

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

RECEIVED

June 3, 2019

JUN 06 2019

PUBLIC SERVICE
COMMISSION

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

Re: Grayson County Water District PSC Application

Dear Director Pinson:

Enclosed please find the original and ten (10) copies of the Application of the Grayson County 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 indebtedness of the Applicant.

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. Kevin Shaw, Grayson County Water District
Ms. Kristen Millard, Raymond James

JUN 06 2019

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF GRAYSON COUNTY)
 WATER DISTRICT TO ISSUE SECURITIES IN)
 THE APPROXIMATE PRINCIPAL AMOUNT OF)
 \$1,170,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2019 - 00190
 CERTAIN OUTSTANDING REVENUE BONDS OF)
 THE DISTRICT PURSUANT TO THE PROVISIONS)
 OF KRS 278.300 AND 807 KAR 5:001)

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

APPLICATION

The Applicant, Grayson 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 \$1,170,000 (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 Grayson County, which Order is on file in the County Court Order Books in the office of the Clerk of Grayson 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 and email address of the District is as follows:

Grayson County Water District
c/o Mr. Kevin Shaw, Manager
21 Shull White Road
Leitchfield, Kentucky 42754
Telephone: (270) 259-2917
Fax: (270) 200-4302
email: kshaw@graysonwater.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 2018 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 \$1,170,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as Grayson County Water District Water System Revenue Bonds, Series 2005, dated February 8, 2007, in the original principal amount of \$1,350,000, bearing interest at the rate of 4.125% per annum (the "Prior Bonds"). The Prior Bonds are currently 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 benefit of approximately \$67,108.69. 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 Net Position, and Statement of Cash Flows for the twelve month period ending on December 31, 2018 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 2018 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 2018 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.

Grayson County Water District

By John R. Tomes
John R. Tomes, Chairman
21 Shull White Road
Leitchfield, Kentucky 42754
Phone: (270) 259-2917
Fax: (270) 200-4302
Email: kshaw@graysonwater.com

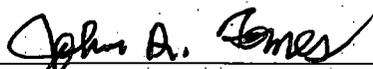
Rubin & Hays

By W. Randall Jones
W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Email: wrjones@rubinhays.com
Counsel for Grayson County Water
District

STATE OF KENTUCKY)
) SS
COUNTY OF GRAYSON)

The affiant, John R. Tomes, being first duly sworn, states: That he is the Chairman of the Grayson 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.

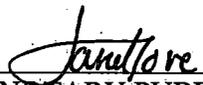
IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 28th day of May, 2019.



John R. Tomes, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by John R. Tomes, Chairman of the Grayson County Water District, on this the 28th day of May, 2019.

My Commission expires: September 15, 2021

 ID# 586979

NOTARY PUBLIC

Preliminary

\$1,170,000

Grayson County Water District
 Potential Loan through the Kentucky Rural Water Finance Corp.
 Refunding 2007 USDA-RD Loan

