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

January 26, 2015

RECEIVED

JAN 27 2015

PUBLIC SERVICE
COMMISSION

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

Re: East Pendleton Water District PSC Application

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the East Pendleton 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 District held by USDA, Rural Development.

Please be advised that the District is requesting the Commission to expedite this Application and issue the approving Order on or before February 19, 2015 due to the fact that an upward shift in the current interest rate market could negate any interest cost savings to the District.

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. Wayne Lonaker, East Pendleton Water District
Ms. Kristen Millard, Raymond James and Associates

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

**THE APPLICATION OF EAST PENDLETON)
WATER DISTRICT TO ISSUE SECURITIES IN)
THE APPROXIMATE PRINCIPAL AMOUNT OF)
\$910,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2015 - _____
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)**

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

APPLICATION

The Applicant, East Pendleton 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 \$910,000 (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 Pendleton County, which Order is on file in the County Court Order Books in the office of the Clerk of Pendleton 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:

East Pendleton Water District
c/o Mr. Wayne Lonaker, Manager
P.O. Box 29
Falmouth, Kentucky 41040
Telephone: (859) 654-2100
Fax: (859) 654-3144
Email: wayne@epwd.net

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 2013 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 \$910,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as (i) East Pendleton Water District Waterworks Refunding Revenue Bonds, Series 1998, dated August 1, 1998, in the original principal amount of \$1,015,000, bearing interest at the rates ranging from 5.10% to 5.30% per annum (the "1998 Bonds"); and (ii) East Pendleton Water District Waterworks Revenue Bonds, Series 2001, dated April 10, 2002, in the original principal amount of \$479,000, bearing interest at the rate of 4.75%

per annum (the "2001 Bonds") (hereinafter, the 1998 Bonds and the 2001 Bonds shall be collectively referred to as the "Prior Bonds"). The 1998 Bonds are held in the open market and the 2001 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 cashflow savings of approximately \$217,893.69. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit C**.

10. The final principal amount of the KRWFC Loan will be adjusted based upon final interest rates which will be known on or about the date of sale of the proposed KRWFC Loan. Final financial figures will be submitted to the Commission in a timely manner. The Applicant will not issue the securities if interest rates in the bond market shift to a point where the Applicant will not achieve any debt service savings.

11. The Debt Service Schedule of the outstanding Prior Bonds being refunded is set forth in **Exhibit D**.

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

13. The District represents that it will, as soon as reasonably possible after the closing of the KRWFC Loan, file with the Commission a statement setting forth the date of issuance of the KRWFC Loan, the price paid, the fees and expenses incurred in the issuance of the KRWFC Loan, and the terms and interest rates of the KRWFC Loan.

14. The detailed Statement of Revenues, Expenses and Changes in Net Position, Statement of Net Position and Statement of Cash Flows for the twelve month period ending on December 31, 2013 are attached hereto and incorporated herein by reference as **Exhibit E** respectively.

15. Pursuant to 807 KAR 5:001, Section 12 - Financial Exhibit; the District hereby responds as follows:

- (i) Section 12(1)(b): The District states that it had less than \$5,000,000 in gross annual revenue in the immediate past calendar year and that no material changes to the District's financial condition have occurred since the end of the twelve (12) month period contained in the District's most recent annual report on file with the Commission.

- (ii) Section 12(2)(a), (b) and (c) Stock: The District does not have any authorized, issued or outstanding stock as of the date hereof.
 - (iii) Section 12(2)(d) Mortgages: The District does not have any outstanding mortgages as of the date hereof.
 - (iv) Section 12(2)(e), (f) and (g) Indebtedness: The information concerning the outstanding indebtedness of the District is contained in the 2013 Annual Report on file with this Commission.
 - (v) Section 12(2)(h) Dividends: The District has no outstanding stock and therefore pays on dividends.
 - (vi) Section 12(2)(i) Financial Statements: See paragraph #14 above.
16. Pursuant to 807 KAR 5:001, Section 18, the District hereby responds as follows:
- (i) Section 18(1)(a): The District has complied with the requirements of 807 KAR 5:001, Section 14.
 - (ii) Section 18(1)(b): A general description of the District's property, its field of operation and a statement of original cost of said property and the cost to the District is contained in the District's 2013 Annual Report on file with this Commission.
 - (iii) Section 18(1)(c): The District is not issuing any stock as part of this financing. The information concerning the proposed KRWFC Loan is contained in this Application. The KRWFC Loan will be secured by and payable from the gross revenues of the District's water system.

