

# Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410  
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CHARLES S. MUSSON  
W. RANDALL JONES  
CHRISTIAN L. JUCKETT

September 14, 2012

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

RECEIVED

SEP 19 2012

PUBLIC SERVICE  
COMMISSION

Re: Lyon County Water District PSC Application

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the Lyon 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;jlm  
Enclosures

cc: Mr. David Lovett, Lyon County Water District  
Ms. Kristen Millard, Morgan Keegan

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

IN THE MATTER OF:

SEP 19 2012

PUBLIC SERVICE  
COMMISSION

THE APPLICATION OF THE LYON COUNTY )  
 WATER DISTRICT TO ISSUE SECURITIES IN )  
 THE APPROXIMATE PRINCIPAL AMOUNT OF )  
 \$1,385,000 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, Lyon 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 \$1,385,000 (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 Lyon County, which Order is on file in the County Court Order Books in the office of the Clerk of Lyon 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:

Lyon County Water District  
c/o Mr. Terry McKinney, Chairman  
P.O. Box 489  
Kuttawa, Kentucky 42055  
Telephone: (270) 388-0271

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 \$1,385,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as (i) Lyon County Water District Water Revenue Bonds, Series of 1995, dated July 17, 1996, in the original principal amount of \$996,000, bearing interest at the rate of 4.875% per annum (the "1995 Bonds"); and (ii) Lyon County Water District Waterworks Revenue Bonds, Series 2002, dated March 7, 2003, in the original principal amount of \$594,000, bearing interest at the rate of 4.625% per annum (the "2002 Bonds") (hereinafter, the 1995 Bonds and the 2002 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 \$107,962.98. 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, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2011 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.

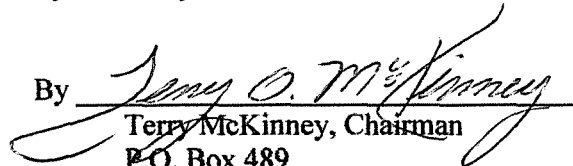
18. No rate adjustment will be necessary.

**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.

Lyon County Water District

By   
Terry McKinney, Chairman  
P.O. Box 489  
Kuttawa, Kentucky 42005  
Phone: (270) 388-0271

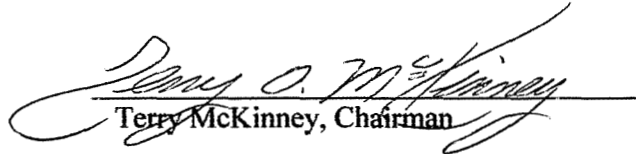
Rubin & Hays

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

STATE OF KENTUCKY            )  
  ) SS  
COUNTY OF LYON             )

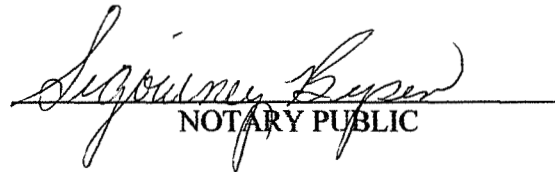
The affiant, Terry McKinney, being first duly sworn, states: That he is the Chairman of the Lyon County Water District, the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except as to matters 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 11<sup>th</sup> day of September, 2012.

  
Terry McKinney, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Terry McKinney, Chairman of the Lyon County Water District, on this the 11 day of September, 2012.

My Commission expires: February 23, 2016.

  
NOTARY PUBLIC  
ID 461084





Preliminary

**\$1,385,000**

Lyon County Water District  
 Potential Refunding through the  
 Kentucky Rural Water Finance Corporation

