

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 Email: rh@rubinhays.com

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

PARALEGAL
MARY M. EMBRY

March 8, 2006

Ms. Beth O'Donnell, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Case 2006-00111

RECEIVED
MAR 10 2006
PUBLIC SERVICE
COMMISSION

Re: Henderson County Water District PSC Application

Dear Ms. O'Donnell:

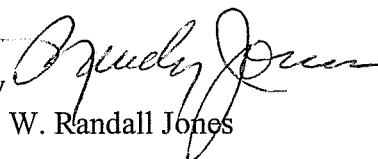
Enclosed please find the original and ten (10) copies of the Application of the Henderson County Water District for an Order authorizing the District to issue securities pursuant to KRS 278.300.

This Application requests approval of the issuance of securities for the purpose of refunding certain high interest Bonds of the Applicant. **Due to the extreme volatility of the financial markets and the fact that these refunding are interest rate sensitive, we request that the Commission process the Application in an expedited manner and issue an Order on or before April 11, 2006 (the closing date).**

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. Allan VanMeter, Henderson County Water District
Ms. Kristen Curtis, Morgan Keegan

RECEIVED

MAR 10 2006

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF HENDERSON COUNTY)
WATER DISTRICT TO ISSUE SECURITIES IN)
THE APPROXIMATE PRINCIPAL AMOUNT OF)
\$4,685,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2006-00111
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

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

APPLICATION

The Applicant, Henderson 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 \$4,685,000 (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 Henderson County, which Order is on file in the County Court Order Books in the office of the Clerk of Henderson 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:

Henderson County Water District
c/o Mr. Allan R. VanMeter, Superintendent
P.O. Box 655
Henderson, Kentucky 42419
Telephone: (270) 826-9808

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 2004 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 "2006 Loan"), in the estimated principal amount of \$4,685,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as (i) Henderson County Water District Water Revenue Bonds, Series 1997, dated July 1, 1997, in the original principal amount of \$1,800,000, which bonds have an outstanding principal balance of \$1,745,000 (the "1997 Bonds"); and (ii) Henderson County Water District Water Revenue Bonds, Series of 2000, dated June 1, 2000, in the original principal amount of \$2,625,000, which bonds have an outstanding principal balance of \$2,600,000 (the "2000 Bonds") (hereinafter the 1997 Bonds and 2000 Bonds are collectively referred to as the "Prior Bonds"). Said Prior Bonds are currently held in the open market.

6. The estimated debt service for the 2006 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 2006 Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The 2006 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 2006 Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the 2006 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 total gross debt service savings of approximately \$227,667.77. These savings are shown on the Gross Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit "C"**.

10. The final principal amount of the 2006 Loan will be adjusted, based upon final interest rates which will be known on or about March 16, 2006, in order to provide funds sufficient to redeem, in full, the Prior Bonds. Final financial figures will be submitted to the Commission in a timely manner.

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

12. The District represents that the 2006 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 2006 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 2006 Loan, file with the Commission a statement setting forth the date of issuance of the 2006 Loan, the price paid, the fees and expenses incurred in the issuance of the 2006 Loan, and the terms and interest rates of the 2006 Loan.

14. The detailed Statement of Net Assets; Statement of Revenues, Expenses and Changes in Fund Net Assets; and Statement of Cash Flows for the twelve month period ending on August 31, 2005 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 2004 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 2006 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 August 31, 2005. The financial data filed with this Application is for the twelve (12) month period ending August 31, 2005. 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 2006 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 prior to the closing date of April 11, 2006;

2. Grant the District a deviation from 807 KAR 5:001, Section 6 to allow the submission of the District's 2004 Annual Report and 2004-05 audited financial statements in lieu of more recent financial data, there being no material change in the data in 2005 and 2006 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 inquiries or information requests by the Commission's staff.


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 Henderson County
Water District

STATE OF KENTUCKY)
) SS
COUNTY OF HENDERSON)

The affiant, David Spainhoward being first duly sworn, states: That he is the Chairman of the Henderson 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 6th day of March, 2006.



