

Rubin & Hays

ATTORNEYS AT LAW

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

RECEIVED

APR 19 2012

PUBLIC SERVICE
COMMISSION

April 17, 2012

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

Re: Grayson County Water District PSC Application

Dear Mr. Derouen:

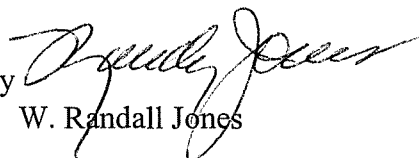
Enclosed please find the original and ten (10) copies of the Application of the Grayson County Water District for an Order authorizing the District to issue securities pursuant to KRS 278.300.

This Application requests approval of the issuance of securities for the purpose of refunding certain high interest Bonds 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:ilm
Enclosures

cc: Mr. Kevin Shaw, Grayson County Water District
Ms. Kristen Millard, Morgan Keegan

RECEIVED

APR 19 2012

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)
\$3,700,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2012 - _____
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 \$3,700,000 (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 of the District is as follows:

Grayson County Water District
c/o Mr. Kevin Shaw, Manager
P.O. Box 217
Leitchfield, Kentucky 42755
Telephone: (270) 259-2917

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 2011 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 \$3,700,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as (i) Grayson County Water District Water System Revenue Bonds, Series of 1995, dated November 17, 1995, in the original principal amount of \$1,998,000, bearing interest at the rate of 4.50% per annum (the "1995 Bonds"); (ii) Grayson County Water District Water System Revenue Bonds, Series of 1997, dated December 9, 1997, in the original principal amount of \$1,500,000, bearing interest at the rate of 4.50% per annum (the "1997 Bonds"); and (iii) Grayson County Water District Water System Revenue Bonds, Series of

1999, dated May 24, 2000, in the original principal amount of \$1,000,000, bearing interest at the rate of 4.50% per annum (the "1999 Bonds") (hereinafter, the 1995 Bonds, the 1997 Bonds and the 1999 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 benefit of approximately \$105,811.93. 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 and Expenses and Changes in Net Assets, Statement of Net Assets and Statement of Cash Flows for the twelve month period ending on December 31, 2010 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 2011 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 Water 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, 2011. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2011. 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.

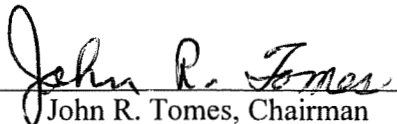
18. No rate adjustment will be necessary.

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

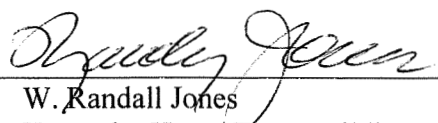
1. Authorize the issuance of the securities requested in the Application;
2. Grant the District a deviation from 807 KAR 5:001, Section 6 to allow the submission of the District's 2011 Annual Report and 2011 audited financial statements in lieu of more recent financial data as there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2011, 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.

Grayson County Water District

By  _____
John R. Tomes, Chairman
P.O. Box 217
Leitchfield, Kentucky 42755
Phone: (270) 259-2917

Rubin & Hays

By  _____
W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
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 1th day of April, 2012.

John R. Tomes
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 1th day of April, 2012.

My Commission expires: 6/19/2013.

Alamy A. Johnson
NOTARY PUBLIC

Preliminary
\$3,700,000

Grayson County Water District
 Kentucky Rural Water Finance Corporation
 Public Projects Refunding Revenue Bonds, Series 2012 D