- (iv) Section 18(1)(d): The proceeds of the KRWFC Loan are being used to refund the outstanding Prior Bonds.
 - (v) Section 18(1)(e): No property is being acquired with the proceeds of the KRWFC Loan.
 - (vi) Section 18(1)(f): The details of the refunding of the Prior Bonds are contained in this Application and the Exhibits hereto.
 - (vii) Section 18(1)(g): Written notification of the proposed issuance of the KRWFC Loan is being provided to the State Local Debt Officer.
 - (viii) Section 18(2)(a): See paragraph #15 above.
 - (ix) Section 18(2)(b): The District does not have any outstanding trust deeds or mortgages.
 - (x) Section 18(2)(c): No property is being acquired with the proceeds of the KRWFC Loan.
17. No rate adjustment will be necessary.

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

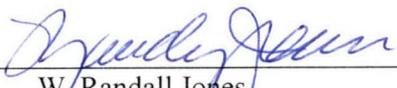
1. Authorize the issuance of the securities requested in the Application;
2. Due to the volatility of the present bond market and in order to achieve substantial interest cost savings to the District by taking full advantage of current low interest rates, the District requests that the Commission issued its Order on or before **February 19, 2015**; 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.

East Pendleton Water District

By 
William Thompson, Chairman
P.O. Box 29
Falmouth, Kentucky 41040
Phone: (859) 654-2100
Fax: (859) 654-3144
Email: wayne@epwd.net

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 East Pendleton Water District
wrjones@rubinhays.com

STATE OF KENTUCKY)
) SS
COUNTY OF PENDLETON)

The affiant, William Thompson, being first duly sworn, states: That he is the Chairman of the East Pendleton 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.

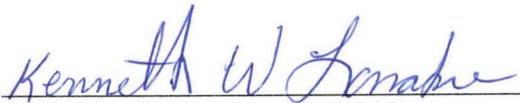
IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 20 day of January, 2015.



William Thompson, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by William Thompson, Chairman of the East Pendleton Water District, on this the 20 day of January, 2015.

My Commission expires: Aug 8, 2016.



NOTARY PUBLIC

Preliminary

\$910,000

East Pendleton Water District
Potential Refunding through the
Kentucky Rural Water Finance Corporation

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
12/31/2014	-	-	-	-
12/31/2015	15,000.00	4.542%	22,879.48	37,879.48
12/31/2016	55,000.00	2.700%	27,702.50	82,702.50
12/31/2017	55,000.00	2.600%	26,245.00	81,245.00
12/31/2018	50,000.00	2.650%	24,867.50	74,867.50
12/31/2019	55,000.00	2.650%	23,476.25	78,476.25
12/31/2020	60,000.00	2.850%	21,892.50	81,892.50
12/31/2021	55,000.00	3.000%	20,212.50	75,212.50
12/31/2022	65,000.00	3.450%	18,266.25	83,266.25
12/31/2023	65,000.00	3.450%	16,023.75	81,023.75
12/31/2024	70,000.00	3.350%	13,730.00	83,730.00
12/31/2025	65,000.00	3.250%	11,501.25	76,501.25
12/31/2026	15,000.00	3.250%	10,201.25	25,201.25
12/31/2027	15,000.00	3.200%	9,717.50	24,717.50
12/31/2028	15,000.00	3.200%	9,237.50	24,237.50
12/31/2029	15,000.00	3.200%	8,757.50	23,757.50
12/31/2030	15,000.00	3.200%	8,277.50	23,277.50
12/31/2031	15,000.00	3.300%	7,790.00	22,790.00
12/31/2032	20,000.00	3.300%	7,212.50	27,212.50
12/31/2033	20,000.00	3.400%	6,542.50	26,542.50
12/31/2034	20,000.00	3.400%	5,862.50	25,862.50
12/31/2035	20,000.00	3.400%	5,182.50	25,182.50
12/31/2036	20,000.00	3.500%	4,492.50	24,492.50
12/31/2037	20,000.00	3.600%	3,782.50	23,782.50
12/31/2038	20,000.00	3.700%	3,052.50	23,052.50
12/31/2039	25,000.00	3.800%	2,207.50	27,207.50
12/31/2040	25,000.00	3.850%	1,251.25	26,251.25
12/31/2041	20,000.00	3.850%	385.00	20,385.00
Total	\$910,000.00	-	\$320,749.48	\$1,230,749.48

Yield Statistics

Bond Year Dollars	\$9,450.47
Average Life	10.385 Years
Average Coupon	3.3940048%
Net Interest Cost (NIC)	3.3946836%
True Interest Cost (TIC)	3.3651133%
Bond Yield for Arbitrage Purposes	3.1539970%
All Inclusive Cost (AIC)	3.6916720%

