

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

November 6, 2012

RECEIVED

NOV 9 2012

PUBLIC SERVICE
COMMISSION

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

Re: Kirksville Water Association, Inc. PSC Application

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the Kirksville Water Association, Inc. for an Order authorizing the Association 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 debt 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 December 14, 2012.**

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. Bobby Powell, Kirksville Water Association
Ms. Kristen Millard, Morgan Keegan

RECEIVED

NOV 9 2012

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF THE KIRKSVILLE WATER ASSOCIATION, INC., TO ISSUE SECURITIES IN THE APPROXIMATE PRINCIPAL AMOUNT OF \$760,000 FOR THE PURPOSE OF REFUNDING CERTAIN OUTSTANDING INDEBTEDNESS OF THE ASSOCIATION PURSUANT TO THE PROVISIONS OF KRS 278.300 AND 807 KAR 5:001) Case No. 2012 - _____

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

APPLICATION

The Applicant, Kirksville Water Association, Inc. (the "Association"), 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 Association to issue certain securities in the approximate principal sum \$760,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding indebtedness of the Association. In support of this Application, and in compliance with the rules and regulations of the Commission, the Association states as follows:

- 1. The Association is a non-profit water association of Madison County, created and existing under the provisions of Chapter 273 of the Kentucky Revised Statutes. The Association's Articles of Incorporation are on file with the Commission in Case No. 2010-00439. The Association is now, and has been since its inception, regulated by the Commission, and all records and

proceedings of the Commission with reference to the Association are incorporated in this Application by reference.

2. The governing body of the Association is its Board of Directors, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS Chapter 273 and all applicable law and regulations.

3. The mailing address of the Association is as follows:

Kirksville Water Association, Inc.
c/o Mr. Billy May, President
P.O. Box 670
Richmond, Kentucky 40476
Telephone: (859) 624-1735

4. A general description of the Association's water system property, together with a statement of the original cost, is contained in the Association's Annual Report for 2011 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The Association proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an assistance agreement in the estimated principal amount of \$760,000 (subject to adjustment of up to 10%) (the "KRWFC Loan") for the purpose of refunding the outstanding indebtedness of the Association designated as (i) Kirksville Water Association Promissory Note, dated July 15, 1975, in the original principal amount of \$345,000, bearing interest at the rate of 5.00% per annum (the "1975 Note"); (ii) Kirksville Water Association Promissory Note, dated September 25, 1989, in the original principal amount of \$635,000, bearing interest at the rate of 6.00% per annum (the "1989 Note"); and (iii) Kirksville Water Association Promissory Note, dated November 14, 2000, in the original principal amount of \$250,900, bearing interest at the rate of 5.50% per annum (the "2000 Note") (hereinafter the 1975 Note, the 1989 Note and the 2000 Note shall be collectively referred to as the "Prior Loans"). All of said Prior Loans are

currently held the United States Department of Agriculture, acting through Rural Development ("RD").

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 rate 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 Association with the funds necessary to (i) refund the Prior Loans; and (iii) pay the costs, 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 present value benefit of approximately \$95,904.81. 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 may be adjusted, based upon the final interest rate as of closing of the proposed KRWFC Loan. Final financial figures will be submitted to the Commission in a timely manner. The Association will not issue the securities if interest rates in the financial markets shift to a point where the Association will not achieve any savings.

11. The Total Refunded Debt Schedule of the outstanding Prior Loans being refunded is set forth in **Exhibit D**.

12. The Association represents that the KRWFC Loan is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the Association by producing substantial debt service savings. This is a lawful object within the corporate purposes of the Association's utility operations. The KRWFC Loan is necessary, appropriate for, and consistent with the proper performance by the Association of its service to the public and will not impair its ability to perform that service.

13. The Association 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 costs and expenses incurred in the issuance of the KRWFC Loan, and the final 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, 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 Association hereby responds as follows:

- (a) Section 6(4) Mortgages: The Association's mortgages were filed in **Case No. 2010-00439**.
- (b) Section 6(5) Bonds: The KRWFC Loan will be secured by a pledge of the revenues of the Association's System.

- (c) Section 11(2)(b): The Association 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 Loans.

