

Rubin & Hays

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

July 13, 2012

RECEIVED

JUL 16 2012

PUBLIC SERVICE
COMMISSION

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

Re: Hyden-Leslie County Water District PSC Application

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the Hyden-Leslie 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. Leihman Howard, Hyden-Leslie County Water District
Ms. Kristen Millard, Morgan Keegan

RECEIVED

JUL 16 2012

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF HYDEN-LESLIE)
 COUNTY WATER DISTRICT TO ISSUE)
 SECURITIES IN THE APPROXIMATE)
 PRINCIPAL AMOUNT OF \$600,000 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, Hyden-Leslie 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 \$600,000 (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 Leslie County, which Order is on file in the County Court Order Books in the office of the Clerk of Leslie 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:

Hyden-Leslie County Water District
c/o Mr. Leihman Howard, Jr., Manager
325 Wendover Road
Hyden, Kentucky 41749
Telephone: (606) 672-2791

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 \$600,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as Hyden-Leslie County Water District Waterworks Revenue Bonds of 1989, dated September 27, 1990, in the original principal amount of \$900,000, bearing interest at the rate of 5.00% per annum (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 \$36,599.11. 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.

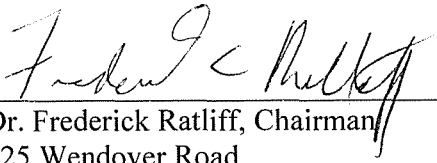
18. No rate adjustment will be necessary.

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

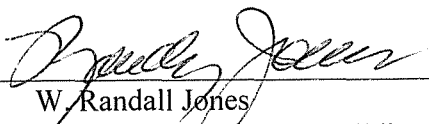
1. Authorize the issuance of the securities requested in the Application;
2. Grant the District a deviation from 807 KAR 5:001, Section 6 to allow the submission of the District's 2011 Annual Report and 2011 audited financial statements in lieu of more recent financial data as there has been no change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

Hyden-Leslie County Water District

By 
Dr. Frederick Ratliff, Chairman
325 Wendover Road
Hyden, Kentucky 41749
Phone: (606) 672-2791

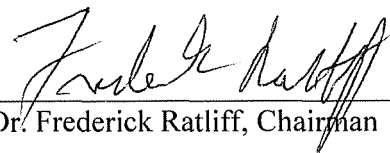
Rubin & Hays

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

STATE OF KENTUCKY)
) SS
COUNTY OF LESLIE)

The affiant, Dr. Frederick Ratliff, being first duly sworn, states: That he is the Chairman of the Hyden-Leslie 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 9th day of July, 2012.



Dr. Frederick Ratliff, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Dr. Frederick Ratliff, Chairman of the Hyden-Leslie County Water District, on this the 9th day of July, 2012.

My Commission expires: 2/9/16.



NOTARY PUBLIC

Preliminary

\$600,000

Hyden-Leslie County Water District
 Kentucky Rural Water Finance Corporation
 Public Projects Refunding Bonds, Series 2012 E