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/25/2012	-	-	-	-	-
02/01/2013	75,000.00	2.350%	103,189.50	178,189.50	-
08/01/2013	-	-	66,416.25	66,416.25	-
12/30/2013	-	-	-	-	244,605.75
02/01/2014	110,000.00	2.350%	65,416.25	176,416.25	-
08/01/2014	-	-	65,123.75	65,123.75	-
12/30/2014	-	-	-	-	241,540.00
02/01/2015	115,000.00	2.400%	65,123.75	180,123.75	-
08/01/2015	-	-	63,743.75	63,743.75	-
12/30/2015	-	-	-	-	243,867.50
02/01/2016	115,000.00	2.550%	63,743.75	178,743.75	-
08/01/2016	-	-	62,277.50	62,277.50	-
12/30/2016	-	-	-	-	241,021.25
02/01/2017	120,000.00	2.550%	62,277.50	182,277.50	-
08/01/2017	-	-	60,747.50	60,747.50	-
12/30/2017	-	-	-	-	243,025.00
02/01/2018	125,000.00	3.450%	60,747.50	185,747.50	-
08/01/2018	-	-	58,591.25	58,591.25	-
12/30/2018	-	-	-	-	244,338.75
02/01/2019	125,000.00	3.450%	58,591.25	183,591.25	-
08/01/2019	-	-	56,435.00	56,435.00	-
12/30/2019	-	-	-	-	240,026.25
02/01/2020	130,000.00	3.450%	56,435.00	186,435.00	-
08/01/2020	-	-	54,192.50	54,192.50	-
12/30/2020	-	-	-	-	240,627.50
02/01/2021	135,000.00	3.450%	54,192.50	189,192.50	-
08/01/2021	-	-	51,863.75	51,863.75	-
12/30/2021	-	-	-	-	241,056.25
02/01/2022	140,000.00	3.450%	51,863.75	191,863.75	-
08/01/2022	-	-	49,448.75	49,448.75	-
12/30/2022	-	-	-	-	241,312.50
02/01/2023	145,000.00	3.450%	49,448.75	194,448.75	-
08/01/2023	-	-	46,947.50	46,947.50	-
12/30/2023	-	-	-	-	241,396.25
02/01/2024	150,000.00	3.450%	46,947.50	196,947.50	-
08/01/2024	-	-	44,360.00	44,360.00	-
12/30/2024	-	-	-	-	241,307.50
02/01/2025	155,000.00	3.450%	44,360.00	199,360.00	-
08/01/2025	-	-	41,686.25	41,686.25	-
12/30/2025	-	-	-	-	241,046.25
02/01/2026	160,000.00	3.600%	41,686.25	201,686.25	-
08/01/2026	-	-	38,806.25	38,806.25	-
12/30/2026	-	-	-	-	240,492.50
02/01/2027	165,000.00	3.700%	38,806.25	203,806.25	-
08/01/2027	-	-	35,753.75	35,753.75	-
12/30/2027	-	-	-	-	239,560.00
02/01/2028	175,000.00	3.850%	35,753.75	210,753.75	-
08/01/2028	-	-	32,385.00	32,385.00	-
12/30/2028	-	-	-	-	243,138.75
02/01/2029	180,000.00	3.950%	32,385.00	212,385.00	-
08/01/2029	-	-	28,830.00	28,830.00	-
12/30/2029	-	-	-	-	241,215.00
02/01/2030	185,000.00	3.950%	28,830.00	213,830.00	-
08/01/2030	-	-	25,176.25	25,176.25	-
12/30/2030	-	-	-	-	239,006.25
02/01/2031	195,000.00	4.150%	25,176.25	220,176.25	-
08/01/2031	-	-	21,130.00	21,130.00	-
12/30/2031	-	-	-	-	241,306.25
02/01/2032	200,000.00	4.150%	21,130.00	221,130.00	-
08/01/2032	-	-	16,980.00	16,980.00	-
12/30/2032	-	-	-	-	238,110.00
02/01/2033	210,000.00	4.150%	16,980.00	226,980.00	-
08/01/2033	-	-	12,622.50	12,622.50	-
12/30/2033	-	-	-	-	239,602.50
02/01/2034	210,000.00	4.150%	12,622.50	222,622.50	-
08/01/2034	-	-	8,265.00	8,265.00	-
12/30/2034	-	-	-	-	230,887.50
02/01/2035	120,000.00	4.350%	8,265.00	128,265.00	-
08/01/2035	-	-	5,655.00	5,655.00	-
12/30/2035	-	-	-	-	133,920.00
02/01/2036	120,000.00	4.350%	5,655.00	125,655.00	-
08/01/2036	-	-	3,045.00	3,045.00	-
12/30/2036	-	-	-	-	128,700.00
02/01/2037	45,000.00	4.350%	3,045.00	48,045.00	-
08/01/2037	-	-	2,066.25	2,066.25	-
12/30/2037	-	-	-	-	50,111.25
02/01/2038	45,000.00	4.350%	2,066.25	47,066.25	-
08/01/2038	-	-	1,087.50	1,087.50	-
12/30/2038	-	-	-	-	48,153.75
02/01/2039	50,000.00	4.350%	1,087.50	51,087.50	-
12/30/2039	-	-	-	-	51,087.50
Total	\$3,700,000.00	-	\$2,010,462.00	\$5,710,462.00	-

