

Rubin & Hays

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

April 12, 2010

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

2010-00154

RECEIVED

APR 15 2010

PUBLIC SERVICE
COMMISSION

Re: North Mercer Water District PSC Application

Dear Mr. Derouen:

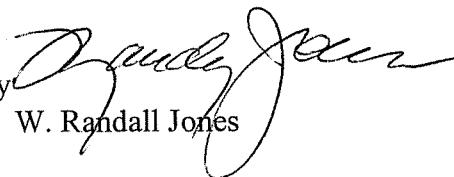
Enclosed please find the original and ten (10) copies of the Application of the North Mercer Water District for an Order authorizing the District to issue securities pursuant to KRS 278.300.

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 May 27, 2010 (the closing date).**

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

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jlm
Enclosures

cc: Ms. Mischell Lee, North Mercer Water District
Ms. Kristen Millard, Morgan Keegan

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

RECEIVED

APR 15 2010

PUBLIC SERVICE COMMISSION

Case No. 2010-00154

THE APPLICATION OF NORTH)
MERCER WATER DISTRICT TO)
ISSUE SECURITIES IN THE APPROX-)
MATE PRINCIPAL AMOUNT OF \$1,785,000)
FOR THE PURPOSE OF REFUNDING 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 sum \$1,785,000 (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 Mr. Roy Short, Chairman
P.O. Box 79
Salvisa, Kentucky 40372
Telephone: (859) 865-2292

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 2009 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 \$1,785,000 (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 1992, dated January 24, 1994, in the original principal amount of \$1,231,000 (the "1992 Bonds"), currently held by USDA, Rural Development; and (ii) North Mercer Water District Waterworks Refunding Revenue Bonds, Series 1996, dated January 1, 1996, in the original principal amount of \$1,220,000 (the "1996 Bonds"), currently held in the open market (the 1994 Bonds and the 1996 Bonds being hereinafter referred to as the "Prior Bonds").

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 generate a net combined present value savings of approximately \$152,065.39. 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 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 Revenue and Expenses, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2009 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 2009 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 KRWFC 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, 2009. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2009. 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 KRWFC Loan while more current financial data is compiled.

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 estimated closing date of **May 27, 2010**;

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 2009 Annual Report and 2009 audit in lieu of more recent financial data, there being no material change in the data in 2010 and due to the volatility of the present bond market; and

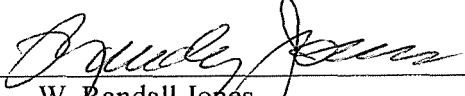
3. Process this Application without a formal hearing in order to save time and expense.

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

North Mercer Water District

By 
Chairman
P.O. Box 79
Salvisa, Kentucky 40372
Phone: (859) 865-2292

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

STATE OF KENTUCKY)
) SS
COUNTY OF MERCER)

The affiant, Roy Short, 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 9th day of April, 2010.



Roy Short, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Roy Short, Chairman of the North Mercer Water District, on this the 9th day of April, 2010.

My Commission expires: May 28, 2012.



NOTARY PUBLIC

\$1,785,000
North Mercer Water District
Refunding of Series 1994 Loan
through the Kentucky Rural Water Finance Corporation