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/19/2012	-	-	-	-	-
02/01/2013	-	-	11,404 00	11,404 00	-
08/01/2013	30,000 00	3 500%	10,691 25	40,691 25	-
12/30/2013	-	-	-	-	52,095 25
02/01/2014	-	-	10,166 25	10,166 25	-
08/01/2014	30,000 00	3 500%	10,166 25	40,166 25	-
12/30/2014	-	-	-	-	50,332 50
02/01/2015	-	-	9,641 25	9,641 25	-
08/01/2015	30,000 00	3 800%	9,641 25	39,641 25	-
12/30/2015	-	-	-	-	49,282 50
02/01/2016	-	-	9,071 25	9,071 25	-
08/01/2016	30,000 00	3 300%	9,071 25	39,071 25	-
12/30/2016	-	-	-	-	48,142 50
02/01/2017	-	-	8,576 25	8,576 25	-
08/01/2017	35,000 00	3 250%	8,576 25	43,576 25	-
12/30/2017	-	-	-	-	52,152 50
02/01/2018	-	-	8,007 50	8,007 50	-
08/01/2018	35,000 00	3 350%	8,007 50	43,007 50	-
12/30/2018	-	-	-	-	51,015 00
02/01/2019	-	-	7,421 25	7,421 25	-
08/01/2019	35,000 00	3 350%	7,421 25	42,421 25	-
12/30/2019	-	-	-	-	49,842 50
02/01/2020	-	-	6,835 00	6,835 00	-
08/01/2020	35,000 00	3 350%	6,835 00	41,835 00	-
12/30/2020	-	-	-	-	48,670 00
02/01/2021	-	-	6,248 75	6,248 75	-
08/01/2021	35,000 00	3 350%	6,248 75	41,248 75	-
12/30/2021	-	-	-	-	47,497 50
02/01/2022	-	-	5,662 50	5,662 50	-
08/01/2022	40,000 00	3 400%	5,662 50	45,662 50	-
12/30/2022	-	-	-	-	51,325 00
02/01/2023	-	-	4,982 50	4,982 50	-
08/01/2023	40,000 00	3 500%	4,982 50	44,982 50	-
12/30/2023	-	-	-	-	49,965 00
02/01/2024	-	-	4,282 50	4,282 50	-
08/01/2024	40,000 00	3 600%	4,282 50	44,282 50	-
12/30/2024	-	-	-	-	48,565 00
02/01/2025	-	-	3,562 50	3,562 50	-
08/01/2025	45,000 00	3 800%	3,562 50	48,562 50	-
12/30/2025	-	-	-	-	52,125 00
02/01/2026	-	-	2,707 50	2,707 50	-
08/01/2026	45,000 00	3 800%	2,707 50	47,707 50	-
12/30/2026	-	-	-	-	50,415 00
02/01/2027	-	-	1,852 50	1,852 50	-
08/01/2027	45,000 00	3 900%	1,852 50	46,852 50	-
12/30/2027	-	-	-	-	48,705 00
02/01/2028	-	-	975 00	975 00	-
08/01/2028	50,000 00	3 900%	975 00	50,975 00	-
12/30/2028	-	-	-	-	51,950 00
Total	\$600,000.00	-	\$202,080.25	\$802,080.25	-

Yield Statistics

Bond Year Dollars	\$5,555.00
Average Life	9 258 Years
Average Coupon	3 6378083%
Net Interest Cost (NIC)	3 6749496%
True Interest Cost (TIC)	3 6710054%
Bond Yield for Arbitrage Purposes	3 7208236%
All Inclusive Cost (AIC)	4 1664365%

IRS Form 8038

Net Interest Cost	3.4800303%
Weighted Average Maturity	9.145 Years

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Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$600,000

Hyden-Leslie County Water District
Kentucky Rural Water Finance Corporation
Public Projects Refunding Bonds, Series 2012 E

Sources & Uses

Dated 07/19/2012 | Delivered 07/19/2012

Sources Of Funds

Par Amount of Bonds	\$600,000.00
Reoffering Premium	8,436.80
Transfers from Prior Issue Debt Service Funds	4,412.50
Total Sources	\$612,849.30

Uses Of Funds

Total Underwriter's Discount (1.750%)	10,500.00
Costs of Issuance	16,500.00
Deposit to Current Refunding Fund	582,860.00
Rounding Amount	2,989.30
Total Uses	\$612,849.30

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Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$600,000

Hyden-Leslie County Water District
Kentucky Rural Water Finance Corporation
Public Projects Refunding Bonds, Series 2012 E

Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2012	-	-	-	14,475.00	14,475.00
12/30/2013	52,095.25	450.00	52,545.25	52,350.00	(195.25)
12/30/2014	50,332.50	450.00	50,782.50	53,100.00	2,317.50
12/30/2015	49,282.50	450.00	49,732.50	52,775.00	3,042.50
12/30/2016	48,142.50	450.00	48,592.50	52,400.00	3,807.50
12/30/2017	52,152.50	450.00	52,602.50	52,950.00	347.50
12/30/2018	51,015.00	450.00	51,465.00	52,425.00	960.00
12/30/2019	49,842.50	450.00	50,292.50	52,825.00	2,532.50
12/30/2020	48,670.00	450.00	49,120.00	52,150.00	3,030.00
12/30/2021	47,497.50	450.00	47,947.50	52,400.00	4,452.50
12/30/2022	51,325.00	450.00	51,775.00	52,550.00	775.00
12/30/2023	49,965.00	450.00	50,415.00	52,600.00	2,185.00
12/30/2024	48,565.00	450.00	49,015.00	52,550.00	3,535.00
12/30/2025	52,125.00	450.00	52,575.00	52,400.00	(175.00)
12/30/2026	50,415.00	450.00	50,865.00	52,150.00	1,285.00
12/30/2027	48,705.00	450.00	49,155.00	52,775.00	3,620.00
12/30/2028	51,950.00	450.00	52,400.00	52,275.00	(125.00)
Total	\$802,080.25	\$7,200.00	\$809,280.25	\$855,150.00	\$45,869.75