17. The Association 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 Association states that there has been no change that is material in nature in the financial condition or operation of the Association 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 financial markets, the Association cannot run the risk of delaying the closing of the KRWFC Loan while more current financial data is compiled.

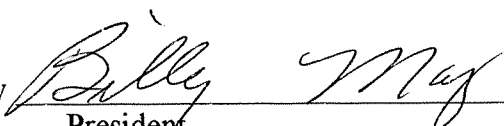
18. No rate adjustment will be necessary.

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

1. Authorize the issuance of the securities requested in the Application;
2. Grant the Association a deviation, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the Association's 2011 Annual Report and 2011 audit in lieu of more recent financial data, there being no material change in the data in 2012 and due to the volatility of the present financial markets; and
3. Process this Application without a formal hearing in order to save time and expense.

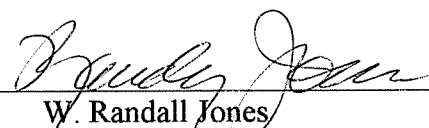
The Association will promptly respond to any information requests by the Commission's staff.

Kirksville Water Association, Inc.

By 

President
P.O. Box 670
Richmond, Kentucky 40476
Phone: (859) 624-1735

Rubin & Hays

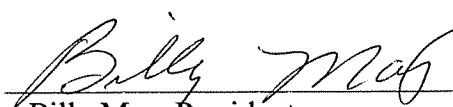
By 

W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Counsel for Kirksville Association,
Inc.

STATE OF KENTUCKY)
) SS
COUNTY OF MADISON)

The affiant, Billy May, being first duly sworn, states: That he is the President of the Kirksville Water Association, Inc., 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 1st day of November, 2012.



Billy May, President

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Billy May, President of the Kirksville Water Association, Inc., on this the 1st day of November, 2012.

My Commission expires: 8/25/15.



NOTARY PUBLIC
ID# 449883

Preliminary
\$760,000

Kirksville Water Association
Potential Refunding through the Kentucky Rural Water Finance Corporation