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
05/27/2010	-	-	-	-	-
08/01/2010	-	-	11,636.67	11,636.67	-
12/30/2010	-	-	-	-	11,636.67
02/01/2011	15,000.00	2.250%	32,728.13	47,728.13	-
08/01/2011	-	-	32,559.38	32,559.38	-
12/30/2011	-	-	-	-	80,287.51
02/01/2012	85,000.00	2.250%	32,559.38	117,559.38	-
08/01/2012	-	-	31,603.13	31,603.13	-
12/30/2012	-	-	-	-	149,162.51
02/01/2013	90,000.00	2.250%	31,603.13	121,603.13	-
08/01/2013	-	-	30,590.63	30,590.63	-
12/30/2013	-	-	-	-	152,193.76
02/01/2014	90,000.00	2.250%	30,590.63	120,590.63	-
08/01/2014	-	-	29,578.13	29,578.13	-
12/30/2014	-	-	-	-	150,168.76
02/01/2015	90,000.00	2.250%	29,578.13	119,578.13	-
08/01/2015	-	-	28,565.63	28,565.63	-
12/30/2015	-	-	-	-	148,143.76
02/01/2016	100,000.00	3.250%	28,565.63	128,565.63	-
08/01/2016	-	-	26,940.63	26,940.63	-
12/30/2016	-	-	-	-	155,506.26
02/01/2017	95,000.00	3.250%	26,940.63	121,940.63	-
08/01/2017	-	-	25,396.88	25,396.88	-
12/30/2017	-	-	-	-	147,337.51
02/01/2018	105,000.00	3.250%	25,396.88	130,396.88	-
08/01/2018	-	-	23,690.63	23,690.63	-
12/30/2018	-	-	-	-	154,087.51
02/01/2019	110,000.00	3.750%	23,690.63	133,690.63	-
08/01/2019	-	-	21,628.13	21,628.13	-
12/30/2019	-	-	-	-	155,318.76
02/01/2020	110,000.00	3.750%	21,628.13	131,628.13	-
08/01/2020	-	-	19,565.63	19,565.63	-
12/30/2020	-	-	-	-	151,193.76
02/01/2021	115,000.00	4.250%	19,565.63	134,565.63	-
08/01/2021	-	-	17,121.88	17,121.88	-
12/30/2021	-	-	-	-	151,687.51
02/01/2022	120,000.00	4.250%	17,121.88	137,121.88	-
08/01/2022	-	-	14,571.88	14,571.88	-
12/30/2022	-	-	-	-	151,693.76
02/01/2023	135,000.00	4.250%	14,571.88	149,571.88	-
08/01/2023	-	-	11,703.13	11,703.13	-
12/30/2023	-	-	-	-	161,275.01
02/01/2024	45,000.00	4.250%	11,703.13	56,703.13	-
08/01/2024	-	-	10,746.88	10,746.88	-
12/30/2024	-	-	-	-	67,450.01
02/01/2025	45,000.00	4.250%	10,746.88	55,746.88	-
08/01/2025	-	-	9,790.63	9,790.63	-
12/30/2025	-	-	-	-	65,537.51
02/01/2026	50,000.00	4.250%	9,790.63	59,790.63	-
08/01/2026	-	-	8,728.13	8,728.13	-
12/30/2026	-	-	-	-	68,518.76
02/01/2027	55,000.00	4.375%	8,728.13	63,728.13	-
08/01/2027	-	-	7,525.00	7,525.00	-
12/30/2027	-	-	-	-	71,253.13
02/01/2028	60,000.00	4.375%	7,525.00	67,525.00	-
08/01/2028	-	-	6,212.50	6,212.50	-
12/30/2028	-	-	-	-	73,737.50
02/01/2029	60,000.00	4.500%	6,212.50	66,212.50	-
08/01/2029	-	-	4,862.50	4,862.50	-
12/30/2029	-	-	-	-	71,075.00
02/01/2030	65,000.00	4.500%	4,862.50	69,862.50	-
08/01/2030	-	-	3,400.00	3,400.00	-
12/30/2030	-	-	-	-	73,262.50
02/01/2031	70,000.00	4.625%	3,400.00	73,400.00	-
08/01/2031	-	-	1,781.25	1,781.25	-
12/30/2031	-	-	-	-	75,181.25
02/01/2032	75,000.00	4.750%	1,781.25	76,781.25	-
12/30/2032	-	-	-	-	76,781.25
Total	\$1,785,000.00	-	\$777,489.96	\$2,562,489.96	-

Yield Statistics

Bond Year Dollars	\$19,024.83
Average Life	10.658 Years
Average Coupon	4.0867110%
Net Interest Cost (NIC)	4.1828041%
True Interest Cost (TIC)	4.1558952%
Bond Yield for Arbitrage Purposes	3.8526259%
All Inclusive Cost (AIC)	4.4205071%