Yield Statistics

Bond Year Dollars	\$51,451.67
Average Life	13.906 Years
Average Coupon	3.9074769%
Net Interest Cost (NIC)	4.0237769%
True Interest Cost (TIC)	4.0273931%
Bond Yield for Arbitrage Purposes	3.8379464%
All Inclusive Cost (AIC)	4.2129928%
IRS Form 8038	
Net Interest Cost	3.9280201%
Weighted Average Maturity	13.781 Years
3/20/2012 10:55 AM	

Morgan Keegan & Company, Inc.

Preliminary

\$3,700,000

Grayson County Water District

Kentucky Rural Water Finance Corporation

Public Projects Refunding Revenue Bonds, Series 2012 D

Sources & Uses

Dated 04/25/2012 | Delivered 04/25/2012

Sources Of Funds

Par Amount of Bonds	\$3,700,000.00
Reoffering Premium	4,911.70
Transfers from Prior Issue Debt Service Funds	62,353.75

Total Sources **\$3,767,265.45**

Uses Of Funds

Total Underwriter's Discount (1.750%)	64,750.00
Costs of Issuance	60,500.00
Deposit to Current Refunding Fund	3,638,114.75
Rounding Amount	3,900.70

Total Uses **\$3,767,265.45**

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Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$3,700,000

Grayson County Water District
Kentucky Rural Water Finance Corporation
Public Projects Refunding Revenue Bonds, Series 2012 D

Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2012	-	-	-	80,707.50	80,707.50
12/30/2013	244,605.75	450.00	245,055.75	247,435.00	2,379.25
12/30/2014	241,540.00	450.00	241,990.00	246,407.50	4,417.50
12/30/2015	243,867.50	450.00	244,317.50	248,177.50	3,860.00
12/30/2016	241,021.25	450.00	241,471.25	246,745.00	5,273.75
12/30/2017	243,025.00	450.00	243,475.00	246,155.00	2,680.00
12/30/2018	244,338.75	450.00	244,788.75	247,340.00	2,551.25
12/30/2019	240,026.25	450.00	240,476.25	247,277.50	6,801.25
12/30/2020	240,627.50	450.00	241,077.50	246,012.50	4,935.00
12/30/2021	241,056.25	450.00	241,506.25	246,522.50	5,016.25
12/30/2022	241,312.50	450.00	241,762.50	246,762.50	5,000.00
12/30/2023	241,396.25	450.00	241,846.25	245,755.00	3,908.75
12/30/2024	241,307.50	450.00	241,757.50	246,477.50	4,720.00
12/30/2025	241,046.25	450.00	241,496.25	245,907.50	4,411.25
12/30/2026	240,492.50	450.00	240,942.50	246,045.00	5,102.50
12/30/2027	239,560.00	450.00	240,010.00	245,867.50	5,857.50
12/30/2028	243,138.75	450.00	243,588.75	246,352.50	2,763.75
12/30/2029	241,215.00	450.00	241,665.00	244,522.50	2,857.50
12/30/2030	239,006.25	450.00	239,456.25	245,355.00	5,898.75
12/30/2031	241,306.25	450.00	241,756.25	244,805.00	3,048.75
12/30/2032	238,110.00	450.00	238,560.00	244,872.50	6,312.50
12/30/2033	239,602.50	450.00	240,052.50	245,512.50	5,460.00
12/30/2034	230,887.50	450.00	231,337.50	237,882.50	6,545.00
12/30/2035	133,920.00	450.00	134,370.00	136,322.50	1,952.50
12/30/2036	128,700.00	450.00	129,150.00	135,765.00	6,615.00
12/30/2037	50,111.25	450.00	50,561.25	55,805.00	5,243.75
12/30/2038	48,153.75	450.00	48,603.75	54,532.50	5,928.75
12/30/2039	51,087.50	450.00	51,537.50	54,192.50	2,655.00
Total	\$5,710,462.00	\$12,150.00	\$5,722,612.00	\$5,925,515.00	\$202,903.00