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/15/2012	-	-	-	-	-
02/01/2013	-	-	9,189.06	9,189.06	-
08/01/2013	45,000.00	0.670%	12,162.00	57,162.00	-
12/30/2013	-	-	-	-	66,351.06
02/01/2014	-	-	12,011.25	12,011.25	-
08/01/2014	50,000.00	0.850%	12,011.25	62,011.25	-
12/30/2014	-	-	-	-	74,022.50
02/01/2015	-	-	11,798.75	11,798.75	-
08/01/2015	50,000.00	1.340%	11,798.75	61,798.75	-
12/30/2015	-	-	-	-	73,597.50
02/01/2016	-	-	11,513.75	11,513.75	-
08/01/2016	30,000.00	1.650%	11,513.75	41,513.75	-
12/30/2016	-	-	-	-	53,027.50
02/01/2017	-	-	11,266.25	11,266.25	-
08/01/2017	30,000.00	1.950%	11,266.25	41,266.25	-
12/30/2017	-	-	-	-	52,532.50
02/01/2018	-	-	10,973.75	10,973.75	-
08/01/2018	30,000.00	2.290%	10,973.75	40,973.75	-
12/30/2018	-	-	-	-	51,947.50
02/01/2019	-	-	10,630.25	10,630.25	-
08/01/2019	30,000.00	2.540%	10,630.25	40,630.25	-
12/30/2019	-	-	-	-	51,260.50
02/01/2020	-	-	10,249.25	10,249.25	-
08/01/2020	30,000.00	3.430%	10,249.25	40,249.25	-
12/30/2020	-	-	-	-	50,498.50
02/01/2021	-	-	9,734.75	9,734.75	-
08/01/2021	30,000.00	3.280%	9,734.75	39,734.75	-
12/30/2021	-	-	-	-	49,469.50
02/01/2022	-	-	9,242.75	9,242.75	-
08/01/2022	30,000.00	3.480%	9,242.75	39,242.75	-
12/30/2022	-	-	-	-	48,485.50
02/01/2023	-	-	8,720.75	8,720.75	-
08/01/2023	35,000.00	3.680%	8,720.75	43,720.75	-
12/30/2023	-	-	-	-	52,441.50
02/01/2024	-	-	8,076.75	8,076.75	-
08/01/2024	35,000.00	3.880%	8,076.75	43,076.75	-
12/30/2024	-	-	-	-	51,153.50
02/01/2025	-	-	7,397.75	7,397.75	-
08/01/2025	40,000.00	4.030%	7,397.75	47,397.75	-
12/30/2025	-	-	-	-	54,795.50
02/01/2026	-	-	6,591.75	6,591.75	-
08/01/2026	40,000.00	4.130%	6,591.75	46,591.75	-
12/30/2026	-	-	-	-	53,183.50
02/01/2027	-	-	5,765.75	5,765.75	-
08/01/2027	40,000.00	4.230%	5,765.75	45,765.75	-
12/30/2027	-	-	-	-	51,531.50
02/01/2028	-	-	4,919.75	4,919.75	-
08/01/2028	45,000.00	4.330%	4,919.75	49,919.75	-
12/30/2028	-	-	-	-	54,839.50
02/01/2029	-	-	3,945.50	3,945.50	-
08/01/2029	45,000.00	4.380%	3,945.50	48,945.50	-
12/30/2029	-	-	-	-	52,891.00
02/01/2030	-	-	2,960.00	2,960.00	-
08/01/2030	10,000.00	4.430%	2,960.00	12,960.00	-
12/30/2030	-	-	-	-	15,920.00
02/01/2031	-	-	2,738.50	2,738.50	-
08/01/2031	10,000.00	4.480%	2,738.50	12,738.50	-
12/30/2031	-	-	-	-	15,477.00
02/01/2032	-	-	2,514.50	2,514.50	-
08/01/2032	10,000.00	4.530%	2,514.50	12,514.50	-
12/30/2032	-	-	-	-	15,029.00
02/01/2033	-	-	2,288.00	2,288.00	-
08/01/2033	10,000.00	4.730%	2,288.00	12,288.00	-
12/30/2033	-	-	-	-	14,576.00
02/01/2034	-	-	2,051.50	2,051.50	-
08/01/2034	10,000.00	4.730%	2,051.50	12,051.50	-
12/30/2034	-	-	-	-	14,103.00
02/01/2035	-	-	1,815.00	1,815.00	-
08/01/2035	10,000.00	4.730%	1,815.00	11,815.00	-
12/30/2035	-	-	-	-	13,630.00
02/01/2036	-	-	1,578.50	1,578.50	-
08/01/2036	10,000.00	4.730%	1,578.50	11,578.50	-
12/30/2036	-	-	-	-	13,157.00
02/01/2037	-	-	1,342.00	1,342.00	-
08/01/2037	10,000.00	4.880%	1,342.00	11,342.00	-
12/30/2037	-	-	-	-	12,684.00
02/01/2038	-	-	1,098.00	1,098.00	-
08/01/2038	15,000.00	4.880%	1,098.00	16,098.00	-
12/30/2038	-	-	-	-	17,196.00
02/01/2039	-	-	732.00	732.00	-
08/01/2039	15,000.00	4.880%	732.00	15,732.00	-
12/30/2039	-	-	-	-	16,464.00
02/01/2040	-	-	366.00	366.00	-
08/01/2040	15,000.00	4.880%	366.00	15,366.00	-
12/30/2040	-	-	-	-	15,732.00
Total	\$760,000.00	-	\$345,996.56	\$1,105,996.56	-

Yield Statistics

Bond Year Dollars	58,577.11
Average Life	11.286 Years
Average Coupon	4.0339522%
Net Interest Cost (NIC)	4.1899160%
True Interest Cost (TIC)	4.1413718%
Bond Yield for Arbitrage Purposes	3.9347973%
All Inclusive Cost (AIC)	4.5379809%