IRS Form 8038

Net Interest Cost	3.2139291%
Weighted Average Maturity	10.246 Years

Raymond James

Preliminary

\$910,000

East Pendleton Water District
Potential Refunding through the
Kentucky Rural Water Finance Coporation

Total Issue Sources And Uses

Dated 10/14/2014 | Delivered 10/14/2014

	Refunding of 1998 (OM)	Refunding of 2002 (RD)	Issue Summary
Sources Of Funds			
Par Amount of Bonds	\$485,000.00	\$425,000.00	\$910,000.00
Reoffering Premium	16,023.70	-	16,023.70
Transfers from Prior Issue Debt Service Funds	37,677.50	10,940.00	48,617.50
Transfers from Prior Issue DSR Funds	73,195.00	-	73,195.00
Total Sources	\$611,896.20	\$435,940.00	\$1,047,836.20
Uses Of Funds			
Original Issue Discount (OID)	-	162.85	162.85
Total Underwriter's Discount (1.750%)	8,487.50	7,437.50	15,925.00
Costs of Issuance	8,607.42	7,542.58	16,150.00
Deposit to Current Refunding Fund	593,786.47	421,653.56	1,015,440.03
Rounding Amount	1,014.81	(856.49)	158.32
Total Uses	\$611,896.20	\$435,940.00	\$1,047,836.20

Raymond James

Public Finance

Preliminary

\$910,000

East Pendleton Water District
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
12/31/2014	-	-	-	-	-
12/31/2015	37,879.48	450.00	38,329.48	97,260.00	58,930.52
12/31/2016	82,702.50	450.00	83,152.50	99,690.00	16,537.50
12/31/2017	81,245.00	450.00	81,695.00	96,970.00	15,275.00
12/31/2018	74,867.50	450.00	75,317.50	95,226.25	19,908.75
12/31/2019	78,476.25	450.00	78,926.25	97,316.25	18,390.00
12/31/2020	81,892.50	450.00	82,342.50	100,108.75	17,766.25
12/31/2021	75,212.50	450.00	75,662.50	96,746.25	21,083.75
12/31/2022	83,266.25	450.00	83,716.25	99,213.75	15,497.50
12/31/2023	81,023.75	450.00	81,473.75	95,511.25	14,037.50
12/31/2024	83,730.00	450.00	84,180.00	97,652.50	13,472.50
12/31/2025	76,501.25	450.00	76,951.25	93,637.50	16,686.25
12/31/2026	25,201.25	450.00	25,651.25	27,321.25	1,670.00
12/31/2027	24,717.50	450.00	25,167.50	27,680.00	2,512.50
12/31/2028	24,237.50	450.00	24,687.50	27,015.00	2,327.50
12/31/2029	23,757.50	450.00	24,207.50	27,326.25	3,118.75
12/31/2030	23,277.50	450.00	23,727.50	27,590.00	3,862.50
12/31/2031	22,790.00	450.00	23,240.00	27,806.25	4,566.25
12/31/2032	27,212.50	450.00	27,662.50	27,975.00	312.50
12/31/2033	26,542.50	450.00	26,992.50	27,120.00	127.50
12/31/2034	25,862.50	450.00	26,312.50	28,217.50	1,905.00
12/31/2035	25,182.50	450.00	25,632.50	27,267.50	1,635.00
12/31/2036	24,492.50	450.00	24,942.50	28,270.00	3,327.50
12/31/2037	23,782.50	450.00	24,232.50	27,225.00	2,992.50
12/31/2038	23,052.50	450.00	23,502.50	28,132.50	4,630.00
12/31/2039	27,207.50	450.00	27,657.50	27,968.75	311.25
12/31/2040	26,251.25	450.00	26,701.25	27,757.50	1,056.25
12/31/2041	20,385.00	-	20,385.00	24,570.00	4,185.00
Total	\$1,230,749.48	\$11,700.00	\$1,242,449.48	\$1,508,575.00	\$266,125.52

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	266,125.52
Gross PV Debt Service Savings	225,498.79
Effects of changes in Expenses	(7,605.10)
Net PV Cashflow Savings @ 3.692%(AIC)	217,893.69
Transfers from Prior Issue Debt Service Fund	(48,617.50)
Contingency or Rounding Amount	158.32
Net Present Value Benefit	\$169,434.51
Net PV Benefit / \$1,001,000 Refunded Principal	16.927%
Net Future Value Benefit	\$217,666.34
Net PV Benefit / \$910,000 Refunding Principal	18.619%
Average Annual Cash Flow Savings	9,856.50