David Spainhoward, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by David Spainhoward, Chairman of the Henderson County Water District, on this the 6th day of March, 2006.

My Commission expires: Oct. 21-2006.



NOTARY PUBLIC

Preliminary

\$4,685,000

Henderson County Water District
Kentucky Rural Water Finance Corporation
Series 2006 A

Aggregate Debt Service

Date	Principal	Coupon	Interest	Total P+I
08/01/2006	-	-	-	-
02/01/2007	-	-	157,308.89	157,308.89
08/01/2007	-	-	97,640.01	97,640.01
02/01/2008	136,000.00	3.750%	97,640.01	233,640.01
08/01/2008	-	-	95,090.01	95,090.01
02/01/2009	141,000.00	3.750%	95,090.01	236,090.01
08/01/2009	-	-	92,446.26	92,446.26
02/01/2010	140,000.00	3.750%	92,446.26	232,446.26
08/01/2010	-	-	89,821.26	89,821.26
02/01/2011	145,000.00	3.750%	89,821.26	234,821.26
08/01/2011	-	-	86,921.26	86,921.26
02/01/2012	155,000.00	4.000%	86,921.26	241,921.26
08/01/2012	-	-	83,821.26	83,821.26
02/01/2013	155,000.00	4.000%	83,821.26	238,821.26
08/01/2013	-	-	80,721.26	80,721.26
02/01/2014	169,000.00	4.000%	80,721.26	249,721.26
08/01/2014	-	-	77,341.26	77,341.26
02/01/2015	168,000.00	4.000%	77,341.26	245,341.26
08/01/2015	-	-	73,981.26	73,981.26
02/01/2016	271,000.00	4.000%	73,981.26	344,981.26
08/01/2016	-	-	68,561.26	68,561.26
02/01/2017	278,000.00	4.125%	68,561.26	346,561.26
08/01/2017	-	-	62,827.51	62,827.51
02/01/2018	296,000.00	4.125%	62,827.51	358,827.51
08/01/2018	-	-	56,722.50	56,722.50
02/01/2019	308,000.00	4.250%	56,722.50	364,722.50
08/01/2019	-	-	50,177.50	50,177.50
02/01/2020	324,000.00	4.250%	50,177.50	374,177.50
08/01/2020	-	-	43,292.50	43,292.50
02/01/2021	340,000.00	4.250%	43,292.50	383,292.50
08/01/2021	-	-	36,067.50	36,067.50
02/01/2022	357,000.00	4.375%	36,067.50	393,067.50
08/01/2022	-	-	28,481.25	28,481.25
02/01/2023	372,000.00	4.375%	28,481.25	400,481.25
08/01/2023	-	-	20,343.75	20,343.75
02/01/2024	298,000.00	4.375%	20,343.75	318,343.75
08/01/2024	-	-	13,825.00	13,825.00
02/01/2025	308,000.00	4.375%	13,825.00	321,825.00
08/01/2025	-	-	7,087.50	7,087.50
02/01/2026	324,000.00	4.375%	7,087.50	331,087.50
Total	\$4,685,000.00		\$2,487,649.11	\$7,172,649.11

Par Amounts Of Selected Issues

KRWFC Series 2006 A -Henderson Co. Series 1997 ref 2	1,858,000.00
KRWFC Series 2006 A -Henderson Co. Series 2000 ref 2	2,827,000.00
TOTAL	4,685,000.00

Preliminary

\$4,685,000

Henderson County Water District
Kentucky Rural Water Finance Corporation
Series 2006 A

Sources & Uses

Dated 04/11/2006 | Delivered 04/11/2006

Sources Of Funds

Par Amount of Bonds	\$4,685,000.00
Transfers from Prior Issue Debt Service Funds	28,894.37

Total Sources	\$4,713,894.37
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Uses Of Funds

Original Issue Discount (OID)	49,598.40
Total Underwriter's Discount	20,676.60
Costs of Issuance	52,000.00
Gross Bond Insurance Premium	20,800.68
Deposit to Net Cash Escrow Fund	4,568,203.09
Rounding Amount	2,615.60

Total Uses	\$4,713,894.37
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Preliminary