IRS Form 8038

Net Interest Cost	4.0339522%
Weighted Average Maturity	11.286 Years

7/31/2012 11:01 AM

Raymond James I Morgan Keegan

Public Finance

Preliminary

\$760,000

Kirksville Water Association

Potential Refunding through the Kentucky Rural Water Finance Corporation

Total Issue Sources And Uses

Dated 09/15/2012 | Delivered 09/15/2012

	Ref of Series 1976	Ref of Series 1989	Ref of Series 2000	Issue Summary
Sources Of Funds				
Par Amount of Bonds	\$55,000.00	\$470,000.00	\$235,000.00	\$760,000.00
Transfers from Prior Issue Debt Service Funds	3,379.09	7,128.67	7,030.53	17,538.29
Total Sources	\$58,379.09	\$477,128.67	\$242,030.53	\$777,538.29
Uses Of Funds				
Total Underwriter's Discount (1.750%)	962.50	8,225.00	4,112.50	13,300.00
Costs of Issuance	1,367.76	11,688.16	5,844.08	18,900.00
Deposit to Current Refunding Fund	55,778.45	453,660.99	234,135.11	743,574.55
Rounding Amount	270.38	3,554.52	(2,061.16)	1,763.74
Total Uses	\$58,379.09	\$477,128.67	\$242,030.53	\$777,538.29

7/31/2012 | 11:01 AM

Preliminary

\$760,000

Kirksville Water Association

Potential Refunding through the Kentucky Rural Water Finance Corporation

Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2012	-	-	-	9,698.55	9,698.55
12/30/2013	66,351.06	350.00	66,701.06	79,054.30	12,353.24
12/30/2014	74,022.50	350.00	74,372.50	79,053.94	4,681.44
12/30/2015	73,597.50	350.00	73,947.50	79,052.80	5,105.30
12/30/2016	53,027.50	350.00	53,377.50	58,778.72	5,401.22
12/30/2017	52,532.50	350.00	52,882.50	58,778.82	5,896.32
12/30/2018	51,947.50	350.00	52,297.50	58,779.10	6,481.60
12/30/2019	51,260.50	350.00	51,610.50	58,779.78	7,169.28
12/30/2020	50,498.50	350.00	50,848.50	58,778.76	7,930.26
12/30/2021	49,469.50	350.00	49,819.50	58,779.78	8,960.28
12/30/2022	48,485.50	350.00	48,835.50	58,780.02	9,944.52
12/30/2023	52,441.50	350.00	52,791.50	58,779.52	5,988.02
12/30/2024	51,153.50	350.00	51,503.50	58,779.94	7,276.44
12/30/2025	54,795.50	350.00	55,145.50	58,780.44	3,634.94
12/30/2026	53,183.50	350.00	53,533.50	58,780.90	5,247.40
12/30/2027	51,531.50	350.00	51,881.50	58,779.68	6,898.18
12/30/2028	54,839.50	350.00	55,189.50	58,778.90	3,589.40
12/30/2029	52,891.00	350.00	53,241.00	58,779.98	5,538.98
12/30/2030	15,920.00	350.00	16,270.00	16,007.82	(262.18)
12/30/2031	15,477.00	350.00	15,827.00	16,008.24	181.24
12/30/2032	15,029.00	350.00	15,379.00	16,007.78	628.78
12/30/2033	14,576.00	350.00	14,926.00	16,007.00	1,081.00
12/30/2034	14,103.00	350.00	14,453.00	16,007.36	1,554.36
12/30/2035	13,630.00	350.00	13,980.00	16,007.14	2,027.14
12/30/2036	13,157.00	350.00	13,507.00	16,007.64	2,500.64
12/30/2037	12,684.00	350.00	13,034.00	16,008.00	2,974.00
12/30/2038	17,196.00	350.00	17,546.00	16,007.28	(1,538.72)
12/30/2039	16,464.00	350.00	16,814.00	16,007.52	(806.48)
12/30/2040	15,732.00	350.00	16,082.00	16,007.52	(74.48)
Total	\$1,105,996.56	\$9,800.00	\$1,115,796.56	\$1,245,857.23	\$130,060.67

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	130,060.67
Gross PV Debt Service Savings	101,898.31
Effects of changes in Expenses	(5,993.50)
Net PV Cashflow Savings @ 3.935%(Bond Yield)	95,904.81
Transfers from Prior Issue Debt Service Fund	(17,538.29)
Contingency or Rounding Amount	1,763.74
Net Future Value Benefit	\$114,286.12
Net Present Value Benefit	\$80,130.26
Net PV Benefit / \$732,783 Refunded Principal	10.935%
Net PV Benefit / \$760,000 Refunding Principal	10.543%

