

Rubin & Hays

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

July 15, 2010

RECEIVED

JUL 27 2010

PUBLIC SERVICE
COMMISSION

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

Re: North Hopkins Water District PSC Application

Dear Mr. Derouen:

2010-00303

Enclosed please find the original and ten (10) copies of the Application of the North Hopkins 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:jl
Enclosures

cc: Mr. Tony Knight, CPA
Ms. Kristen Millard, Morgan Keegan

RECEIVED
JUN 27 2010
PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF NORTH)
HOPKINS WATER DISTRICT TO)
ISSUE SECURITIES IN THE APPROX-)
MATE PRINCIPAL AMOUNT OF \$1,280,000)
FOR THE PURPOSE OF REFUNDING CERTAIN)
OUTSTANDING REVENUE BONDS OF THE)
DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

Case No. 2010-303

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

APPLICATION

The Applicant, North Hopkins 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 sum \$1,280,000 (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 Hopkins County, which Order is on file in the County Court Order Books in the office of the Clerk of Hopkins 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:

North Hopkins Water District
c/o Mr. Norman Adams, Chairman
1580 Neelie Webb Road
Madisonville, Kentucky 42431
Telephone: (270) 825-1623

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 2009 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The District proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an Assistance Agreement (the "KRWFC Loan"), in the estimated principal amount of \$1,280,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as North Hopkins Water District Waterworks Refunding Revenue Bonds, Series 1998, dated March 1, 1998, in the original principal amount of \$2,090,000 (the "Prior Bonds"), currently held in the open market.

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 generate a net combined present value savings of approximately \$52,045.58. 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 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 Revenue and Expenses, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2009 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 2009 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 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, 2009. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2009. 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, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the District's 2009 Annual Report and 2009 audit in lieu of more recent financial data, there being no material change in the data in 2010 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.

North Hopkins Water District

By 
Chairman
1580 Neelie Webb Road
Madisonville, Kentucky 42431
Phone: (270) 825-1623

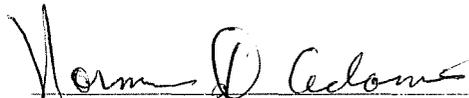
Rubin & Hays

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 North Hopkins Water
District

STATE OF KENTUCKY)
) SS
COUNTY OF HOPKINS)

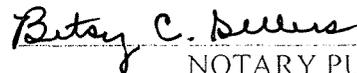
The affiant, Norman Adams, being first duly sworn, states: That he is the Chairman of the North Hopkins Water District, the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except as to matters 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 12 day of July, 2010.


Norman Adams, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Norman Adams, Chairman of the North Hopkins Water District, on this the 12 day of July, 2010.

My Commission expires: 2-20-12.


NOTARY PUBLIC Ky State at Large

\$1,280,000

*North Hopkins Water District
Refunding of Waterworks Refunding Revenue Bonds, Series 1998
through the Kentucky Rural Water Finance Corporation*

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
05/27/2010	-	-	-	-	-
08/01/2010	-	-	8,200.53	8,200.53	-
12/30/2010	-	-	-	-	8,200.53
02/01/2011	75,000.00	3.200%	23,064.00	98,064.00	-
08/01/2011	-	-	21,864.00	21,864.00	-
12/30/2011	-	-	-	-	119,928.00
02/01/2012	80,000.00	3.200%	21,864.00	101,864.00	-
08/01/2012	-	-	20,584.00	20,584.00	-
12/30/2012	-	-	-	-	122,448.00
02/01/2013	85,000.00	3.200%	20,584.00	105,584.00	-
08/01/2013	-	-	19,224.00	19,224.00	-
12/30/2013	-	-	-	-	124,808.00
02/01/2014	85,000.00	3.200%	19,224.00	104,224.00	-
08/01/2014	-	-	17,864.00	17,864.00	-
12/30/2014	-	-	-	-	122,088.00
02/01/2015	90,000.00	3.200%	17,864.00	107,864.00	-
08/01/2015	-	-	16,424.00	16,424.00	-
12/30/2015	-	-	-	-	124,288.00
02/01/2016	90,000.00	3.200%	16,424.00	106,424.00	-
08/01/2016	-	-	14,984.00	14,984.00	-
12/30/2016	-	-	-	-	121,408.00
02/01/2017	95,000.00	3.200%	14,984.00	109,984.00	-
08/01/2017	-	-	13,464.00	13,464.00	-
12/30/2017	-	-	-	-	123,448.00
02/01/2018	100,000.00	3.500%	13,464.00	113,464.00	-
08/01/2018	-	-	11,714.00	11,714.00	-
12/30/2018	-	-	-	-	125,178.00
02/01/2019	105,000.00	3.700%	11,714.00	116,714.00	-
08/01/2019	-	-	9,771.50	9,771.50	-
12/30/2019	-	-	-	-	126,485.50
02/01/2020	110,000.00	3.830%	9,771.50	119,771.50	-
08/01/2020	-	-	7,665.00	7,665.00	-
12/30/2020	-	-	-	-	127,436.50
02/01/2021	115,000.00	4.200%	7,665.00	122,665.00	-
08/01/2021	-	-	5,250.00	5,250.00	-
12/30/2021	-	-	-	-	127,915.00
02/01/2022	125,000.00	4.200%	5,250.00	130,250.00	-
08/01/2022	-	-	2,625.00	2,625.00	-
12/30/2022	-	-	-	-	132,875.00
02/01/2023	125,000.00	4.200%	2,625.00	127,625.00	-
12/30/2023	-	-	-	-	127,625.00
Total	\$1,280,000.00	-	\$354,131.53	\$1,634,131.53	-