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
05/15/2019	-	-	-	-	-
02/01/2020	-	-	28,369.78	28,369.78	-
08/01/2020	35,000.00	2.900%	19,947.50	54,947.50	-
12/01/2020	-	-	-	-	83,317.28
02/01/2021	-	-	19,440.00	19,440.00	-
08/01/2021	45,000.00	2.900%	19,440.00	64,440.00	-
12/01/2021	-	-	-	-	83,880.00
02/01/2022	-	-	18,787.50	18,787.50	-
08/01/2022	45,000.00	3.200%	18,787.50	63,787.50	-
12/01/2022	-	-	-	-	82,575.00
02/01/2023	-	-	18,067.50	18,067.50	-
08/01/2023	45,000.00	3.200%	18,067.50	63,067.50	-
12/01/2023	-	-	-	-	81,135.00
02/01/2024	-	-	17,347.50	17,347.50	-
08/01/2024	50,000.00	3.200%	17,347.50	67,347.50	-
12/01/2024	-	-	-	-	84,695.00
02/01/2025	-	-	16,547.50	16,547.50	-
08/01/2025	50,000.00	3.200%	16,547.50	66,547.50	-
12/01/2025	-	-	-	-	83,095.00
02/01/2026	-	-	15,747.50	15,747.50	-
08/01/2026	50,000.00	3.700%	15,747.50	65,747.50	-
12/01/2026	-	-	-	-	81,495.00
02/01/2027	-	-	14,822.50	14,822.50	-
08/01/2027	55,000.00	3.700%	14,822.50	69,822.50	-
12/01/2027	-	-	-	-	84,645.00
02/01/2028	-	-	13,805.00	13,805.00	-
08/01/2028	55,000.00	3.500%	13,805.00	68,805.00	-
12/01/2028	-	-	-	-	82,610.00
02/01/2029	-	-	12,842.50	12,842.50	-
08/01/2029	55,000.00	3.500%	12,842.50	67,842.50	-
12/01/2029	-	-	-	-	80,685.00
02/01/2030	-	-	11,880.00	11,880.00	-
08/01/2030	60,000.00	3.450%	11,880.00	71,880.00	-
12/01/2030	-	-	-	-	83,760.00
02/01/2031	-	-	10,845.00	10,845.00	-
08/01/2031	60,000.00	3.450%	10,845.00	70,845.00	-
12/01/2031	-	-	-	-	81,690.00
02/01/2032	-	-	9,810.00	9,810.00	-
08/01/2032	65,000.00	3.450%	9,810.00	74,810.00	-
12/01/2032	-	-	-	-	84,620.00
02/01/2033	-	-	8,688.75	8,688.75	-
08/01/2033	65,000.00	3.450%	8,688.75	73,688.75	-
12/01/2033	-	-	-	-	82,377.50
02/01/2034	-	-	7,567.50	7,567.50	-
08/01/2034	65,000.00	3.400%	7,567.50	72,567.50	-
12/01/2034	-	-	-	-	80,135.00
02/01/2035	-	-	6,462.50	6,462.50	-
08/01/2035	70,000.00	3.400%	6,462.50	76,462.50	-
12/01/2035	-	-	-	-	82,925.00
02/01/2036	-	-	5,272.50	5,272.50	-
08/01/2036	70,000.00	3.450%	5,272.50	75,272.50	-
12/01/2036	-	-	-	-	80,545.00
02/01/2037	-	-	4,065.00	4,065.00	-
08/01/2037	75,000.00	3.450%	4,065.00	79,065.00	-
12/01/2037	-	-	-	-	83,130.00
02/01/2038	-	-	2,771.25	2,771.25	-
08/01/2038	75,000.00	3.550%	2,771.25	77,771.25	-
12/01/2038	-	-	-	-	80,542.50
02/01/2039	-	-	1,440.00	1,440.00	-
08/01/2039	80,000.00	3.600%	1,440.00	81,440.00	-
12/01/2039	-	-	-	-	82,880.00
Total	\$1,170,000.00	-	\$480,737.28	\$1,650,737.28	-

Yield Statistics

Bond Year Dollars	\$13,867.00
Average Life	11.852 Years
Average Coupon	3.4667720%
Net Interest Cost (NIC)	3.4560639%
True Interest Cost (TIC)	3.4480854%
Bond Yield for Arbitrage Purposes	3.3150532%
All Inclusive Cost (AIC)	3.6343484%

IRS Form 8038

Net Interest Cost	3.3345428%
Weighted Average Maturity	11.747 Years

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Raymond James & Associates, Inc.

Public Finance

Preliminary

\$1,170,000

Grayson County Water District

Potential Loan through the Kentucky Rural Water Finance Corp.

Refunding 2007 USDA-RD Loan

Sources & Uses

Dated 05/15/2019 | Delivered 05/15/2019

Sources Of Funds

Par Amount of Bonds	\$1,170,000.00
Reoffering Premium	16,109.90
Transfers from Prior Issue Debt Service Funds	23,214.58

Total Sources **\$1,209,324.48**

Uses Of Funds

Total Underwriter's Discount (1.250%)	14,625.00
Costs of Issuance	20,050.00
Deposit to Current Refunding Fund	1,172,734.06
Rounding Amount	1,915.42

Total Uses **\$1,209,324.48**

Preliminary

\$1,170,000

Grayson County Water District
Potential Loan through the Kentucky Rural Water Finance Corp.
Refunding 2007 USDA-RD Loan