\$4,685,000

Henderson County Water District
Kentucky Rural Water Finance Corporation
Series 2006 A

Gross Debt Service Comparison

Date	Principal	Coupon	Interest	New D/S	OLD D/S	Savings
02/01/2007	-	-	157,308.89	157,308.89	106,971.88	(50,337.01)
02/01/2008	136,000.00	3.750%	195,280.02	331,280.02	345,997.50	14,717.48
02/01/2009	141,000.00	3.750%	190,180.02	331,180.02	345,762.50	14,582.48
02/01/2010	140,000.00	3.750%	184,892.52	324,892.52	340,197.50	15,304.98
02/01/2011	145,000.00	4.000%	179,642.52	324,642.52	339,522.50	14,879.98
02/01/2012	155,000.00	4.000%	173,842.52	328,842.52	343,542.50	14,699.98
02/01/2013	155,000.00	4.000%	167,642.52	322,642.52	336,910.00	14,267.48
02/01/2014	169,000.00	4.000%	161,442.52	330,442.52	345,277.50	14,834.98
02/01/2015	168,000.00	4.000%	154,682.52	322,682.52	337,637.50	14,954.98
02/01/2016	271,000.00	4.000%	147,962.52	418,962.52	434,997.50	16,034.98
02/01/2017	278,000.00	4.125%	137,122.52	415,122.52	431,522.50	16,399.98
02/01/2018	296,000.00	4.125%	125,655.02	421,655.02	437,267.50	15,612.48
02/01/2019	308,000.00	4.250%	113,445.00	421,445.00	436,892.50	15,447.50
02/01/2020	324,000.00	4.250%	100,355.00	424,355.00	440,682.50	16,327.50
02/01/2021	340,000.00	4.250%	86,585.00	426,585.00	443,282.50	16,697.50
02/01/2022	357,000.00	4.250%	72,135.00	429,135.00	444,577.50	15,442.50
02/01/2023	372,000.00	4.375%	56,962.50	428,962.50	444,737.50	15,775.00
02/01/2024	298,000.00	4.375%	40,687.50	338,687.50	348,762.50	10,075.00
02/01/2025	308,000.00	4.375%	27,650.00	335,650.00	346,800.00	11,150.00
02/01/2026	324,000.00	4.375%	14,175.00	338,175.00	348,975.00	10,800.00
Total	\$4,685,000.00	-	\$2,487,649.11	\$7,172,649.11	\$7,400,316.88	\$227,667.77

PV Analysis Summary (Gross to Gross)

Gross PV Debt Service Savings	152,765.37
Transfers from Prior Issue Debt Service Fund	(15,123.96)
Contingency or Rounding Amount	1,904.35
Net Present Value Benefit	\$139,545.76
Net PV Benefit / \$2,600,000 Refunded Principal	5.367%
Net PV Benefit / \$2,827,000 Refunding Principal	4.936%

Refunding Bond Information

Refunding Dated Date	4/11/2006
Refunding Delivery Date	4/11/2006

\$1,800,000

*Henderson County Water District
Water Revenue Bonds
Series 1997*

Prior Original Debt Service

Date	Principal	Coupon	Interest	Total P+I
08/31/2006	-	-	-	-
08/31/2007	10,000.00	-	95,005.00	105,005.00
08/31/2008	40,000.00	-	93,805.00	133,805.00
08/31/2009	45,000.00	-	91,720.00	136,720.00
08/31/2010	45,000.00	-	89,447.50	134,447.50
08/31/2011	50,000.00	-	87,000.00	137,000.00
08/31/2012	55,000.00	-	84,256.25	139,256.25
08/31/2013	55,000.00	-	81,368.75	136,368.75
08/31/2014	60,000.00	-	78,305.00	138,305.00
08/31/2015	60,000.00	-	75,065.00	135,065.00
08/31/2016	135,000.00	-	69,732.50	204,732.50
08/31/2017	140,000.00	-	62,170.00	202,170.00
08/31/2018	150,000.00	-	54,195.00	204,195.00
08/31/2019	160,000.00	-	45,670.00	205,670.00
08/31/2020	170,000.00	-	36,595.00	206,595.00
08/31/2021	180,000.00	-	26,880.00	206,880.00
08/31/2022	190,000.00	-	16,520.00	206,520.00
08/31/2023	200,000.00	-	5,600.00	205,600.00
Total	\$1,745,000.00	-	\$1,093,335.00	\$2,838,335.00