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	45,869.75
Gross PV Debt Service Savings	43,454.38
Effects of changes in Expenses	(5,432.07)
Net PV Cashflow Savings @ 3.721%(Bond Yield)	38,022.31
Transfers from Prior Issue Debt Service Fund	(4,412.50)
Contingency or Rounding Amount	2,989.30
Net Future Value Benefit	\$44,446.55
Net Present Value Benefit	\$36,599.11
Net PV Benefit / \$579,000 Refunded Principal	6.321%
Net PV Benefit / \$600,000 Refunding Principal	6.100%

Refunding Bond Information

Refunding Dated Date	7/19/2012
Refunding Delivery Date	7/19/2012

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Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$602,000

Hyden-Leslie County Water District

Series 1989

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	14,475.00	14,475.00
12/30/2013	24,000.00	-	28,350.00	52,350.00
12/30/2014	26,000.00	-	27,100.00	53,100.00
12/30/2015	27,000.00	-	25,775.00	52,775.00
12/30/2016	28,000.00	-	24,400.00	52,400.00
12/30/2017	30,000.00	-	22,950.00	52,950.00
12/30/2018	31,000.00	-	21,425.00	52,425.00
12/30/2019	33,000.00	-	19,825.00	52,825.00
12/30/2020	34,000.00	-	18,150.00	52,150.00
12/30/2021	36,000.00	-	16,400.00	52,400.00
12/30/2022	38,000.00	-	14,550.00	52,550.00
12/30/2023	40,000.00	-	12,600.00	52,600.00
12/30/2024	42,000.00	-	10,550.00	52,550.00
12/30/2025	44,000.00	-	8,400.00	52,400.00
12/30/2026	46,000.00	-	6,150.00	52,150.00
12/30/2027	49,000.00	-	3,775.00	52,775.00
12/30/2028	51,000.00	5.000%	1,275.00	52,275.00
Total	\$579,000.00	-	\$276,150.00	\$855,150.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	7/19/2012
Average Life	9.406 Years
Average Coupon	5.0000000%
Weighted Average Maturity (Par Basis)	9.406 Years

Refunding Bond Information

Refunding Dated Date	7/19/2012
Refunding Delivery Date	7/19/2012

Hyden-Leslie County Water District
 Statements of Net Assets
 December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 790,865	\$ 1,483,188
Investments	1,299,643	1,274,647
Receivables, less allowance for doubtful accounts of \$5,000	180,975	176,990
Unbilled accounts receivable	33,000	33,000
Grant receivables	628,836	707,278
Inventories	25,092	30,731
Other current assets	<u>25,435</u>	<u>24,586</u>
Total Current Assets	<u>2,983,846</u>	<u>3,730,420</u>
Noncurrent Assets		
Restricted Assets		
Customer deposits	80,088	77,964
Depreciation reserves	296,880	296,880
Debt and interest funds	<u>149,825</u>	<u>142,676</u>
Total Restricted Assets	<u>526,793</u>	<u>517,520</u>
Capital Assets		
Land and improvements	32,169	32,169
Buildings and improvements	1,759,544	1,759,544
Source of supply and pumping	772,440	772,440
Water treatment equipment	364,494	361,419
Transmission and distribution plant	12,169,503	12,151,821
Vehicles and other equipment	825,571	818,088
Construction in progress	11,016,319	3,879,579
Less: accumulated depreciation	<u>(6,209,004)</u>	<u>(5,760,433)</u>
Net Capital Assets	<u>20,731,036</u>	<u>14,014,627</u>
Total Noncurrent Assets	<u>21,257,829</u>	<u>14,532,147</u>
Total Assets	<u>\$ 24,241,675</u>	<u>\$ 18,262,567</u>

	<u>2011</u>	<u>2010</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 650,947	\$ 731,495
Accrued interest payable	38,546	5,076
Current portion of long-term debt	146,092	142,392
Other current liabilities	<u>11,786</u>	<u>11,791</u>
Total Current Liabilities	<u>847,371</u>	<u>890,754</u>
Noncurrent Liabilities		
Customer deposits	35,769	33,644
Expansion deposits	44,320	44,320
Compensated absences	47,606	59,394
Long-term debt, less current portion included in current liabilities	<u>4,154,643</u>	<u>1,310,735</u>
Total Noncurrent Liabilities	<u>4,282,338</u>	<u>1,448,093</u>
Total Liabilities	<u>5,129,709</u>	<u>2,338,847</u>
Net Assets		
Invested in capital assets, net of related debt	16,430,301	12,561,500
Restricted	526,793	517,520
Unrestricted	<u>2,154,872</u>	<u>2,844,700</u>
Total Net Assets	<u>\$ 19,111,966</u>	<u>\$ 15,923,720</u>