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
12/01/2019	-	-	23,821.88	23,821.88
12/01/2020	83,317.28	83,317.28	69,190.01	(14,127.27)
12/01/2021	83,880.00	83,880.00	69,261.88	(14,618.12)
12/01/2022	82,575.00	82,575.00	69,292.50	(13,282.50)
12/01/2023	81,135.00	81,135.00	69,281.88	(11,853.12)
12/01/2024	84,695.00	84,695.00	69,230.01	(15,464.99)
12/01/2025	83,095.00	83,095.00	70,116.26	(12,978.74)
12/01/2026	81,495.00	81,495.00	69,940.63	(11,554.37)
12/01/2027	84,645.00	84,645.00	69,723.75	(14,921.25)
12/01/2028	82,610.00	82,610.00	69,465.63	(13,144.37)
12/01/2029	80,685.00	80,685.00	70,145.63	(10,539.37)
12/01/2030	83,760.00	83,760.00	69,763.75	(13,996.25)
12/01/2031	81,690.00	81,690.00	69,340.63	(12,349.37)
12/01/2032	84,620.00	84,620.00	69,855.63	(14,764.37)
12/01/2033	82,377.50	82,377.50	69,308.75	(13,068.75)
12/01/2034	80,135.00	80,135.00	69,700.00	(10,435.00)
12/01/2035	82,925.00	82,925.00	70,008.75	(12,916.25)
12/01/2036	80,545.00	80,545.00	69,255.63	(11,289.37)
12/01/2037	83,130.00	83,130.00	69,440.63	(13,689.37)
12/01/2038	80,542.50	80,542.50	69,543.13	(10,999.37)
12/01/2039	82,880.00	82,880.00	69,563.13	(13,316.87)
12/01/2040	-	-	69,500.63	69,500.63
12/01/2041	-	-	69,355.63	69,355.63
12/01/2042	-	-	70,107.50	70,107.50
12/01/2043	-	-	69,756.25	69,756.25
12/01/2044	-	-	69,322.50	69,322.50
12/01/2045	-	-	69,785.63	69,785.63
12/01/2046	-	-	69,145.63	69,145.63
12/01/2047	-	-	69,402.50	69,402.50
TOTAL	\$1,650,737.28	\$1,650,737.28	\$1,971,626.36	\$320,889.08

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	88,407.85
Net PV Cashflow Savings @ 3.634%(AIC)	88,407.85
Transfers from Prior Issue Debt Service Fund	(23,214.58)
Contingency or Rounding Amount	1,915.42

Net Benefit 299,589.92

Net Present Value Benefit	\$67,108.69
Net PV Benefit / \$1,155,000 Refunded Principal	5.810%
Net PV Benefit / \$1,170,000 Refunding Principal	5.736%
Average Annual Cash Flow Savings	11,065.14

Refunding Bond Information

Refunding Dated Date	5/15/2019
Refunding Delivery Date	5/15/2019

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Raymond James & Associates, Inc.