Yield Statistics

Bond Year Dollars.....	\$9,307.56
Average Life.....	7.272 Years
Average Coupon.....	3.8047748%
Net Interest Cost (NIC).....	3.9322637%
True Interest Cost (TIC).....	3.9366164%
Bond Yield for Arbitrage Purposes.....	3.9556702%
All Inclusive Cost (AIC).....	4.3132508%

IRS Form 8038

Net Interest Cost.....	3.6803096%
Weighted Average Maturity.....	7.234 Years

4/20/2010 | 10:20 AM

\$1,280,000

*North Hopkins Water District
Refunding of Waterworks Refunding Revenue Bonds, Series 1998
through the Kentucky Rural Water Finance Corporation*

Sources & Uses**Dated 05/27/2010 | Delivered 05/27/2010****Sources Of Funds**

Par Amount of Bonds.....	\$1,280,000.00
Reoffering Premium.....	10,533.90
Transfers from Prior Issue Debt Service Funds.....	49,670.83
Transfers from Prior Issue DSR Funds.....	156,792.50

Total Sources..... \$1,496,997.23

Uses Of Funds

Total Underwriter's Discount (1.750%).....	22,400.00
Costs of Issuance.....	24,260.00
Deposit to Current Refunding Fund.....	1,450,016.18
Rounding Amount.....	321.05

Total Uses..... \$1,496,997.23

\$1,280,000

*North Hopkins Water District
Refunding of Waterworks Refunding Revenue Bonds, Series 1998
through the Kentucky Rural Water Finance Corporation*

Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2010	8,200.53	-	8,200.53	32,325.99	24,125.46
12/30/2011	119,928.00	450.00	120,378.00	137,776.98	17,398.98
12/30/2012	122,448.00	450.00	122,898.00	138,861.98	15,963.98
12/30/2013	124,808.00	450.00	125,258.00	139,654.48	14,396.48
12/30/2014	122,088.00	450.00	122,538.00	140,191.98	17,653.98
12/30/2015	124,288.00	450.00	124,738.00	140,474.48	15,736.48
12/30/2016	121,408.00	450.00	121,858.00	140,451.98	18,593.98
12/30/2017	123,448.00	450.00	123,898.00	140,121.98	16,223.98
12/30/2018	125,178.00	450.00	125,628.00	144,373.23	18,745.23
12/30/2019	126,485.50	450.00	126,935.50	143,204.48	16,268.98
12/30/2020	127,436.50	450.00	127,886.50	141,741.98	13,855.48
12/30/2021	127,915.00	450.00	128,365.00	144,851.98	16,486.98
12/30/2022	132,875.00	450.00	133,325.00	147,431.98	14,106.98
12/30/2023	127,625.00	450.00	128,075.00	150,014.48	21,908.23
TOTAL	\$1,634,131.53	\$5,850.00	\$1,639,981.53	\$1,881,477.98	\$241,465.20

Gross FV Debt Service Savings.....	241,465.20
Transfers from Prior Issue Debt Service Fund.....	(49,670.83)
Transfers from Prior Issue DSR Fund.....	(156,792.50)
Contingency or Rounding Amount.....	321.05
Net Benefit.....	\$35,322.92

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	291,471.79
Effects of changes in DSR investments.....	(185,620.71)
Effects of changes in Expenses.....	(4,455.72)
Net PV Cashflow Savings @ 4.313%(AIC).....	101,395.36
Transfers from Prior Issue Debt Service Fund.....	(49,670.83)
Contingency or Rounding Amount.....	321.05
Net Present Value Benefit.....	\$52,045.58