**Debt Service Schedule**

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/27/2012	-	-	-	-	-
02/01/2013	-	-	17,240.36	17,240.36	-
08/01/2013	20,000.00	2.750%	25,026.33	45,026.33	-
12/30/2013	-	-	-	-	62,266.69
02/01/2014	-	-	24,751.33	24,751.33	-
08/01/2014	40,000.00	3.500%	24,751.33	64,751.33	-
12/30/2014	-	-	-	-	89,502.66
02/01/2015	-	-	24,051.33	24,051.33	-
08/01/2015	40,000.00	3.500%	24,051.33	64,051.33	-
12/30/2015	-	-	-	-	88,102.66
02/01/2016	-	-	23,351.33	23,351.33	-
08/01/2016	40,000.00	3.500%	23,351.33	63,351.33	-
12/30/2016	-	-	-	-	86,702.66
02/01/2017	-	-	22,651.33	22,651.33	-
08/01/2017	40,000.00	3.500%	22,651.33	62,651.33	-
12/30/2017	-	-	-	-	85,302.66
02/01/2018	-	-	21,951.33	21,951.33	-
08/01/2018	45,000.00	3.250%	21,951.33	66,951.33	-
12/30/2018	-	-	-	-	88,902.66
02/01/2019	-	-	21,220.08	21,220.08	-
08/01/2019	45,000.00	3.250%	21,220.08	66,220.08	-
12/30/2019	-	-	-	-	87,440.16
02/01/2020	-	-	20,488.83	20,488.83	-
08/01/2020	45,000.00	3.250%	20,488.83	65,488.83	-
12/30/2020	-	-	-	-	85,977.66
02/01/2021	-	-	19,757.58	19,757.58	-
08/01/2021	50,000.00	3.250%	19,757.58	69,757.58	-
12/30/2021	-	-	-	-	89,515.16
02/01/2022	-	-	18,945.08	18,945.08	-
08/01/2022	50,000.00	3.250%	18,945.08	68,945.08	-
12/30/2022	-	-	-	-	87,890.16
02/01/2023	-	-	18,132.58	18,132.58	-
08/01/2023	50,000.00	3.300%	18,132.58	68,132.58	-
12/30/2023	-	-	-	-	86,265.16
02/01/2024	-	-	17,307.58	17,307.58	-
08/01/2024	55,000.00	3.400%	17,307.58	72,307.58	-
12/30/2024	-	-	-	-	89,615.16
02/01/2025	-	-	16,372.58	16,372.58	-
08/01/2025	55,000.00	3.550%	16,372.58	71,372.58	-
12/30/2025	-	-	-	-	87,745.16
02/01/2026	-	-	15,396.33	15,396.33	-
08/01/2026	55,000.00	3.550%	15,396.33	70,396.33	-
12/30/2026	-	-	-	-	85,792.66
02/01/2027	-	-	14,420.08	14,420.08	-
08/01/2027	60,000.00	3.650%	14,420.08	74,420.08	-
12/30/2027	-	-	-	-	88,840.16
02/01/2028	-	-	13,325.08	13,325.08	-
08/01/2028	60,000.00	3.650%	13,325.08	73,325.08	-
12/30/2028	-	-	-	-	86,650.16
02/01/2029	-	-	12,230.08	12,230.08	-
08/01/2029	65,000.00	3.650%	12,230.08	77,230.08	-
12/30/2029	-	-	-	-	89,460.16
02/01/2030	-	-	11,043.83	11,043.83	-
08/01/2030	65,000.00	3.700%	11,043.83	76,043.83	-
12/30/2030	-	-	-	-	87,087.66
02/01/2031	-	-	9,841.33	9,841.33	-
08/01/2031	70,000.00	3.700%	9,841.33	79,841.33	-
12/30/2031	-	-	-	-	89,682.66
02/01/2032	-	-	8,546.33	8,546.33	-
08/01/2032	70,000.00	3.850%	8,546.33	78,546.33	-
12/30/2032	-	-	-	-	87,092.66
02/01/2033	-	-	7,198.83	7,198.83	-
08/01/2033	75,000.00	3.850%	7,198.83	82,198.83	-
12/30/2033	-	-	-	-	89,397.66
02/01/2034	-	-	5,755.08	5,755.08	-
08/01/2034	75,000.00	3.863%	5,755.08	80,755.08	-
12/30/2034	-	-	-	-	86,510.16
02/01/2035	-	-	4,306.45	4,306.45	-
08/01/2035	80,000.00	3.863%	4,306.45	84,306.45	-
12/30/2035	-	-	-	-	88,612.00
02/01/2036	-	-	2,761.25	2,761.25	-
08/01/2036	25,000.00	4.050%	2,761.25	27,761.25	-
12/30/2036	-	-	-	-	30,522.50
02/01/2037	-	-	2,255.00	2,255.00	-
08/01/2037	25,000.00	4.100%	2,255.00	27,255.00	-
12/30/2037	-	-	-	-	29,510.00
02/01/2038	-	-	1,742.50	1,742.50	-
08/01/2038	25,000.00	4.100%	1,742.50	26,742.50	-
12/30/2038	-	-	-	-	28,485.00
02/01/2039	-	-	1,230.00	1,230.00	-
08/01/2039	30,000.00	4.100%	1,230.00	31,230.00	-
12/30/2039	-	-	-	-	32,460.00
02/01/2040	-	-	615.00	615.00	-
08/01/2040	30,000.00	4.100%	615.00	30,615.00	-
12/30/2040	-	-	-	-	31,230.00
<b>Total</b>	<b>\$1,385,000.00</b>	-	<b>\$761,562.95</b>	<b>\$2,146,562.95</b>	-