Public Finance

Preliminary

\$1,350,000

Grayson County Water District
USDA RD - Loan 17 - 2/8/07

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/01/2019	-	-	23,821.88	23,821.88	-
12/01/2019	-	-	-	-	23,821.88
01/01/2020	22,000.00	4.125%	23,821.88	45,821.88	-
07/01/2020	-	-	23,368.13	23,368.13	-
12/01/2020	-	-	-	-	69,190.01
01/01/2021	23,000.00	4.125%	23,368.13	46,368.13	-
07/01/2021	-	-	22,893.75	22,893.75	-
12/01/2021	-	-	-	-	69,261.88
01/01/2022	24,000.00	4.125%	22,893.75	46,893.75	-
07/01/2022	-	-	22,398.75	22,398.75	-
12/01/2022	-	-	-	-	69,292.50
01/01/2023	25,000.00	4.125%	22,398.75	47,398.75	-
07/01/2023	-	-	21,883.13	21,883.13	-
12/01/2023	-	-	-	-	69,281.88
01/01/2024	26,000.00	4.125%	21,883.13	47,883.13	-
07/01/2024	-	-	21,346.88	21,346.88	-
12/01/2024	-	-	-	-	69,230.01
01/01/2025	28,000.00	4.125%	21,346.88	49,346.88	-
07/01/2025	-	-	20,769.38	20,769.38	-
12/01/2025	-	-	-	-	70,116.26
01/01/2026	29,000.00	4.125%	20,769.38	49,769.38	-
07/01/2026	-	-	20,171.25	20,171.25	-
12/01/2026	-	-	-	-	69,940.63
01/01/2027	30,000.00	4.125%	20,171.25	50,171.25	-
07/01/2027	-	-	19,552.50	19,552.50	-
12/01/2027	-	-	-	-	69,723.75
01/01/2028	31,000.00	4.125%	19,552.50	50,552.50	-
07/01/2028	-	-	18,913.13	18,913.13	-
12/01/2028	-	-	-	-	69,465.63
01/01/2029	33,000.00	4.125%	18,913.13	51,913.13	-
07/01/2029	-	-	18,232.50	18,232.50	-
12/01/2029	-	-	-	-	70,145.63
01/01/2030	34,000.00	4.125%	18,232.50	52,232.50	-
07/01/2030	-	-	17,531.25	17,531.25	-
12/01/2030	-	-	-	-	69,763.75
01/01/2031	35,000.00	4.125%	17,531.25	52,531.25	-
07/01/2031	-	-	16,809.38	16,809.38	-
12/01/2031	-	-	-	-	69,340.63
01/01/2032	37,000.00	4.125%	16,809.38	53,809.38	-
07/01/2032	-	-	16,046.25	16,046.25	-
12/01/2032	-	-	-	-	69,855.63
01/01/2033	38,000.00	4.125%	16,046.25	54,046.25	-
07/01/2033	-	-	15,262.50	15,262.50	-
12/01/2033	-	-	-	-	69,308.75
01/01/2034	40,000.00	4.125%	15,262.50	55,262.50	-
07/01/2034	-	-	14,437.50	14,437.50	-
12/01/2034	-	-	-	-	69,700.00
01/01/2035	42,000.00	4.125%	14,437.50	56,437.50	-
07/01/2035	-	-	13,571.25	13,571.25	-
12/01/2035	-	-	-	-	70,008.75
01/01/2036	43,000.00	4.125%	13,571.25	56,571.25	-
07/01/2036	-	-	12,684.38	12,684.38	-
12/01/2036	-	-	-	-	69,255.63
01/01/2037	45,000.00	4.125%	12,684.38	57,684.38	-
07/01/2037	-	-	11,756.25	11,756.25	-
12/01/2037	-	-	-	-	69,440.63
01/01/2038	47,000.00	4.125%	11,756.25	58,756.25	-
07/01/2038	-	-	10,786.88	10,786.88	-
12/01/2038	-	-	-	-	69,543.13
01/01/2039	49,000.00	4.125%	10,786.88	59,786.88	-
07/01/2039	-	-	9,776.25	9,776.25	-
12/01/2039	-	-	-	-	69,563.13
01/01/2040	51,000.00	4.125%	9,776.25	60,776.25	-
07/01/2040	-	-	8,724.38	8,724.38	-
12/01/2040	-	-	-	-	69,500.63
01/01/2041	53,000.00	4.125%	8,724.38	61,724.38	-
07/01/2041	-	-	7,631.25	7,631.25	-
12/01/2041	-	-	-	-	69,355.63
01/01/2042	56,000.00	4.125%	7,631.25	63,631.25	-
07/01/2042	-	-	6,476.25	6,476.25	-
12/01/2042	-	-	-	-	70,107.50
01/01/2043	58,000.00	4.125%	6,476.25	64,476.25	-
07/01/2043	-	-	5,280.00	5,280.00	-
12/01/2043	-	-	-	-	69,756.25
01/01/2044	60,000.00	4.125%	5,280.00	65,280.00	-
07/01/2044	-	-	4,042.50	4,042.50	-
12/01/2044	-	-	-	-	69,322.50
01/01/2045	63,000.00	4.125%	4,042.50	67,042.50	-
07/01/2045	-	-	2,743.13	2,743.13	-
12/01/2045	-	-	-	-	69,785.63
01/01/2046	65,000.00	4.125%	2,743.13	67,743.13	-
07/01/2046	-	-	1,402.50	1,402.50	-
12/01/2046	-	-	-	-	69,145.63
01/01/2047	68,000.00	4.125%	1,402.50	69,402.50	-
12/01/2047	-	-	-	-	69,402.50
Total	\$1,155,000.00	-	\$816,626.36	\$1,971,626.36	-

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	5/15/2019
Average Life	16.768 Years
Average Coupon	4.1250005%
Weighted Average Maturity (Par Basis)	16.768 Years

Refunding Bond Information

Refunding Dated Date	5/15/2019
Refunding Delivery Date	5/15/2019
Series 2007 SINGLE PURPOSE 5/31/2019 1:56 PM	

Raymond James & Associates, Inc.