IRS Form 8038

Net Interest Cost	4.0030175%
Weighted Average Maturity	10.623 Years

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\$1,785,000

*North Mercer Water District
Refunding of Series 1994 Loan
through the Kentucky Rural Water Finance Corporation*

Sources & Uses

Dated 05/27/2010 | Delivered 05/27/2010

Sources Of Funds

Par Amount of Bonds.....	\$1,785,000.00
Reoffering Premium.....	12,955.95
Transfers from Prior Issue Debt Service Funds.....	53,736.25
Transfers from Prior Issue DSR Funds.....	95,040.00
Total Sources.....	\$1,946,732.20

Uses Of Funds

Total Underwriter's Discount (1.750%).....	31,237.50
Costs of Issuance.....	31,060.00
Deposit to Current Refunding Fund.....	1,883,640.22
Rounding Amount.....	794.48
Total Uses.....	\$1,946,732.20

\$1,785,000

*North Mercer Water District
Refunding of Series 1994 Loan
through the Kentucky Rural Water Finance Corporation*

Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2010	11,636.67	-	11,636.67	50,104.38	38,467.71
12/30/2011	80,287.51	450.00	80,737.51	159,569.38	78,831.87
12/30/2012	149,162.51	450.00	149,612.51	162,129.38	12,516.87
12/30/2013	152,193.76	450.00	152,643.76	165,340.01	12,696.25
12/30/2014	150,168.76	450.00	150,618.76	163,308.76	12,690.00
12/30/2015	148,143.76	450.00	148,593.76	165,062.51	16,468.75
12/30/2016	155,506.26	450.00	155,956.26	168,440.01	12,483.75
12/30/2017	147,337.51	450.00	147,787.51	164,508.13	16,720.62
12/30/2018	154,087.51	450.00	154,537.51	167,261.25	12,723.74
12/30/2019	155,318.76	450.00	155,768.76	168,600.00	12,831.24
12/30/2020	151,193.76	450.00	151,643.76	165,664.38	14,020.62
12/30/2021	151,687.51	450.00	152,137.51	166,454.38	14,316.87
12/30/2022	151,693.76	450.00	152,143.76	167,830.00	15,686.24
12/30/2023	161,275.01	450.00	161,725.01	173,624.38	11,899.37
12/30/2024	67,450.01	450.00	67,900.01	82,470.63	14,570.62
12/30/2025	65,537.51	450.00	65,987.51	82,648.75	16,661.24
12/30/2026	68,518.76	450.00	68,968.76	83,638.75	14,669.99
12/30/2027	71,253.13	450.00	71,703.13	84,413.75	12,710.62
12/30/2028	73,737.50	450.00	74,187.50	85,946.88	11,759.38
12/30/2029	71,075.00	450.00	71,525.00	87,211.26	15,686.26
12/30/2030	73,262.50	450.00	73,712.50	88,206.88	14,494.38
12/30/2031	75,181.25	450.00	75,631.25	89,906.88	14,275.63
12/30/2032	76,781.25	450.00	77,231.25	89,338.13	12,106.88
TOTAL	\$2,562,489.96	\$11,250.00	\$2,573,739.96	\$2,981,678.86	\$407,938.90

Gross FV Debt Service Savings.....	407,938.90
Transfers from Prior Issue Debt Service Fund.....	(53,736.25)
Transfers from Prior Issue DSR Fund.....	(95,040.00)
Contingency or Rounding Amount.....	794.48
Net Benefit.....	\$259,957.13

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	306,835.92
Effects of changes in Expenses.....	(6,788.76)
Net PV Cashflow Savings @ 4.421%(AIC).....	300,047.16
Transfers from Prior Issue Debt Service Fund.....	(53,736.25)
Transfers from Prior Issue DSR Fund.....	(95,040.00)
Contingency or Rounding Amount.....	794.48
Net Present Value Benefit.....	\$152,065.39
Net PV Benefit / \$1,843,000 Refunded Principal.....	8.251%
Net PV Benefit / \$1,785,000 Refunding Principal.....	8.519%