Yield Statistics

Average Life.....	11.240 Years
Weighted Average Maturity (Par Basis).....	11.240 Years
Average Coupon.....	5.5204124%

Refunding Bond Information

Refunding Dated Date.....	4/11/2006
Refunding Delivery Date.....	4/11/2006

\$2,625,000

*Henderson County Water District
Water Revenue Bonds
Series 2000*

Prior Original Debt Service

Date	Principal	Coupon	Interest	Total P+I
08/31/2006	-	-	-	-
08/31/2007	5,000.00	-	146,360.00	151,360.00
08/31/2008	65,000.00	-	144,575.00	209,575.00
08/31/2009	65,000.00	-	141,260.00	206,260.00
08/31/2010	65,000.00	-	137,912.50	202,912.50
08/31/2011	65,000.00	-	134,532.50	199,532.50
08/31/2012	70,000.00	-	130,970.00	200,970.00
08/31/2013	70,000.00	-	127,225.00	197,225.00
08/31/2014	80,000.00	-	123,152.50	203,152.50
08/31/2015	80,000.00	-	118,752.50	198,752.50
08/31/2016	110,000.00	-	113,527.50	223,527.50
08/31/2017	115,000.00	-	107,225.00	222,225.00
08/31/2018	125,000.00	-	100,385.00	225,385.00
08/31/2019	130,000.00	-	93,117.50	223,117.50
08/31/2020	140,000.00	-	85,387.50	225,387.50
08/31/2021	150,000.00	-	77,050.00	227,050.00
08/31/2022	160,000.00	-	68,137.50	228,137.50
08/31/2023	170,000.00	-	58,650.00	228,650.00
08/31/2024	295,000.00	-	45,281.25	340,281.25
08/31/2025	310,000.00	-	27,887.50	337,887.50
08/31/2026	330,000.00	-	9,487.50	339,487.50
Total	\$2,600,000.00	-	\$1,990,876.25	\$4,590,876.25

Yield Statistics

Average Life.....	13.312 Years
Weighted Average Maturity (Par Basis).....	13.312 Years
Average Coupon.....	5.7051039%

Refunding Bond Information

Refunding Dated Date.....	4/11/2006
Refunding Delivery Date.....	4/11/2006

HENDERSON COUNTY WATER DISTRICT

Statements of Net Assets

August 31, 2005 and 2004

	2005	2004
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 586,424	\$ 229,613
Investments, at cost	208,561	202,687
Receivables, net	304,846	230,733
Interest receivable	3,207	7,812
Inventories	40,646	35,717
Prepaid expenses	30,935	27,325
Total current assets	<u>1,174,619</u>	<u>733,887</u>
Noncurrent assets:		
Restricted cash and cash equivalents	340,619	397,208
Restricted investments, at cost	667,490	658,025
Restricted grant receivables	—	107,027
Unamortized bond costs, net	151,397	163,839
Other noncurrent assets	7,860	—
Capital assets:		
Land	162,208	162,208
Distribution systems	14,431,364	14,291,165
Buildings	611,034	611,034
Equipment	370,446	378,595
Construction in progress	77,715	—
Less: accumulated depreciation	<u>(4,913,704)</u>	<u>(4,489,528)</u>
Total noncurrent assets	<u>11,906,429</u>	<u>12,279,573</u>
Total assets	<u>13,081,048</u>	<u>13,013,460</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	108,847	70,179
Contracts payable	69,400	152,709
Interest payable	124,832	125,652
Other liabilities	33,490	28,239
Customer security deposits	51,375	47,785
Bonds and notes payable	142,849	155,267
Total current liabilities	<u>530,793</u>	<u>579,831</u>
Noncurrent liabilities:		
Bonds and notes payable	<u>5,265,474</u>	<u>5,383,465</u>
Total noncurrent liabilities	<u>5,265,474</u>	<u>5,383,465</u>
Total liabilities	<u>5,796,267</u>	<u>5,963,296</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	5,261,340	5,262,033
Restricted for debt service	927,371	912,398
Unrestricted	1,096,070	875,733
Total net assets	<u>\$ 7,284,781</u>	<u>\$ 7,050,164</u>

See accompanying notes to financial statements.