Refunding Bond Information

Refunding Dated Date	9/15/2012
Refunding Delivery Date	9/15/2012
7/31/2012 11:01 AM	

Raymond James I Morgan Keegan

Public Finance

Preliminary

\$345,000

Kirksville Water Association

Series 1975 (ESTIMATED)

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2013	17,514.00	5.000%	2,760.56	20,274.56
12/30/2014	18,389.00	5.000%	1,884.86	20,273.86
12/30/2015	19,308.00	5.000%	965.40	20,273.40
Total	\$55,211.00	-	\$5,610.82	\$60,821.82

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	9/15/2012
Average Life	1.827 Years
Average Coupon	5.0000178%
Weighted Average Maturity (Par Basis)	1.827 Years

Refunding Bond Information

Refunding Dated Date	9/15/2012
Refunding Delivery Date	9/15/2012

7/31/2012 | 11:01 AM

Preliminary

\$635,000

Kirksville Water Association

Series 1989

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2013	15,884.00	6.000%	26,888.04	42,772.04
12/30/2014	16,837.00	6.000%	25,935.00	42,772.00
12/30/2015	17,847.00	6.000%	24,924.78	42,771.78
12/30/2016	18,918.00	6.000%	23,853.96	42,771.96
12/30/2017	20,053.00	6.000%	22,718.88	42,771.88
12/30/2018	21,256.00	6.000%	21,515.70	42,771.70
12/30/2019	22,532.00	6.000%	20,240.34	42,772.34
12/30/2020	23,883.00	6.000%	18,888.42	42,771.42
12/30/2021	25,317.00	6.000%	17,455.44	42,772.44
12/30/2022	26,836.00	6.000%	15,936.42	42,772.42
12/30/2023	28,446.00	6.000%	14,326.26	42,772.26
12/30/2024	30,153.00	6.000%	12,619.50	42,772.50
12/30/2025	31,962.00	6.000%	10,810.32	42,772.32
12/30/2026	33,880.00	6.000%	8,892.60	42,772.60
12/30/2027	35,912.00	6.000%	6,859.80	42,771.80
12/30/2028	38,067.00	6.000%	4,705.08	42,772.08
12/30/2029	40,351.00	6.000%	2,421.06	42,772.06
Total	\$448,134.00	-	\$278,991.60	\$727,125.60

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	9/15/2012
Average Life	10.170 Years
Average Coupon	6.0000000%
Weighted Average Maturity (Par Basis)	10.170 Years

Refunding Bond Information

Refunding Dated Date	9/15/2012
Refunding Delivery Date	9/15/2012

7/31/2012 | 11:01 AM

Raymond James | Morgan Keegan

Public Finance

Preliminary

\$250,900

Kirksville Water Association

Series 2000 (ESTIMATED)

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	3,389.00	5.500%	6,309.55	9,698.55
12/30/2013	3,575.00	5.500%	12,432.70	16,007.70
12/30/2014	3,772.00	5.500%	12,236.08	16,008.08
12/30/2015	3,979.00	5.500%	12,028.62	16,007.62
12/30/2016	4,197.00	5.500%	11,809.76	16,006.76
12/30/2017	4,428.00	5.500%	11,578.94	16,006.94
12/30/2018	4,672.00	5.500%	11,335.40	16,007.40
12/30/2019	4,929.00	5.500%	11,078.44	16,007.44
12/30/2020	5,200.00	5.500%	10,807.34	16,007.34
12/30/2021	5,486.00	5.500%	10,521.34	16,007.34
12/30/2022	5,788.00	5.500%	10,219.60	16,007.60
12/30/2023	6,106.00	5.500%	9,901.26	16,007.26
12/30/2024	6,442.00	5.500%	9,565.44	16,007.44
12/30/2025	6,797.00	5.500%	9,211.12	16,008.12
12/30/2026	7,171.00	5.500%	8,837.30	16,008.30
12/30/2027	7,565.00	5.500%	8,442.88	16,007.88
12/30/2028	7,980.00	5.500%	8,026.82	16,006.82
12/30/2029	8,420.00	5.500%	7,587.92	16,007.92
12/30/2030	8,883.00	5.500%	7,124.82	16,007.82
12/30/2031	9,372.00	5.500%	6,636.24	16,008.24
12/30/2032	9,887.00	5.500%	6,120.78	16,007.78
12/30/2033	10,430.00	5.500%	5,577.00	16,007.00
12/30/2034	11,004.00	5.500%	5,003.36	16,007.36
12/30/2035	11,609.00	5.500%	4,398.14	16,007.14
12/30/2036	12,248.00	5.500%	3,759.64	16,007.64
12/30/2037	12,922.00	5.500%	3,086.00	16,008.00
12/30/2038	13,632.00	5.500%	2,375.28	16,007.28
12/30/2039	14,382.00	5.500%	1,625.52	16,007.52
12/30/2040	15,173.00	5.500%	834.52	16,007.52
Total	\$229,438.00	-	\$228,471.81	\$457,909.81