Refunding Bond Information

Refunding Dated Date.....	5/27/2010
Refunding Delivery Date.....	5/27/2010

North Mercer Water District
USDA-RD Loan
Series 1994

Debt Service To Maturity And To Call

Date	Refunded Bonds	Interest to Call	D/S To Call	Principal	Coupon	Interest	Refunded D/S
07/01/2010	1,033,000.00	22,517.97	1,055,517.97	-	-	27,761.88	27,761.88
01/01/2011	-	-	-	21,000.00	5.375%	27,761.88	48,761.88
07/01/2011	-	-	-	-	-	27,197.50	27,197.50
01/01/2012	-	-	-	22,000.00	5.375%	27,197.50	49,197.50
07/01/2012	-	-	-	-	-	26,606.25	26,606.25
01/01/2013	-	-	-	24,000.00	5.375%	26,606.25	50,606.25
07/01/2013	-	-	-	-	-	25,961.25	25,961.25
01/01/2014	-	-	-	26,000.00	5.375%	25,961.25	51,961.25
07/01/2014	-	-	-	-	-	25,262.50	25,262.50
01/01/2015	-	-	-	27,000.00	5.375%	25,262.50	52,262.50
07/01/2015	-	-	-	-	-	24,536.88	24,536.88
01/01/2016	-	-	-	30,000.00	5.375%	24,536.88	54,536.88
07/01/2016	-	-	-	-	-	23,730.63	23,730.63
01/01/2017	-	-	-	31,000.00	5.375%	23,730.63	54,730.63
07/01/2017	-	-	-	-	-	22,897.50	22,897.50
01/01/2018	-	-	-	34,000.00	5.375%	22,897.50	56,897.50
07/01/2018	-	-	-	-	-	21,983.75	21,983.75
01/01/2019	-	-	-	36,000.00	5.375%	21,983.75	57,983.75
07/01/2019	-	-	-	-	-	21,016.25	21,016.25
01/01/2020	-	-	-	39,000.00	5.375%	21,016.25	60,016.25
07/01/2020	-	-	-	-	-	19,968.13	19,968.13
01/01/2021	-	-	-	41,000.00	5.375%	19,968.13	60,968.13
07/01/2021	-	-	-	-	-	18,866.25	18,866.25
01/01/2022	-	-	-	44,000.00	5.375%	18,866.25	62,866.25
07/01/2022	-	-	-	-	-	17,683.75	17,683.75
01/01/2023	-	-	-	47,000.00	5.375%	17,683.75	64,683.75
07/01/2023	-	-	-	-	-	16,420.63	16,420.63
01/01/2024	-	-	-	51,000.00	5.375%	16,420.63	67,420.63
07/01/2024	-	-	-	-	-	15,050.00	15,050.00
01/01/2025	-	-	-	54,000.00	5.375%	15,050.00	69,050.00
07/01/2025	-	-	-	-	-	13,598.75	13,598.75
01/01/2026	-	-	-	58,000.00	5.375%	13,598.75	71,598.75
07/01/2026	-	-	-	-	-	12,040.00	12,040.00
01/01/2027	-	-	-	62,000.00	5.375%	12,040.00	74,040.00
07/01/2027	-	-	-	-	-	10,373.75	10,373.75
01/01/2028	-	-	-	67,000.00	5.375%	10,373.75	77,373.75
07/01/2028	-	-	-	-	-	8,573.13	8,573.13
01/01/2029	-	-	-	72,000.00	5.375%	8,573.13	80,573.13
07/01/2029	-	-	-	-	-	6,638.13	6,638.13
01/01/2030	-	-	-	77,000.00	5.375%	6,638.13	83,638.13
07/01/2030	-	-	-	-	-	4,568.75	4,568.75
01/01/2031	-	-	-	83,000.00	5.375%	4,568.75	87,568.75
07/01/2031	-	-	-	-	-	2,338.13	2,338.13
01/01/2032	-	-	-	87,000.00	5.375%	2,338.13	89,338.13
Total	\$1,033,000.00	\$22,517.97	\$1,055,517.97	\$1,033,000.00	-	\$786,147.58	\$1,819,147.58

