	
Depreciation	416,755
Change in Assets and Liabilities:	
Decrease (increase) in accounts receivable	(7,727)
Decrease (increase) in other receivables	(319)
Decrease (increase) in notes receivable	(8,074)
Decrease (increase) in inventory	(5,218)
Decrease (increase) in interest receivable	4,483
Increase (decrease) in accounts payable	(7,182)
Increase (decrease) in customer deposits	24,849
Increase (decrease) in interest payable	(1,110)
Increase (decrease) in current portion of revenue bonds	(<u>2,827</u>)
Total Adjustments	<u>413,630</u>
Cash Provided (Used) By Operating Activities:	<u>242,952</u>
Cash Flows From Noncapital Financing Activities:	
There were no noncapital financing activities this year	<u>0</u>
Cash Flows From Capital and Related Financing Activities:	
Interim Financing Repayment	(2,114,000)
System Development Contributions	5,257,483
Capital Grant Contribution	5,205,415
Interest Expense	(333,263)
Acquisition of Capital Assets	(9,201,491)
Increase (decrease) in Capital Lease Payable	9,594
Increase (decrease) in Long-Term Debt	<u>3,282,344</u>
Cash Provided (used) by Capital and Related Financing Activities	<u>2,106,082</u>
Cash Flows From Investing Activities:	
Invested in Repurchase Agreement, Restricted	(2,336,026)
Invested in Repurchase Agreement, Unrestricted	60,000
Interest Income	<u>16,796</u>
Cash Provided by Investing Activities	(<u>2,259,230</u>)
NET INCREASE (DECREASE) IN CASH	89,804
CASH AT BEGINNING OF YEAR	<u>63,403</u>
CASH AT END OF YEAR	\$ <u>153,207</u>
INTEREST EXPENSE PAID	\$ <u>333,628</u>

The accompanying notes are an integral part of these financial statements

McCREARY COUNTY WATER DISTRICT
WATER AND SEWER DIVISION AND EAST PINE ESTATES SEWER
COMBINED STATEMENT OF INCOME AND CHANGES IN RETAINED EARNINGS
DECEMBER 31, 2002

Operating Revenues:	<u>\$ 1,731,223</u>
Operating Expenses:	
Personnel	705,252
Supplies, Materials & Power Purchased	433,022
Contractual & Other Services	346,872
Depreciation	<u>416,755</u>
TOTAL OPERATING EXPENSE	<u>1,901,901</u>
INCOME FROM OPERATIONS	<u>(170,678)</u>
Nonoperating Revenues (Expenses):	
Interest Income	16,796
Interest Expense	<u>(333,263)</u>
TOTAL NON-OPERATING EXPENSES	<u>(316,467)</u>
NET INCOME (LOSS)	<u>(487,145)</u>
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>(1,963,313)</u>
RETAINED EARNINGS AT END OF YEAR	<u><u>\$(2,450,458)</u></u>

2/22/02

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

McCREARY COUNTY WATER DISTRICT
 WATER AND SEWER DIVISION AND EAST PINE KNOT ESTATES SEWER
 COMBINING STATEMENT OF INCOME
 AND CHANGES IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS
 DECEMBER 31, 2002

	<u>McCreary County</u> <u>Water</u>	<u>Sewer</u>	<u>East Pine</u> <u>Knot Estates</u>	<u>Total</u>
Operating Revenues:	\$ 1,542,691	\$ 174,493	\$ 14,039	\$ 1,731,223
Operating Expenses:				
Personnel	705,252	0	0	705,252
Supplies, Materials & Power Purchased	378,161	51,345	3,516	433,022
Contractual and Other Services	214,338	126,780	5,754	346,872
Depreciation	<u>318,568</u>	<u>97,962</u>	<u>225</u>	<u>416,755</u>
TOTAL OPERATING EXPENSE	<u>1,616,319</u>	<u>276,087</u>	<u>9,495</u>	<u>1,901,901</u>
INCOME FROM OPERATIONS	(<u>73,628</u>)	(<u>101,594</u>)	<u>4,544</u>	(<u>170,678</u>)
Nonoperating Revenues (Expenses)				
Interest Income	13,825	2,837	134	16,796
Interest Expense	(<u>268,025</u>)	(<u>65,238</u>)	<u>0</u>	(<u>333,263</u>)
TOTAL NON-OPERATING EXPENSES	(<u>254,200</u>)	(<u>62,401</u>)	<u>134</u>	(<u>316,467</u>)
NET INCOME (LOSS):	(327,828)	(163,995)	4,678	(487,145)
RETAINED EARNINGS AT BEGINNING OF YEAR	(<u>1,643,685</u>)	(<u>336,065</u>)	<u>16,437</u>	(<u>1,963,313</u>)
RETAINED EARNINGS AT END OF YEAR	\$(<u>1,971,513</u>)	\$(<u>500,060</u>)	<u>\$ 21,115</u>	\$(<u>2,450,458</u>)