Refunding Bond Information

Refunding Dated Date	10/14/2014
Refunding Delivery Date	10/14/2014

Raymond James

Preliminary

\$1,015,000

East Pendleton Water District

Series 1998

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2015	40,000.00	5.100%	29,690.00	69,690.00
12/31/2016	45,000.00	5.200%	27,500.00	72,500.00
12/31/2017	45,000.00	5.200%	25,160.00	70,160.00
12/31/2018	45,000.00	5.200%	22,820.00	67,820.00
12/31/2019	50,000.00	5.250%	20,337.50	70,337.50
12/31/2020	55,000.00	5.250%	17,581.25	72,581.25
12/31/2021	55,000.00	5.250%	14,693.75	69,693.75
12/31/2022	60,000.00	5.300%	11,660.00	71,660.00
12/31/2023	60,000.00	5.300%	8,480.00	68,480.00
12/31/2024	65,000.00	5.300%	5,167.50	70,167.50
12/31/2025	65,000.00	5.300%	1,722.50	66,722.50
Total	\$585,000.00	-	\$184,812.50	\$769,812.50

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	10/14/2014
Average Life	5.701 Years
Average Coupon	5.2779439%
Weighted Average Maturity (Par Basis)	5.701 Years

Refunding Bond Information

Refunding Dated Date	10/14/2014
Refunding Delivery Date	10/14/2014

Raymond James

Preliminary

\$479,000

East Pendleton. WD

USDA-RD Loan

Series 2002

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2015	8,000.00	-	19,570.00	27,570.00
12/31/2016	8,000.00	-	19,190.00	27,190.00
12/31/2017	8,000.00	-	18,810.00	26,810.00
12/31/2018	9,000.00	-	18,406.25	27,406.25
12/31/2019	9,000.00	-	17,978.75	26,978.75
12/31/2020	10,000.00	-	17,527.50	27,527.50
12/31/2021	10,000.00	-	17,052.50	27,052.50
12/31/2022	11,000.00	-	16,553.75	27,553.75
12/31/2023	11,000.00	-	16,031.25	27,031.25
12/31/2024	12,000.00	-	15,485.00	27,485.00
12/31/2025	12,000.00	-	14,915.00	26,915.00
12/31/2026	13,000.00	-	14,321.25	27,321.25
12/31/2027	14,000.00	-	13,680.00	27,680.00
12/31/2028	14,000.00	-	13,015.00	27,015.00
12/31/2029	15,000.00	-	12,326.25	27,326.25
12/31/2030	16,000.00	-	11,590.00	27,590.00
12/31/2031	17,000.00	-	10,806.25	27,806.25
12/31/2032	18,000.00	-	9,975.00	27,975.00
12/31/2033	18,000.00	-	9,120.00	27,120.00
12/31/2034	20,000.00	-	8,217.50	28,217.50
12/31/2035	20,000.00	-	7,267.50	27,267.50
12/31/2036	22,000.00	-	6,270.00	28,270.00
12/31/2037	22,000.00	-	5,225.00	27,225.00
12/31/2038	24,000.00	-	4,132.50	28,132.50
12/31/2039	25,000.00	-	2,968.75	27,968.75
12/31/2040	26,000.00	-	1,757.50	27,757.50
12/31/2041	24,000.00	4.750%	570.00	24,570.00
Total	\$416,000.00	-	\$322,762.50	\$738,762.50

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	10/14/2014
Average Life	16.048 Years
Average Coupon	4.7500000%
Weighted Average Maturity (Par Basis)	16.048 Years

Refunding Bond Information

Refunding Dated Date	10/14/2014
Refunding Delivery Date	10/14/2014

Raymond James

EAST PENDLETON COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
December 31,