Yield Statistics

Average Life.....	13.753 Years
Weighted Average Maturity (Par Basis).....	13.753 Years
Average Coupon.....	5.3750005%

Refunding Bond Information

Refunding Dated Date.....	5/27/2010
Refunding Delivery Date.....	5/27/2010

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*North Mercer Water District
Series 1996*

Debt Service To Maturity And To Call

Date	Refunded Bonds	Interest to Call	D/S To Call	Principal	Coupon	Interest	Refunded D/S
07/01/2010	810,000.00	18,122.25	828,122.25	-	-	22,342.50	22,342.50
01/01/2011	-	-	-	40,000.00	5.375%	22,342.50	62,342.50
07/01/2011	-	-	-	-	-	21,267.50	21,267.50
01/01/2012	-	-	-	45,000.00	5.375%	21,267.50	66,267.50
07/01/2012	-	-	-	-	-	20,058.13	20,058.13
01/01/2013	-	-	-	50,000.00	5.375%	20,058.13	70,058.13
07/01/2013	-	-	-	-	-	18,714.38	18,714.38
01/01/2014	-	-	-	50,000.00	5.375%	18,714.38	68,714.38
07/01/2014	-	-	-	-	-	17,370.63	17,370.63
01/01/2015	-	-	-	55,000.00	5.375%	17,370.63	72,370.63
07/01/2015	-	-	-	-	-	15,892.50	15,892.50
01/01/2016	-	-	-	60,000.00	5.375%	15,892.50	75,892.50
07/01/2016	-	-	-	-	-	14,280.00	14,280.00
01/01/2017	-	-	-	60,000.00	5.600%	14,280.00	74,280.00
07/01/2017	-	-	-	-	-	12,600.00	12,600.00
01/01/2018	-	-	-	65,000.00	5.600%	12,600.00	77,600.00
07/01/2018	-	-	-	-	-	10,780.00	10,780.00
01/01/2019	-	-	-	70,000.00	5.600%	10,780.00	80,780.00
07/01/2019	-	-	-	-	-	8,820.00	8,820.00
01/01/2020	-	-	-	70,000.00	5.600%	8,820.00	78,820.00
07/01/2020	-	-	-	-	-	6,860.00	6,860.00
01/01/2021	-	-	-	75,000.00	5.600%	6,860.00	81,860.00
07/01/2021	-	-	-	-	-	4,760.00	4,760.00
01/01/2022	-	-	-	80,000.00	5.600%	4,760.00	84,760.00
07/01/2022	-	-	-	-	-	2,520.00	2,520.00
01/01/2023	-	-	-	90,000.00	5.600%	2,520.00	92,520.00
Total	\$810,000.00	\$18,122.25	\$828,122.25	\$810,000.00	-	\$352,531.28	\$1,162,531.28

Yield Statistics

Average Life.....	7.422 Years
Weighted Average Maturity (Par Basis).....	7.422 Years
Average Coupon.....	5.5628218%

Refunding Bond Information

Refunding Dated Date.....	5/27/2010
Refunding Delivery Date.....	5/27/2010

NORTH MERCER WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2009

Revenue:

Water revenues	\$ 1,370,567
Other operating revenues	42,229
Total operating revenues	<u>1,412,796</u>

Operating expenses:

Source of supply	496,401
Transmission and distribution	363,100
Taxes	27,903
Customer accounts	187,550
General and administrative	150,066
Depreciation	336,234
Total operating expenses	<u>1,561,254</u>

Utility operating loss	<u>(148,458)</u>
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Non-operating revenues (expenses):

Sale of fixed assets	387
Interest income	33,038
Interest expense	(222,658)
Total non-operating revenues (expenses)	<u>(189,233)</u>

Net loss before contributions	(337,691)
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Capital contributions	<u>444,946</u>
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Change in net assets	107,255
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Net assets, beginning of year	<u>5,130,371</u>
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Net assets, end of year	<u><u>\$ 5,237,626</u></u>
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The accompanying notes are an integral part of these financial statements.