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	202,903.00
Gross PV Debt Service Savings	171,784.00
Effects of changes in Expenses	(7,519.02)
Net PV Cashflow Savings @ 3.838%(Bond Yield)	164,264.98
Transfers from Prior Issue Debt Service Fund	(62,353.75)
Contingency or Rounding Amount	3,900.70
Net Future Value Benefit	\$144,449.95
Net Present Value Benefit	\$105,811.93
Net PV Benefit / \$3,587,000 Refunded Principal	2.950%
Net PV Benefit / \$3,700,000 Refunding Principal	2.860%

Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012
3/30/2012 10:55 AM	

Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$1,524,000

Grayson County Water District

Series 1995

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	34,290.00	34,290.00
12/30/2013	42,000.00	-	67,635.00	109,635.00
12/30/2014	44,000.00	-	65,700.00	109,700.00
12/30/2015	46,000.00	-	63,675.00	109,675.00
12/30/2016	48,000.00	-	61,560.00	109,560.00
12/30/2017	50,000.00	-	59,355.00	109,355.00
12/30/2018	53,000.00	-	57,037.50	110,037.50
12/30/2019	55,000.00	-	54,607.50	109,607.50
12/30/2020	57,000.00	-	52,087.50	109,087.50
12/30/2021	60,000.00	-	49,455.00	109,455.00
12/30/2022	63,000.00	-	46,687.50	109,687.50
12/30/2023	65,000.00	-	43,807.50	108,807.50
12/30/2024	69,000.00	-	40,792.50	109,792.50
12/30/2025	71,000.00	-	37,642.50	108,642.50
12/30/2026	75,000.00	-	34,357.50	109,357.50
12/30/2027	78,000.00	-	30,915.00	108,915.00
12/30/2028	82,000.00	-	27,315.00	109,315.00
12/30/2029	85,000.00	-	23,557.50	108,557.50
12/30/2030	89,000.00	-	19,642.50	108,642.50
12/30/2031	93,000.00	-	15,547.50	108,547.50
12/30/2032	97,000.00	-	11,272.50	108,272.50
12/30/2033	102,000.00	-	6,795.00	108,795.00
12/30/2034	100,000.00	4.500%	2,250.00	102,250.00
Total	\$1,524,000.00	-	\$905,985.00	\$2,429,985.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/25/2012
Average Life	12.894 Years
Average Coupon	4.6105168%
Weighted Average Maturity (Par Basis)	12.894 Years

Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012

3/30/2012 | 10:55 AM

Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$1,205,000

Grayson County Water District

Series 1997

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	27,112.50	27,112.50
12/30/2013	29,000.00	-	53,572.50	82,572.50
12/30/2014	30,000.00	-	52,245.00	82,245.00
12/30/2015	32,000.00	-	50,850.00	82,850.00
12/30/2016	33,000.00	-	49,387.50	82,387.50
12/30/2017	34,000.00	-	47,880.00	81,880.00
12/30/2018	36,000.00	-	46,305.00	82,305.00
12/30/2019	38,000.00	-	44,640.00	82,640.00
12/30/2020	39,000.00	-	42,907.50	81,907.50
12/30/2021	41,000.00	-	41,107.50	82,107.50
12/30/2022	43,000.00	-	39,217.50	82,217.50
12/30/2023	45,000.00	-	37,237.50	82,237.50
12/30/2024	47,000.00	-	35,167.50	82,167.50
12/30/2025	49,000.00	-	33,007.50	82,007.50
12/30/2026	51,000.00	-	30,757.50	81,757.50
12/30/2027	54,000.00	-	28,395.00	82,395.00
12/30/2028	56,000.00	-	25,920.00	81,920.00
12/30/2029	58,000.00	-	23,355.00	81,355.00
12/30/2030	61,000.00	-	20,677.50	81,677.50
12/30/2031	64,000.00	-	17,865.00	81,865.00
12/30/2032	67,000.00	-	14,917.50	81,917.50
12/30/2033	70,000.00	-	11,835.00	81,835.00
12/30/2034	73,000.00	-	8,617.50	81,617.50
12/30/2035	76,000.00	-	5,265.00	81,265.00
12/30/2036	79,000.00	4.500%	1,777.50	80,777.50
Total	\$1,205,000.00	-	\$790,020.00	\$1,995,020.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/25/2012
Average Life	14.253 Years
Average Coupon	4.5999816%
Weighted Average Maturity (Par Basis)	14.253 Years

Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012

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Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$858,000

Grayson County Water District

Series 1999

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	19,305.00	19,305.00
12/30/2013	17,000.00	-	38,227.50	55,227.50
12/30/2014	17,000.00	-	37,462.50	54,462.50
12/30/2015	19,000.00	-	36,652.50	55,652.50
12/30/2016	19,000.00	-	35,797.50	54,797.50
12/30/2017	20,000.00	-	34,920.00	54,920.00
12/30/2018	21,000.00	-	33,997.50	54,997.50
12/30/2019	22,000.00	-	33,030.00	55,030.00
12/30/2020	23,000.00	-	32,017.50	55,017.50
12/30/2021	24,000.00	-	30,960.00	54,960.00
12/30/2022	25,000.00	-	29,857.50	54,857.50
12/30/2023	26,000.00	-	28,710.00	54,710.00
12/30/2024	27,000.00	-	27,517.50	54,517.50
12/30/2025	29,000.00	-	26,257.50	55,257.50
12/30/2026	30,000.00	-	24,930.00	54,930.00
12/30/2027	31,000.00	-	23,557.50	54,557.50
12/30/2028	33,000.00	-	22,117.50	55,117.50
12/30/2029	34,000.00	-	20,610.00	54,610.00
12/30/2030	36,000.00	-	19,035.00	55,035.00
12/30/2031	37,000.00	-	17,392.50	54,392.50
12/30/2032	39,000.00	-	15,682.50	54,682.50
12/30/2033	41,000.00	-	13,882.50	54,882.50
12/30/2034	42,000.00	-	12,015.00	54,015.00
12/30/2035	45,000.00	-	10,057.50	55,057.50
12/30/2036	47,000.00	-	7,987.50	54,987.50
12/30/2037	50,000.00	-	5,805.00	55,805.00
12/30/2038	51,000.00	-	3,532.50	54,532.50
12/30/2039	53,000.00	4.500%	1,192.50	54,192.50
Total	\$858,000.00	-	\$642,510.00	\$1,500,510.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/25/2012
Average Life	16.324 Years
Average Coupon	4.5872929%
Weighted Average Maturity (Par Basis)	16.324 Years

Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012

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Morgan Keegan & Company, Inc.