**Yield Statistics**

Bond Year Dollars	\$20,409,556
Average Life	14.736 Years
Average Coupon	3.7314038%
Net Interest Cost (NIC)	3.8308034%
True Interest Cost (TIC)	3.8456102%
Bond Yield for Arbitrage Purposes	3.6818309%
All Inclusive Cost (AIC)	4.0421452%
IRS Form 8038	
Net Interest Cost	3.7371311%
Weighted Average Maturity	14.596 Years



Preliminary

**\$1,385,000**

Lyon County Water District  
Potential Refunding through the  
Kentucky Rural Water Finance Corporation

## Sources & Uses

Dated 09/27/2012 | Delivered 09/27/2012

### Sources Of Funds

Par Amount of Bonds	\$1,385,000.00
Reoffering Premium	3,950.50
Transfers from Prior Issue Debt Service Funds	28,702.71

**Total Sources** **\$1,417,653.21**

### Uses Of Funds

Total Underwriter's Discount (1.750%)	24,237.50
Costs of Issuance	28,275.00
Deposit to Current Refunding Fund	1,360,340.55
Rounding Amount	4,800.16

**Total Uses** **\$1,417,653.21**

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Preliminary

**\$1,385,000**

Lyon County Water District  
Potential Refunding through the  
Kentucky Rural Water Finance Corporation

## Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
12/30/2012	-	-	-	-
12/30/2013	62,266.69	62,266.69	90,568.14	28,301.45
12/30/2014	89,502.66	89,502.66	90,735.95	1,233.29
12/30/2015	88,102.66	88,102.66	90,831.88	2,729.22
12/30/2016	86,702.66	86,702.66	90,855.94	4,153.28
12/30/2017	85,302.66	85,302.66	90,808.13	5,505.47
12/30/2018	88,902.66	88,902.66	90,688.45	1,785.79
12/30/2019	87,440.16	87,440.16	91,472.51	4,032.35
12/30/2020	85,977.66	85,977.66	91,160.32	5,182.66
12/30/2021	89,515.16	89,515.16	90,776.26	1,261.10
12/30/2022	87,890.16	87,890.16	91,295.94	3,405.78
12/30/2023	86,265.16	86,265.16	91,207.82	4,942.66
12/30/2024	89,615.16	89,615.16	91,511.89	1,896.73
12/30/2025	87,745.16	87,745.16	91,695.32	3,950.16
12/30/2026	85,792.66	85,792.66	91,270.95	5,478.29
12/30/2027	88,840.16	88,840.16	92,214.39	3,374.23
12/30/2028	86,650.16	86,650.16	91,525.63	4,875.47
12/30/2029	89,460.16	89,460.16	92,693.13	3,232.97
12/30/2030	87,087.66	87,087.66	92,204.07	5,116.41
12/30/2031	89,682.66	89,682.66	92,082.82	2,400.16
12/30/2032	87,092.66	87,092.66	92,793.45	5,700.79
12/30/2033	89,397.66	89,397.66	92,335.95	2,938.29
12/30/2034	86,510.16	86,510.16	92,710.32	6,200.16
12/30/2035	88,612.90	88,612.90	93,380.63	4,767.73
12/30/2036	30,522.50	30,522.50	33,833.75	3,311.25
12/30/2037	29,510.00	29,510.00	34,142.81	4,632.81
12/30/2038	28,485.00	28,485.00	33,894.06	5,409.06
12/30/2039	32,460.00	32,460.00	34,087.50	1,627.50
12/30/2040	31,230.00	31,230.00	34,211.57	2,981.57
12/30/2041	-	-	34,266.26	34,266.26
12/30/2042	-	-	33,763.13	33,763.13
<b>Total</b>	<b>\$2,146,562.95</b>	<b>\$2,146,562.95</b>	<b>\$2,345,018.97</b>	<b>\$198,456.02</b>

### PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	198,456.02
Gross PV Debt Service Savings	131,865.53
Net PV Cashflow Savings @ 3.682%(Bond Yield)	131,865.53
Transfers from Prior Issue Debt Service Fund	(28,702.71)
Contingency or Rounding Amount	4,800.16
Net Future Value Benefit	\$174,553.47
Net Present Value Benefit	\$107,962.98
Net PV Benefit / \$1,345,000 Refunded Principal	8.027%
Net PV Benefit / \$1,385,000 Refunding Principal	7.795%

### Refunding Bond Information

Refunding Dated Date	9/27/2012
Refunding Delivery Date	9/27/2012
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**Raymond James I Morgan Keegan**