ASSETS	2013	2012
Current assets		
Cash	\$ 106,235	\$ 127,404
Accounts receivable customers, net	79,174	63,773
Grant receivable	35,000	-
Inventory	<u>18,874</u>	<u>15,991</u>
Total current assets	<u>237,283</u>	<u>207,168</u>
Restricted assets		
Cash	218,680	227,367
Cash - construction	163,313	184,859
Certificates of deposit	<u>251,224</u>	<u>249,401</u>
Total restricted assets	<u>633,217</u>	<u>661,727</u>
Capital assets		
Property, plant and equipment- Water	6,935,886	6,692,351
Less: accumulated depreciation- Water	(3,087,622)	(2,977,582)
Property, plant and equipment- Sewer	34,952	34,952
Less: accumulated depreciation- Sewer	(25,875)	(24,463)
Construction in progress	<u>44,010</u>	<u>-</u>
Total capital assets	<u>3,901,351</u>	<u>3,725,258</u>
Total assets	<u>\$ 4,771,851</u>	<u>\$ 4,594,153</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	\$ 267,934	\$ 34,405
Taxes payable	3,875	3,712
Customer deposits	34,095	31,440
Accrued interest payable	18,760	19,768
Current portion of debt	<u>66,300</u>	<u>61,100</u>
Total current liabilities	<u>390,964</u>	<u>150,425</u>
Long-term debt		
KIA note payable	37,500	52,500
Bonds payable, net	<u>1,259,300</u>	<u>1,310,600</u>
Total long-term debt	<u>1,296,800</u>	<u>1,363,100</u>
Net position		
Net investment in capital assets	2,538,251	2,301,058
Restricted for debt service	243,291	251,216
Restricted for depreciation	226,613	225,367
Unrestricted	<u>75,932</u>	<u>302,997</u>
Total net position	<u>3,084,087</u>	<u>3,080,628</u>
Total liabilities and net position	<u>\$ 4,771,851</u>	<u>\$ 4,594,153</u>

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

EAST PENDLETON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the years ended December 31,

	2013	2012
OPERATING INCOME		
Water sales	\$ 864,198	\$ 857,656
Sewer sales	20,212	21,478
Other revenue	<u>25,578</u>	<u>25,468</u>
Total operating income	<u>909,988</u>	<u>904,602</u>
OPERATING EXPENSES		
Water purchases	216,876	217,013
Pumping	26,988	34,095
Operation	216,789	234,490
Maintenance	6,255	14,596
General and administrative	330,545	319,769
Sewer expenses	<u>15,523</u>	<u>5,128</u>
Total operating expense	<u>812,976</u>	<u>825,091</u>
Operating income before depreciation	97,012	79,511
Depreciation expense	<u>(111,452)</u>	<u>(172,235)</u>
OPERATING (LOSS)	(14,440)	(92,724)
Non-operating income (expenses)		
Interest income	2,942	2,449
Gain on asset disposition	-	2,000
Interest expense related to debt	<u>(67,052)</u>	<u>(69,159)</u>
(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(78,550)	(157,434)
Capital contributions		
Grants	52,968	8,791
Tap fees	<u>29,041</u>	<u>18,102</u>
Change in net position	3,459	(130,541)
Net position, beginning of year, restated	<u>3,080,628</u>	<u>3,211,169</u>
NET POSITION, END OF YEAR	<u>\$ 3,084,087</u>	<u>\$ 3,080,628</u>

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

**EAST PENDLETON COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
for the years ended December 31,**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 859,587	\$ 903,009
Payments to suppliers	(133,888)	(370,924)
Payments for employee services and benefits	<u>(444,634)</u>	<u>(449,198)</u>
Net cash provided by operating activities	<u>281,067</u>	<u>82,887</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Retirement of note principal	(61,100)	(58,400)
Interest paid	(67,052)	(89,159)
Proceeds from sale of fixed assets	-	2,000
Purchase of fixed assets	(287,545)	(28,191)
Tap fee	29,041	18,102
Grant proceeds	<u>52,968</u>	<u>8,791</u>
Net cash (used in) capital and related financing activities	<u>(333,688)</u>	<u>(126,857)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in certificates of deposit	(1,823)	(2,052)
Interest income	<u>2,942</u>	<u>2,449</u>
Net cash provided by investing activities	<u>1,119</u>	<u>397</u>
NET (DECREASE) IN CASH	(51,502)	(43,573)
Cash, beginning of year	<u>539,730</u>	<u>583,303</u>
CASH, END OF YEAR	\$ 488,228	\$ 539,730
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating (loss)	\$ (14,440)	\$ (92,724)
Noncash items included in operating income		
Depreciation	111,452	172,235
Changes in assets and liabilities		
(Increase) decrease in accounts receivables	(15,401)	(1,593)
(Increase) decrease in other receivables	(35,000)	-
(Increase) decrease in inventory	(883)	(263)
Increase (decrease) in accounts payable	233,529	5,095
Increase (decrease) in other payables	(845)	(588)
Increase (decrease) in customer deposits	<u>2,655</u>	<u>725</u>
Net cash provided by operating activities	<u>\$ 281,067</u>	<u>\$ 82,887</u>

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