Public Finance

**GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF NET ASSETS
DECEMBER 31, 2011 AND 2010**

	DECEMBER 31,	
	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Operation and maintenance	\$ 47,634	\$ 22,456
Revenue	153,355	205,609
Accounts receivable		
Customer accounts receivable, net of allowance for uncollectibles of \$96,731 and \$98,434	136,173	136,702
Accounts receivable – WRECC	58,274	20,052
Unbilled revenue	125,373	134,843
Prepaid expenses	22,489	25,878
Inventory	299,515	217,218
TOTAL CURRENT ASSETS	842,813	762,758
NON-CURRENT ASSETS		
Restricted cash and cash equivalents		
Bond and note sinking funds	114,993	282,995
Depreciation fund	1,557,884	1,125,004
Special projects	1,000	1,000
Note receivable – City of Leitchfield	64,477	69,489
Capital assets		
Land and land rights	224,236	224,236
Utility plant and lines	27,176,429	27,119,434
Utility equipment and other	629,013	598,023
Less: Accumulated depreciation	(7,979,445)	(7,238,599)
TOTAL NON-CURRENT ASSETS	21,788,587	22,181,582
TOTAL ASSETS	\$ 22,631,400	\$ 22,944,340

(CONTINUED)

	DECEMBER 31,	
	2011	2010
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 23,290	\$ 43,267
Accounts payable - WRECC	178,034	172,737
School and sales taxes payable	7,807	8,232
Interest payable from restricted assets	178,434	184,756
Interest payable – Customer deposits	177	178
Customer deposits	34,450	35,100
Current portion of long-term debt	516,754	498,812
TOTAL CURRENT LIABILITIES	<u>938,946</u>	<u>943,082</u>
NON-CURRENT LIABILITIES		
Bonds and loans payable	10,475,806	10,974,618
Less: Bond issue costs, net of amortization of \$28,743 and \$23,924	(67,295)	(72,114)
Less: Current portion of long-term debt	(516,754)	(498,812)
TOTAL NON-CURRENT LIABILITIES	<u>9,891,757</u>	<u>10,403,692</u>
TOTAL LIABILITIES	10,830,703	11,346,774
NET ASSETS		
Invested in capital assets, net of related debt	9,641,722	9,800,590
Restricted for debt service (nonexpendable)	114,993	282,995
Restricted for depreciation reserves (nonexpendable)	1,557,884	1,125,004
Restricted for special projects (expendable)	1,000	1,000
Unrestricted	485,098	387,977
TOTAL NET ASSETS	<u>11,800,697</u>	<u>11,597,566</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,631,400</u>	<u>\$ 22,944,340</u>

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 ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	DECEMBER 31,	
	2011	2010
OPERATING REVENUES		
METERED SALES		
Residential	\$ 2,435,430	\$ 2,476,840
Commercial	387,330	398,113
Agriculture	61,615	61,956
Resale	86,291	89,520
TOTAL METERED SALES	2,970,666	3,026,429
FORFEITED DISCOUNTS	56,251	55,017
MISCELLANEOUS SERVICE REVENUE	47,126	55,224
TOTAL OPERATING REVENUES	3,074,043	3,136,670
 OPERATING EXPENSES		
PURCHASED WATER	325,582	343,396
SUPPLY AND PUMPING EXPENSE		
Purchased power	20,957	22,708
Materials and supplies	6,391	9,512
Insurance	8,695	8,633
Transportation	20,913	12,190
Miscellaneous	448	23
Contractual services	45,197	45,145
TOTAL SUPPLY AND PUMPING EXPENSE	102,601	98,211
WATER TREATMENT EXPENSE		
Purchased power	56,271	53,876
Materials and supplies	116,112	108,571
Insurance	8,695	8,633
Transportation	548	322
Miscellaneous	3,897	3,425
Contractual services	192,878	164,905
Professional services	10,410	12,632
TOTAL WATER TREATMENT EXPENSE	388,811	352,364
GENERAL DISTRIBUTION EXPENSE		
Purchased power	4,139	4,417
Materials and supplies	17,576	45,457
Insurance	9,502	8,633
Transportation	24,299	21,681
Miscellaneous	5,489	3,186
Contractual services	279,314	275,855
Professional services	0	3,750
TOTAL GENERAL DISTRIBUTION EXPENSE	340,319	362,979