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	9/15/2012
Average Life	17.733 Years
Average Coupon	5.5000025%
Weighted Average Maturity (Par Basis)	17.733 Years

Refunding Bond Information

Refunding Dated Date	9/15/2012
Refunding Delivery Date	9/15/2012

7/31/2012 | 11:01 AM

Raymond James I Morgan Keegan

Public Finance

KIRKSVILLE WATER ASSOCIATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash on hand	\$ 220	\$ 220
Cash - operating account	56,236	96,358
Certificate of deposit	210,143	207,504
Accounts receivable - trade, net	61,891	68,245
Inventory	16,586	16,054
Prepaid insurance	<u>8,931</u>	<u>5,673</u>
Total Current Assets	<u>354,007</u>	<u>394,054</u>
TEMPORARILY RESTRICTED ASSETS		
Reserve accounts		
Sinking fund - cash	31,009	45,003
Certificate of deposit	37,054	36,623
Customer deposits - cash	<u>3,279</u>	<u>3,880</u>
Total Temporarily Restricted Assets	<u>71,342</u>	<u>85,506</u>
FIXED ASSETS		
Property, Plant and Equipment	5,320,617	5,199,233
Less accumulated depreciation	<u>(2,142,449)</u>	<u>(1,999,876)</u>
Fixed Assets - Net	<u>3,178,168</u>	<u>3,199,357</u>
TOTAL ASSETS	<u><u>\$ 3,603,517</u></u>	<u><u>\$ 3,678,917</u></u>

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

KIRKSVILLE WATER ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 40,435	\$ 38,346
Accounts payable and accrued liabilities	29,932	23,853
Customer deposits	<u>19,770</u>	<u>21,125</u>
Total Current Liabilities	<u>90,137</u>	<u>83,324</u>
LONG-TERM DEBT: LESS CURRENT PORTION		
1975 Note payable - Rural development	37,864	59,027
1989 Note payable - Rural development	445,219	464,542
1994 Note payable - Rural development	71,234	73,161
1999 Note payable - Rural development	91,644	93,269
2000 Note payable - Rural development	223,813	227,133
2004 Note payable - Rural development	92,660	94,103
2004 Note payable - Rural development	<u>64,859</u>	<u>65,870</u>
Total Long-Term Debt	<u>1,027,293</u>	<u>1,077,105</u>
Total Liabilities	<u>1,117,430</u>	<u>1,160,429</u>
NET ASSETS		
Unrestricted net assets	(377,337)	(328,874)
Temporarily restricted net assets	71,342	85,506
Contributions in aid of construction	2,000,856	1,983,975
Tap on fees	<u>791,226</u>	<u>777,881</u>
Total Net Assets	<u>2,486,087</u>	<u>2,518,488</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,603,517</u></u>	<u><u>\$ 3,678,917</u></u>