Hyden-Leslie County Water District
 Statements of Revenues, Expenses and Changes in Net Assets
 For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Water sales	\$ 1,460,618	\$ 1,276,149
Service charges	5,972	3,715
Tap fees	83,400	21,578
Penalties	42,508	35,031
Other revenues	<u>1,712</u>	<u>1,863</u>
Total Operating Revenues	<u>1,594,210</u>	<u>1,338,336</u>
Operating Expenses		
Salaries and wages	384,719	339,907
Employee benefits	197,834	167,163
Purchased water	14,615	14,832
Utilities	162,960	140,908
Chemicals	65,449	54,672
Materials and supplies	69,510	43,788
Contracted services	22,477	20,351
Vehicle and equipment expenses	28,947	28,411
Insurance	33,355	32,155
Bad debt expense, net of recoveries	14,209	9,921
Depreciation	448,571	455,920
Other operating expenses	<u>42,172</u>	<u>38,832</u>
Total Operating Expenses	<u>1,484,818</u>	<u>1,346,860</u>
Operating Income (Loss)	<u>109,392</u>	<u>(8,524)</u>
Non-operating Revenues (Expenses)		
Interest income	27,020	71,812
Grant revenue	3,113,530	1,938,778
Interest expense	<u>(61,696)</u>	<u>(65,930)</u>
Total Non-operating Revenues	<u>3,078,854</u>	<u>1,944,660</u>
Change in Net Assets	<u>3,188,246</u>	<u>1,936,136</u>
Net Assets, Beginning of Year	15,923,720	13,734,734
Restatement note 11	<u>-</u>	<u>252,850</u>
Net Assets, Beginning of Year	<u>15,923,720</u>	<u>13,987,584</u>
Net Assets, End of Year	<u>\$ 19,111,966</u>	<u>\$ 15,923,720</u>

See accompanying notes to financial statements.

Hyden-Leslie County Water District
 Statements of Cash Flows
 For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 1,590,633	\$ 1,321,630
Receipts from other activities	1,712	1,863
Payments to employees	(396,507)	(357,326)
Payments to suppliers	(685,114)	(107,018)
Payments for other activities	<u>(42,172)</u>	<u>(38,832)</u>
Net Cash Provided by Operating Activities	<u>468,552</u>	<u>820,317</u>
Cash Flows From Capital and Related Financing Activities		
Purchases of property, plant and equipment	(7,133,370)	(1,810,465)
Principal payments on debt	(142,392)	(137,795)
Interest payments on debt	(59,836)	(66,345)
Proceeds from debt	2,990,000	-
Grants	<u>3,191,973</u>	<u>1,231,500</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,153,625)</u>	<u>(783,105)</u>
Cash Flows From Investing Activities		
Purchases of investments	(24,997)	(75,054)
Interest on investments	<u>27,020</u>	<u>78,660</u>
Net Cash Provided by Investing Activities	<u>2,023</u>	<u>3,606</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(683,050)	40,818
Cash and Cash Equivalents at Beginning of Year	<u>2,000,708</u>	<u>1,959,890</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,317,658</u>	<u>\$ 2,000,708</u>
Reconciliation of cash per Statements of Net Assets to cash per Statements of Cash Flows:		
Cash and cash equivalents	\$ 790,865	\$ 1,483,188
Customer deposits	80,088	77,964
Depreciation reserves	296,880	296,880
Debt and interest funds	<u>149,825</u>	<u>142,676</u>
Cash and equivalents per Statements of Cash Flows	<u>\$ 1,317,658</u>	<u>\$ 2,000,708</u>

See accompanying notes to financial statements.

Hyden-Leslie County Water District
 Statements of Cash Flows
 For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by Operating Activities:		
Operating Income (Loss)	\$ 109,392	\$ (8,524)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	448,571	455,920
(Increase) Decrease in operating assets		
Accounts receivable	(3,985)	(17,277)
Unbilled receivables	-	-
Inventory	5,639	(1,167)
Other current assets	(849)	411
Increase (Decrease) in operating liabilities		
Accounts payable	(80,548)	421,812
Accrued expenses	(9,668)	(30,858)
	\$ 468,552	\$ 820,317
Net Cash Provided by Operating Activities	\$ 468,552	\$ 820,317