(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 ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	DECEMBER 31,	
	2011	2010
MAINTENANCE EXPENSE		
Transportation	\$ 2,523	\$ 1,719
Contractual services	150,655	150,485
Distribution	4,737	6,266
Services	4,214	4,614
TOTAL MAINTENANCE EXPENSE	<u>162,129</u>	<u>163,084</u>
CUSTOMER ACCOUNTS EXPENSE		
Bad debt expense	1,863	3,538
Materials and supplies	5,691	2,732
Transportation	11,708	10,265
Miscellaneous	4,395	6,209
Contractual services	180,786	180,582
Customer records	93,510	87,092
TOTAL CUSTOMER ACCOUNTS EXPENSE	<u>297,953</u>	<u>290,418</u>
ADMINISTRATIVE AND GENERAL EXPENSE		
Materials and supplies	19,237	12,971
Insurance	10,170	14,782
Transportation	1,167	1,106
Miscellaneous	35,564	34,977
Contractual services	189,129	187,815
Professional services	14,695	9,850
TOTAL ADMINISTRATIVE AND GENERAL EXPENSE	<u>269,962</u>	<u>261,501</u>
AMORTIZATION EXPENSE	4,819	4,819
DEPRECIATION EXPENSE	740,846	728,321
TOTAL OPERATING EXPENSES	<u>2,633,022</u>	<u>2,605,093</u>
OPERATING INCOME (LOSS)	441,021	531,577
 NONOPERATING REVENUES (EXPENSES)		
Miscellaneous income	45,271	46,992
Interest income	26,518	23,420
Interest expense	(397,076)	(413,570)
Unreimbursed disaster expenses	0	(46,923)
PSC taxes	(4,877)	(4,818)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(330,164)</u>	<u>(394,899)</u>
 INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	110,857	136,678
 CAPITAL CONTRIBUTIONS		
Grant income	8,777	251,928
Contributions in aid of construction	83,497	74,184
TOTAL CAPITAL CONTRIBUTIONS	<u>92,274</u>	<u>326,112</u>
CHANGE IN NET ASSETS	203,131	462,790
TOTAL NET ASSETS – BEGINNING	<u>11,597,566</u>	<u>11,134,776</u>
TOTAL NET ASSETS – ENDING	<u>\$ 11,800,697</u>	<u>\$ 11,597,566</u>

(CONCLUDED)

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, 2011 AND 2010**

	DECEMBER 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 3,045,820	\$ 3,142,549
Payments to suppliers	(917,896)	(913,888)
Payments for contractual services	(1,063,049)	(1,020,978)
Other receipts (payments)	(5,952)	(11,544)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,058,923	1,196,139
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant income	8,777	251,928
Principal repayment of capital debt	(498,812)	(493,303)
Capital contributions	83,497	74,184
Purchases of capital assets	(87,985)	(386,248)
Miscellaneous income	45,271	46,992
Unreimbursed disaster expenses	0	(46,923)
Interest paid on capital debt	(397,076)	(413,570)
Increase (decrease) in interest payable – Customer deposits	(1)	2
Increase (decrease) in interest payable from restricted assets	(6,322)	(4,215)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(852,651)	(971,153)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	26,518	23,420
Decrease in note receivable – City of Leitchfield	5,012	4,796
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	31,530	28,216
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	237,802	253,202
BALANCES – BEGINNING OF YEAR	1,637,064	1,383,862
BALANCES – END OF YEAR	\$ 1,874,866	\$ 1,637,064
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 441,021	\$ 531,577
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	740,846	728,321
Amortization expense	4,819	4,819
Payment of PSC taxes	(4,877)	(4,818)
Changes in assets and liabilities:		
Net (increase) decrease in accounts receivable	(37,693)	15,137
Net (increase) decrease in unbilled revenue	9,470	(9,258)
Net (increase) decrease in prepaid expenses	3,389	2,172
Net (increase) decrease in inventory	(82,297)	(65,276)
Net increase (decrease) in accounts payable	(14,680)	191
Net increase (decrease) in school and sales taxes payable	(425)	(6,476)
Net increase (decrease) in customer deposits	(650)	(250)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,058,923	\$ 1,196,139

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