Public Finance

**GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	DECEMBER 31,	
	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
METERED SALES		
Residential	\$ 2,716,347	\$ 2,781,437
Commercial	475,799	496,675
Agriculture	74,406	70,092
Resale	125,522	97,065
TOTAL METERED SALES	<u>3,392,074</u>	<u>3,445,269</u>
FORFEITED DISCOUNTS	53,741	57,605
MISCELLANEOUS SERVICE REVENUE	35,592	45,250
TOTAL OPERATING REVENUES	<u>3,481,407</u>	<u>3,548,124</u>
OPERATING EXPENSES		
PURCHASED WATER	403,656	395,268
SUPPLY AND PUMPING EXPENSE		
Purchased power	23,932	24,176
Materials and supplies	5,819	5,152
Insurance	14,903	15,156
Transportation	9,654	13,273
Miscellaneous	46	110
Payroll and contractual services	59,960	66,623
TOTAL SUPPLY AND PUMPING EXPENSE	<u>114,314</u>	<u>124,490</u>
WATER TREATMENT EXPENSE		
Purchased power	115,090	105,396
Materials and supplies	110,137	136,816
Insurance	14,859	15,156
Transportation	5,792	4,867
Miscellaneous	3,566	4,270
Payroll and contractual services	292,401	286,025
Professional services	23,686	15,834
TOTAL WATER TREATMENT EXPENSE	<u>565,531</u>	<u>568,364</u>
GENERAL DISTRIBUTION EXPENSE		
Purchased power	1,542	2,371
Legal and consultants	4,500	0
Materials and supplies	11,418	6,967
Insurance	14,859	15,156
Transportation	11,585	17,812
Miscellaneous	5,365	6,265
Payroll and contractual services	186,656	211,446
TOTAL GENERAL DISTRIBUTION EXPENSE	<u>235,925</u>	<u>260,017</u>
MAINTENANCE EXPENSE		
Transportation	5,054	2,022
Payroll and contractual services	144,241	126,824
Distribution	3,831	4,212
Services	14,339	10,976
TOTAL MAINTENANCE EXPENSE	<u>167,465</u>	<u>144,034</u>

(CONTINUED)

Accompanying notes to the financial statements are an integral part of this statement.

**GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION (CONCLUDED)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	DECEMBER 31,	
	2018	2017
CUSTOMER ACCOUNTS EXPENSE		
Bad debt expense	\$ 15,697	\$ 18,156
Materials and supplies	46,243	38,121
Transportation	9,654	5,384
Miscellaneous	6,581	862
Payroll and contractual services	363,623	317,278
Customer records	73,940	62,427
TOTAL CUSTOMER ACCOUNTS EXPENSE	515,738	442,228
ADMINISTRATIVE AND GENERAL EXPENSE		
Materials and supplies	57,165	37,454
Insurance	28,853	27,557
Transportation	1,931	885
Miscellaneous	71,404	128,478
Payroll and contractual services	256,028	201,409
Professional services	70,096	51,400
TOTAL ADMINISTRATIVE AND GENERAL EXPENSE	485,477	447,183
DEPRECIATION EXPENSE	857,823	837,434
TOTAL OPERATING EXPENSES	3,345,929	3,219,018
OPERATING INCOME (LOSS)	135,478	329,106
 NONOPERATING REVENUES (EXPENSES)		
Grant revenue	238,000	0
Rent income	62,434	59,360
Miscellaneous income	0	9,518
Interest income	23,868	3,439
Insurance proceeds	0	8,762
Gain (loss) on sale of equipment	1,002	28,972
Interest expense	(248,589)	(247,423)
PSC taxes	(7,096)	(6,680)
TOTAL NONOPERATING REVENUES (EXPENSES)	69,619	(144,052)
 INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	 205,097	 185,054
 CAPITAL CONTRIBUTIONS		
Contributions in aid of construction	54,341	51,263
TOTAL CAPITAL CONTRIBUTIONS	54,341	51,263
CHANGE IN NET POSITION	259,438	236,317
TOTAL NET POSITION-BEGINNING	13,604,093	13,367,776
TOTAL NET POSITION-ENDING	\$ 13,863,531	\$ 13,604,093

Accompanying notes to the financial statements are an integral part of this statement.

**GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017**

	DECEMBER 31,	
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Operation and maintenance	\$ 25,785	\$ 116,725
Revenue	54,965	61,159
Construction	65,807	1,000
Accounts receivable		
Customer accounts receivable, net of allowance for uncollectibles of \$162,397 and \$146,805	260,197	265,106
Accounts receivable-WRECC	0	1,144
Unbilled revenue	142,654	195,033
Prepaid expenses	50,661	56,010
Inventory	346,332	307,582
TOTAL CURRENT ASSETS	946,401	1,003,759
NON-CURRENT ASSETS		
Restricted cash and cash equivalents		
Bond and note sinking funds	1,492,644	1,461,467
Depreciation fund	1,093,459	927,837
Note receivable-City of Leitchfield	22,479	29,299
Capital assets		
Land and land rights	335,736	255,736
Construction in progress	31,064	1,074,860
Utility plant and lines	31,278,446	29,655,029
Utility equipment and other	929,216	858,594
Less: Accumulated depreciation	(13,557,156)	(12,699,333)
TOTAL NON-CURRENT ASSETS	21,625,888	21,563,489
TOTAL ASSETS	\$ 22,572,289	\$ 22,567,248

(CONTINUED)

	DECEMBER 31,	
	<u>2018</u>	<u>2017</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 81,488	\$ 52,297
Accounts payable-WRECC	0	3,350
Accrued liabilities	114,872	106,261
School and sales taxes payable	9,916	9,211
Interest payable from restricted assets	116,983	113,990
Interest payable-Customer deposits	43	114
Customer deposits	36,750	34,100
Current portion of long-term debt	600,648	1,007,126
TOTAL CURRENT LIABILITIES	<u>960,700</u>	<u>1,326,449</u>
NON-CURRENT LIABILITIES		
Bonds and loans payable	8,348,706	8,643,832
Less: Current portion of long-term debt	<u>(600,648)</u>	<u>(1,007,126)</u>
TOTAL NON-CURRENT LIABILITIES	<u>7,748,058</u>	<u>7,636,706</u>
TOTAL LIABILITIES	<u>8,708,758</u>	<u>8,963,155</u>
NET POSITION		
Net investment in capital assets	10,668,600	10,501,054
Restricted for debt service (nonexpendable)	1,492,644	1,461,467
Restricted for depreciation reserves (nonexpendable)	1,093,459	927,837
Unrestricted	608,828	713,735
TOTAL NET POSITION	<u>13,863,531</u>	<u>13,604,093</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 22,572,289</u>	<u>\$ 22,567,248</u>

Accompanying notes to the financial statements are an integral part of this statement.

**GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	DECEMBER 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 3,539,839	\$ 3,451,393
Payments to suppliers	(1,218,598)	(1,171,804)
Payments for payroll and contractual services	(1,268,457)	(1,306,922)
Other receipts (payments)	(3,741)	(6,903)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,049,043	965,764
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant income	238,000	0
Bond issuance costs	712,000	0
Proceeds from capital debt	194,955	428,380
Principal repayment of capital debt	(1,202,081)	(588,415)
Capital contributions	54,341	51,263
Purchases of capital assets	(730,243)	(1,305,857)
Rent income	62,434	59,360
Miscellaneous income	0	9,518
Insurance proceeds	0	8,762
Proceeds on sale of equipment	1,002	348,000
Interest paid on capital debt	(248,589)	(247,423)
Increase (decrease) in interest payable-Customer deposits	(71)	30
Increase (decrease) in interest payable from restricted assets	2,993	(4,235)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(915,259)	(1,240,617)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	23,868	3,439
Decrease in note receivable-City of Leitchfield	6,820	6,527
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	30,688	9,966
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	164,472	(264,887)
BALANCES-BEGINNING OF YEAR	2,568,188	2,833,075
BALANCES-END OF YEAR	\$ 2,732,660	\$ 2,568,188
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 135,478	\$ 329,106
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	857,823	837,434
Payment of PSC taxes	(7,096)	(6,680)
Changes in assets and liabilities:		
Net (increase) decrease in accounts receivable	6,053	(36,908)
Net (increase) decrease in unbilled revenue	52,379	(59,823)
Net (increase) decrease in prepaid expenses	5,349	(1,570)
Net (increase) decrease in inventory	(38,750)	1,745
Net increase (decrease) in accounts payable	25,841	(202,915)
Net increase (decrease) in accrued liabilities	8,611	105,598
Net increase (decrease) in school and sales taxes payable	705	(473)
Net increase (decrease) in customer deposits	2,650	250
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,049,043	\$ 965,764

Accompanying notes to the financial statements are an integral part of this statement.

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

May 31, 2019

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

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

Dear Commissioner 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 Grayson 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