NORTH MERCER WATER DISTRICT
STATEMENT OF NET ASSETS
December 31, 2009

LIABILITIES:

Current liabilities:

Payable from current assets:

Accounts payable	\$ 18,821
Accrued liabilities	3,577
Customer deposits	41,330
Note payable	20,768
	<u>84,496</u>

Payable from restricted assets:

Retainage payable	15,839
Accrued interest payable	68,010
Current portion of long-term liabilities	81,500
	<u>165,349</u>

Total current liabilities	<u>249,845</u>
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Long-term liabilities:

Accrued compensated absences	5,227
Water revenue bonds	3,941,500
Notes due to State of Kentucky	382,500
Total long-term liabilities	<u>4,329,227</u>

Total liabilities	<u>4,579,072</u>
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NET ASSETS:

Invested in capital assets, net of related debt	3,990,634
Restricted:	
Debt service	151,414
Capital projects	414,676
Unrestricted	680,902
TOTAL NET ASSETS	<u>5,237,626</u>

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

ASSETS

Current assets:

Cash and cash equivalents	\$	335,674
Cash and cash equivalents-restricted		151,698
Investments		124,933
Investments-restricted		403,201
Accounts receivable-customers		194,588
Interest receivable		3,164
Materials and supplies		58,474
Prepaid expenses		17,185
Total current assets		<u>1,288,917</u>

Non-current assets:

Restricted assets:

Investments		95,040
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Utility plant:

Construction work in progress		389,884
Plant in service		12,744,879
Less accumulated depreciation		<u>(4,702,022)</u>

Net utility plant		<u>8,432,741</u>
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Total non-current assets		<u>8,527,781</u>
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Total assets	\$	<u><u>9,816,698</u></u>
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**NORTH MERCER WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009**

**Reconciliation of utility operating income to
net cash provided by operating activities:**

Utility operating loss	\$ (148,458)
Depreciation	336,234
(Increase) decrease in:	
Accounts receivable	(14,187)
Materials and supplies	(7,751)
Prepaid expenses	(1,892)
Increase (decrease) in:	
Accounts payable	(9,847)
Accrued liabilities	148
Customer deposits	5,248
Accrued compensated absences	534
Net cash provided by operating activities:	160,029

Schedule of cash and cash equivalents:

Beginning of period:

Unrestricted cash and cash equivalents	460,652
Restricted cash and cash equivalents	50,840
Total cash used:	511,492

End of period:

Unrestricted cash and cash equivalents	335,674
Restricted cash and cash equivalents	151,698
Total cash:	487,372

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

**NORTH MERCER WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009**

Cash flows from operating activities:

Cash inflows:

Payments received from customers	\$	1,398,609
Deposits received from customers		5,248
Total cash provided:		<u>1,403,857</u>

Cash outflows:

Payments for salaries and benefits		451,175
Payments to suppliers for goods and services		792,653
Total cash used:		<u>1,243,828</u>

Net cash provided by operating activities		<u>160,029</u>
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Cash flows from capital and related financing activities:

Note issuance		20,768
Sale of fixed assets		387
System development fees received		444,474
Payments for utility plant		(539,294)
Principal payments of bonds		(46,000)
Principal payments of debt		(35,000)
Interest payments of bonds and debt		(155,764)
Net cash used for capital and related financing activities		<u>(310,429)</u>

Cash flows from investing activities:

Investments matured		89,960
Interest received from investments		36,320
Net cash provided by investing activities		<u>126,280</u>

Net cash flow from all activities		(24,120)
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Cash and cash equivalents at beginning of period		<u>511,492</u>
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Cash and cash equivalents at end of period	\$	<u><u>487,372</u></u>
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