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HENDERSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Fund Net Assets
Years Ended August 31, 2005 and 2004

	2005	2004
Operating revenues:		
Water	\$ 2,019,245	\$ 1,842,432
Penalties and sundry	74,304	59,906
Total operating revenues	<u>2,093,549</u>	<u>1,902,338</u>
Operating expenses:		
Purchased water	771,564	653,987
Pumping utilities	24,568	24,416
Maintenance of system	176,491	146,850
Vehicle and equipment	33,901	25,903
Customer accounts	113,855	94,035
Administration	379,036	350,046
Depreciation	438,101	401,020
Total operating expenses	<u>1,937,516</u>	<u>1,696,257</u>
Operating income	<u>156,033</u>	<u>206,081</u>
Nonoperating revenues (expenses):		
Investment income	34,581	32,494
Gain on sale of assets	750	2,095
Interest expense - notes	(23,706)	(27,537)
Interest expense - bonds	(291,041)	(293,971)
Amortization of debt issue costs	(13,301)	(13,728)
Total nonoperating revenues (expenses)	<u>(292,717)</u>	<u>(300,647)</u>
Income (loss) before contributions	(136,684)	(94,566)
Capital contributions	<u>371,301</u>	<u>499,656</u>
Change in net assets	234,617	405,090
Net assets, beginning of year	<u>7,050,164</u>	<u>6,645,074</u>
Net assets, end of year	<u>\$ 7,284,781</u>	<u>\$ 7,050,164</u>

HENDERSON COUNTY WATER DISTRICT

Statements of Cash Flows

Years Ended August 31, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Cash received from customers	\$ 1,945,132	\$ 1,849,374
Cash payments to suppliers for goods and services	(976,838)	(877,767)
Cash payments to employees for services	(487,197)	(426,639)
Other operating revenues	74,304	59,906
Net cash provided by operating activities	<u>555,401</u>	<u>604,874</u>
Cash flows from noncapital financing activities:		
(Increase) decrease in deferred charges	(8,575)	12,590
Increase (decrease) in customer deposits	3,590	5,970
Net cash provided (used) by noncapital financing activities	<u>(4,985)</u>	<u>18,560</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(307,513)	(849,605)
Proceeds from sale of assets	750	2,095
Capital contributions	478,328	392,629
Proceeds from issuance of revenue bonds and other capital notes	—	375,000
Principal paid on revenue bond maturities and other capital notes	(155,267)	(696,624)
Interest paid on revenue bonds and other capital notes	(290,339)	(325,714)
Net cash (used) by capital and related financing activities	<u>(274,041)</u>	<u>(1,102,219)</u>
Cash flows from investing activities:		
(Increase) decrease in other receivables	—	150,444
(Increase) decrease in investment securities	(15,339)	(173,898)
Interest income	39,186	29,351
Net cash provided by investing activities	<u>23,847</u>	<u>5,897</u>
Net increase (decrease) in cash and cash equivalents	300,222	(472,888)
Cash and cash equivalents, beginning of year	<u>626,821</u>	<u>1,099,709</u>
Cash and cash equivalents, end of year	<u>\$ 927,043</u>	<u>\$ 626,821</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 156,033	\$ 206,081
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	438,101	401,020
(Increase) decrease in accounts receivable	(74,113)	6,942
(Increase) decrease in inventories	(4,929)	(1,164)
(Increase) decrease in prepaid expenses	(3,610)	943
Increase (decrease) in accounts payable	38,668	(11,599)
Increase (decrease) in accrued liabilities	5,251	2,651
Net cash provided by operating activities	<u>\$ 555,401</u>	<u>\$ 604,874</u>