Preliminary

**\$804,000**

Lyon County Water District

Series 1995

## Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2013	19,000.00	-	38,731.88	57,731.88
12/30/2014	20,000.00	-	37,781.26	57,781.26
12/30/2015	21,000.00	-	36,781.88	57,781.88
12/30/2016	22,000.00	-	35,733.75	57,733.75
12/30/2017	23,000.00	-	34,636.88	57,636.88
12/30/2018	24,000.00	-	33,491.26	57,491.26
12/30/2019	26,000.00	-	32,272.51	58,272.51
12/30/2020	27,000.00	-	30,980.63	57,980.63
12/30/2021	28,000.00	-	29,640.00	57,640.00
12/30/2022	30,000.00	-	28,226.25	58,226.25
12/30/2023	31,000.00	-	26,739.38	57,739.38
12/30/2024	33,000.00	-	25,179.38	58,179.38
12/30/2025	35,000.00	-	23,521.88	58,521.88
12/30/2026	36,000.00	-	21,791.26	57,791.26
12/30/2027	39,000.00	-	19,963.13	58,963.13
12/30/2028	40,000.00	-	18,037.50	58,037.50
12/30/2029	43,000.00	-	16,014.38	59,014.38
12/30/2030	45,000.00	-	13,869.38	58,869.38
12/30/2031	47,000.00	-	11,626.88	58,626.88
12/30/2032	50,000.00	-	9,262.51	59,262.51
12/30/2033	52,000.00	-	6,776.26	58,776.26
12/30/2034	55,000.00	-	4,168.13	59,168.13
12/30/2035	58,000.00	4.875%	1,413.75	59,413.75
<b>Total</b>	<b>\$804,000.00</b>	<b>-</b>	<b>\$536,640.12</b>	<b>\$1,340,640.12</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	9/27/2012
Average Life	13.453 Years
Average Coupon	4.8750011%
Weighted Average Maturity (Par Basis)	13.453 Years

### Refunding Bond Information

Refunding Dated Date	9/27/2012
Refunding Delivery Date	9/27/2012

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Preliminary

**\$541,000**

Lyon County Water District

Series 2002

## Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2013	8,000.00	-	24,836.26	32,836.26
12/30/2014	8,500.00	-	24,454.69	32,954.69
12/30/2015	9,000.00	-	24,050.00	33,050.00
12/30/2016	9,500.00	-	23,622.19	33,122.19
12/30/2017	10,000.00	-	23,171.25	33,171.25
12/30/2018	10,500.00	-	22,697.19	33,197.19
12/30/2019	11,000.00	-	22,200.00	33,200.00
12/30/2020	11,500.00	-	21,679.69	33,179.69
12/30/2021	12,000.00	-	21,136.26	33,136.26
12/30/2022	12,500.00	-	20,569.69	33,069.69
12/30/2023	13,500.00	-	19,968.44	33,468.44
12/30/2024	14,000.00	-	19,332.51	33,332.51
12/30/2025	14,500.00	-	18,673.44	33,173.44
12/30/2026	15,500.00	-	17,979.69	33,479.69
12/30/2027	16,000.00	-	17,251.26	33,251.26
12/30/2028	17,000.00	-	16,488.13	33,488.13
12/30/2029	18,000.00	-	15,678.75	33,678.75
12/30/2030	18,500.00	-	14,834.69	33,334.69
12/30/2031	19,500.00	-	13,955.94	33,455.94
12/30/2032	20,500.00	-	13,030.94	33,530.94
12/30/2033	21,500.00	-	12,059.69	33,559.69
12/30/2034	22,500.00	-	11,042.19	33,542.19
12/30/2035	24,000.00	-	9,966.88	33,966.88
12/30/2036	25,000.00	-	8,833.75	33,833.75
12/30/2037	26,500.00	-	7,642.81	34,142.81
12/30/2038	27,500.00	-	6,394.06	33,894.06
12/30/2039	29,000.00	-	5,087.50	34,087.50
12/30/2040	30,500.00	-	3,711.57	34,211.57
12/30/2041	32,000.00	-	2,266.26	34,266.26
12/30/2042	33,000.00	4.625%	763.13	33,763.13
<b>Total</b>	<b>\$541,000.00</b>	<b>-</b>	<b>\$463,378.85</b>	<b>\$1,004,378.85</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	9/27/2012
Average Life	18.281 Years
Average Coupon	4.6250010%
Weighted Average Maturity (Par Basis)	18.281 Years

### Refunding Bond Information

Refunding Dated Date	9/27/2012
Refunding Delivery Date	9/27/2012

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**Raymond James I Morgan Keegan**