See Independent Auditor's Report

LIABILITIES AND FUND EQUITY

	McCreary County		East Pine	
	<u>Water</u>	<u>Sewer</u>	<u>Knot Estates</u>	<u>Total</u>
Current Liabilities:				
Accounts Payable	\$ 55,318	\$ 5,435	\$ 1,124	\$ 61,877
Due to Associated Companies	0	127,572	0	127,572
Current Portion of Capitalized Equipment Lease	9,594	0	0	9,594
Payables from Restricted Assets:				
Customer Deposits	12,030	0	0	12,030
Accrued Interest	80,806	65	0	80,871
Current Portion of Revenue Bonds	<u>122,100</u>	<u>0</u>	<u>0</u>	<u>122,100</u>
TOTAL CURRENT LIABILITIES	279,848	133,072	1,124	414,044
Long-Term Debt:				
Capital Equipment Lease (Net of Current Portion)	35,944	0	0	35,944
Revenue Bonds (Net of Current Portion)	<u>5,648,000</u>	<u>1,778,000</u>	<u>0</u>	<u>7,426,000</u>
TOTAL LONG-TERM DEBT	<u>5,683,944</u>	<u>1,778,000</u>	<u>0</u>	<u>7,461,944</u>
TOTAL LIABILITIES	<u>5,963,792</u>	<u>1,911,072</u>	<u>1,124</u>	<u>7,875,988</u>
Fund Equity:				
Other Paid in Capital	0	0	10,773	10,773
Customer Contributions	9,081,560	178,999	0	9,260,559
Federal Capital Grants	7,695,442	5,481,799	0	13,177,241
Retained Earnings (Deficits)	<u>(1,971,513)</u>	<u>(500,060)</u>	<u>21,115</u>	<u>(2,450,458)</u>
TOTAL FUND EQUITY	<u>14,805,489</u>	<u>5,160,738</u>	<u>31,888</u>	<u>19,998,115</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 20,769,281</u>	<u>\$ 7,071,810</u>	<u>\$ 33,012</u>	<u>\$ 27,874,103</u>

See Independent Auditor's Report

LIABILITIES AND FUND EQUITY

Current Liabilities:

Accounts Payable	\$	61,877
Current Portion of Capital Equipment Lease		9,594

Payables from Restricted Assets:

Customer Deposits		12,030
Accrued Interest		80,871
Current Portion of Revenue Bonds		<u>122,100</u>
TOTAL CURRENT LIABILITIES		286,472

Long-Term Debt:

Capital Equipment Lease (Net of Current Portion)		35,944
Revenue Bonds (Net of Current Portion)		<u>7,426,000</u>
TOTAL LONG-TERM DEBT		<u>7,461,944</u>
TOTAL LIABILITIES		<u>7,748,416</u>

Fund Equity:

Other Paid in Capital		10,773
Customer Contributions		9,260,559
Federal Capital Grants		13,177,241
Unreserved Retained Earnings (Deficits)		<u>(2,450,458)</u>
TOTAL FUND EQUITY		<u>19,998,115</u>

TOTAL LIABILITIES AND FUND EQUITY	\$	<u>27,746,531</u>
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The accompanying notes are an integral part of these financial statements.