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

KIRKSVILLE WATER ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING INCREASES IN UNRESTRICTED NET ASSETS		
Sale of water	\$ 753,421	\$ 777,662
Miscellaneous income	19,485	21,953
	<hr/>	<hr/>
Total Operating Revenue	772,906	799,615
OPERATING DECREASES IN UNRESTRICTED NET ASSETS		
Water purchased	305,760	330,887
Personnel	110,633	104,242
Insurance	14,164	12,696
Postage	7,164	6,646
Plant utilities	14,010	13,727
Commissioner fees	18,600	18,300
Taxes	7,664	7,443
Telephone	1,223	1,162
Supplies	6,223	7,247
Legal, professional and clerical services	68,519	71,873
Miscellaneous expense	14,481	10,568
Public service commission assessment	1,221	1,222
Repairs and maintenance	38,773	39,357
Travel	20,920	18,815
Advertising	2,378	796
Bank charges	4,967	5,060
	<hr/>	<hr/>
Total	636,700	650,041
Depreciation	142,573	132,706
	<hr/>	<hr/>
Total Operating Expenses	779,273	782,747
	<hr/>	<hr/>
Operating Revenue/(Loss)	(6,367)	16,868
NON-OPERATING INCREASES (DECREASES) IN UNRESTRICTED NET ASSETS		
Interest income	3,131	6,070
Interest on long-term debt	(59,270)	(61,387)
Interest on customer deposits	(121)	(83)
	<hr/>	<hr/>
Total Other Income (Expenses)	(56,260)	(55,400)
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ (62,627)	\$ (38,532)

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

KIRKSVILLE WATER ASSOCIATION, INC.
 STATEMENTS OF CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Unrestricted net assets</u>	<u>Temporarily restricted net assets</u>	<u>Contributions in aid of construction</u>	<u>Tap on fees</u>
Beginning balance, January 1, 2010	\$ (307,361)	\$ 102,525	\$ 1,893,429	\$ 756,686
Increase (decrease) in net assets	(38,532)	-	-	-
Contributions	-	-	90,546	21,195
Transfers to/(from) temporarily restricted net assets	<u>17,019</u>	<u>(17,019)</u>	<u>-</u>	<u>-</u>
Ending balance, December 31, 2010	<u>\$ (328,874)</u>	<u>\$ 85,506</u>	<u>\$ 1,983,975</u>	<u>\$ 777,881</u>

	<u>Unrestricted net assets</u>	<u>Temporarily restricted net assets</u>	<u>Contributions in aid of construction</u>	<u>Tap on fees</u>
Beginning balance, January 1, 2011	\$ (328,874)	\$ 85,506	\$ 1,983,975	\$ 777,881
Increase (decrease) in net assets	(62,627)	-	-	-
Contributions	-	-	16,881	13,345
Transfers to/(from) temporarily restricted net assets	<u>14,164</u>	<u>(14,164)</u>	<u>-</u>	<u>-</u>
Ending balance, December 31, 2011	<u>\$ (377,337)</u>	<u>\$ 71,342</u>	<u>\$ 2,000,856</u>	<u>\$ 791,226</u>

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

KIRKSVILLE WATER ASSOCIATION, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Operating revenue/(loss)	\$ (6,367)	\$ 16,868
Adjustments to reconcile operating increase (decrease) in unrestricted net assets to net cash provided by operating activities:		
Depreciation	142,573	132,706
(Increase) decrease in accounts receivable	6,354	(681)
(Increase) decrease in inventory	(532)	(3,683)
(Increase) in other assets	(3,258)	(913)
Increase in accounts payable and accruals	683	1,780
Net cash provided by operating activities	<u>139,453</u>	<u>146,077</u>
Cash flows from investing activities:		
Interest income received	3,131	6,070
(Increase) in certificate of deposit	(2,639)	(4,340)
Decrease in temporarily restricted assets	14,164	17,019
Payment for purchase of fixed assets	<u>(121,384)</u>	<u>(375,727)</u>
Net cash (used) by investing activities	<u>(106,728)</u>	<u>(356,978)</u>
Cash flows from financing activities:		
Tap on fees	13,345	21,195
Interest paid	(55,350)	(66,253)
Contribution in aid of construction	16,881	90,546
Principal payment on debt	<u>(47,723)</u>	<u>(33,381)</u>
Net cash provided (used) by financing activities	<u>(72,847)</u>	<u>12,107</u>
Net increase (decrease) in cash and cash equivalents	(40,122)	(198,794)
Cash and cash equivalents at beginning of year	<u>96,578</u>	<u>295,372</u>
Cash and cash equivalents at end of year	<u>\$ 56,456</u>	<u>\$ 96,578</u>

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