Public Finance



LYON COUNTY WATER DISTRICT  
STATEMENTS OF NET ASSETS  
December 31, 2011 and 2010

ASSETS	2011	2010
Current assets:		
Cash	\$ 173,840	134,157
Accounts receivable:		
Trade	61,959	58,829
Grant	8,515	-
Inventory	11,697	8,052
Prepaid expenses	6,813	5,705
Total current assets	262,824	206,743
Restricted assets:		
Cash	220,597	203,455
Utility plant	7,915,335	7,877,333
Less accumulated depreciation	(3,232,411)	(3,079,740)
	4,682,925	4,797,593
Other assets:		
Deposits	779	1,434
Prepaid KIA principal	138,852	154,450
Unamortized debt expense, net	23,374	24,463
	163,004	180,347
Total assets	5,329,350	5,388,138
LIABILITIES		
Current liabilities:		
Current maturities of long-term debt	33,000	76,500
Note payable	24,287	24,287
Accounts payable:		
Trade	29,218	29,215
Construction	12,065	-
Withholdings and related	4,792	4,887
Customer's deposit	19,151	15,600
Accrued expenses:		
Taxes	2,489	2,275
Interest	52,768	53,770
Total current liabilities	177,770	206,534
Long-term debt, less current maturities	1,692,000	1,725,000
Total liabilities	1,869,769	1,931,534
NET ASSETS		
Invested in capital assets, net of related debt, as restated	2,957,925	2,996,093
Restricted	220,597	203,455
Unrestricted	281,058	257,055
Total net assets	\$ 3,459,580	\$ 3,456,604

See Accompanying Notes and Auditor's Report

LYON COUNTY WATER DISTRICT  
 STATEMENTS OF REVENUES , EXPENSES, AND CHANGES IN NET ASSETS  
 Years Ended December 31, 2011 and 2010

	2011	2010
Water and Sewer sales, net of refunds	\$ 899,672	\$ 921,080
Operating expenses	757,050	793,618
Taxes other than income	1,408	1,395
	758,458	795,013
Total operating expenses before depreciation and amortization		
Operating income before depreciation and amortization	141,214	126,067
Less depreciation and amortization	209,518	206,520
Operating income	(68,304)	(80,453)
Add nonoperating income:		
Contributions in aid of construction, grants and tap-ons	122,661	140,948
Interest income	274	346
Gain on sale of assets	25,700	-
Miscellaneous receipts	8,956	5,023
Total non-operating income	157,591	146,317
Less non-operating expenses:		
Interest expense	86,310	89,824
Change in net assets	2,976	(23,959)
Net assets, beginning of year, as restated	3,456,604	3,480,562
Net assets, end of year	\$ 3,459,580	\$ 3,456,604

See Accompanying Notes and Auditor's Report

ESDisconnected

LYON COUNTY WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Received from customers	\$ 907,816	\$ 926,348
Paid to suppliers for goods and services	(570,008)	(622,362)
Paid to employees	(198,267)	(168,359)
Net cash provided (used) by operating activities	139,541	135,627
Cash flows from non-capital activities:		
Miscellaneous receipts	8,956	5,023
Contributed capital, net	122,661	140,948
Net cash provided (used) by non-capital activities	131,617	145,971
Cash flows from capital and related financing activities:		
Acquisition and construction of property, plant and equipment	(93,095)	(159,921)
Gain on the sale of fixed assets	25,700	-
Principal paid on long-term debt	(33,000)	(76,500)
Interest paid on debt	(86,310)	(89,824)
Prepaid Kentucky Infrastructure principal	15,598	12,884
Payment on short-term debt	(43,500)	(1,000)
Net cash provided (used) by capital and related financing activities	(214,607)	(314,361)
Cash flows from investing activities:		
Interest income	274	346
Net cash provided (used) by investing activities	274	346
Net increase (decrease) in cash	56,825	(32,417)
Cash and cash equivalents, beginning of year	337,612	370,029
Cash and cash equivalents, end of year	\$ 394,437	\$ 337,612
Cash flows from operating activities:		
Operating (loss) income	\$ (68,304)	\$ (80,453)
Adjustments - operating activities:		
Depreciation and amortization	209,518	206,520
(Increase) decrease in:		
Accounts receivable	(11,645)	5,268
Inventory	(3,645)	1,942
Prepaid expenses	(1,108)	-
Increase (decrease) in:		
Accounts payable	12,068	2,815
Customer's deposits	3,551	-
Withholdings and related	(95)	(179)
Accrued interest	(1,002)	(490)
Accrued taxes	203	204
Net cash provided (used) by operating activities	\$ 139,541	\$ 135,627

See Accompanying Notes and Auditor's Report