Net PV Benefit / \$1,420,000 Refunded Principal.....	3.665%
Net PV Benefit / \$1,280,000 Refunding Principal.....	4.066%

Refunding Bond Information

Refunding Dated Date.....	5/27/2010
Refunding Delivery Date.....	5/27/2010

\$2,090,000

*North Hopkins Water District
Series 1998*

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
07/01/2010	-	-	37,006.25	37,006.25
01/01/2011	75,000.00	5.000%	37,006.25	112,006.25
07/01/2011	-	-	35,131.25	35,131.25
01/01/2012	80,000.00	5.100%	35,131.25	115,131.25
07/01/2012	-	-	33,091.25	33,091.25
01/01/2013	85,000.00	5.100%	33,091.25	118,091.25
07/01/2013	-	-	30,923.75	30,923.75
01/01/2014	90,000.00	5.100%	30,923.75	120,923.75
07/01/2014	-	-	28,628.75	28,628.75
01/01/2015	95,000.00	5.100%	28,628.75	123,628.75
07/01/2015	-	-	26,206.25	26,206.25
01/01/2016	100,000.00	5.200%	26,206.25	126,206.25
07/01/2016	-	-	23,606.25	23,606.25
01/01/2017	105,000.00	5.200%	23,606.25	128,606.25
07/01/2017	-	-	20,876.25	20,876.25
01/01/2018	115,000.00	5.250%	20,876.25	135,876.25
07/01/2018	-	-	17,857.50	17,857.50
01/01/2019	120,000.00	5.250%	17,857.50	137,857.50
07/01/2019	-	-	14,707.50	14,707.50
01/01/2020	125,000.00	5.300%	14,707.50	139,707.50
07/01/2020	-	-	11,395.00	11,395.00
01/01/2021	135,000.00	5.300%	11,395.00	146,395.00
07/01/2021	-	-	7,817.50	7,817.50
01/01/2022	145,000.00	5.300%	7,817.50	152,817.50
07/01/2022	-	-	3,975.00	3,975.00
01/01/2023	150,000.00	5.300%	3,975.00	153,975.00
Total	\$1,420,000.00	-	\$582,445.00	\$2,002,445.00

Yield Statistics

Average Life.....	7.401 Years
Weighted Average Maturity (Par Basis).....	7.401 Years
Average Coupon.....	5.2566655%

Refunding Bond Information

Refunding Dated Date.....	5/27/2010
Refunding Delivery Date.....	5/27/2010

\$2,090,000
North Hopkins Water District
Series 1998

Debt Service To Maturity And To Call

Date	Refunded Bonds	Interest to Call	D/S To Call	Principal	Coupon	Interest	Refunded D/S
07/01/2010	1,420,000.00	30,016.18	1,450,016.18	-	-	37,006.25	37,006.25
01/01/2011	-	-	-	75,000.00	5.000%	37,006.25	112,006.25
07/01/2011	-	-	-	-	-	35,131.25	35,131.25
01/01/2012	-	-	-	80,000.00	5.100%	35,131.25	115,131.25
07/01/2012	-	-	-	-	-	33,091.25	33,091.25
01/01/2013	-	-	-	85,000.00	5.100%	33,091.25	118,091.25
07/01/2013	-	-	-	-	-	30,923.75	30,923.75
01/01/2014	-	-	-	90,000.00	5.100%	30,923.75	120,923.75
07/01/2014	-	-	-	-	-	28,628.75	28,628.75
01/01/2015	-	-	-	95,000.00	5.100%	28,628.75	123,628.75
07/01/2015	-	-	-	-	-	26,206.25	26,206.25
01/01/2016	-	-	-	100,000.00	5.200%	26,206.25	126,206.25
07/01/2016	-	-	-	-	-	23,606.25	23,606.25
01/01/2017	-	-	-	105,000.00	5.200%	23,606.25	128,606.25
07/01/2017	-	-	-	-	-	20,876.25	20,876.25
01/01/2018	-	-	-	115,000.00	5.250%	20,876.25	135,876.25
07/01/2018	-	-	-	-	-	17,857.50	17,857.50
01/01/2019	-	-	-	120,000.00	5.250%	17,857.50	137,857.50
07/01/2019	-	-	-	-	-	14,707.50	14,707.50
01/01/2020	-	-	-	125,000.00	5.300%	14,707.50	139,707.50
07/01/2020	-	-	-	-	-	11,395.00	11,395.00
01/01/2021	-	-	-	135,000.00	5.300%	11,395.00	146,395.00
07/01/2021	-	-	-	-	-	7,817.50	7,817.50
01/01/2022	-	-	-	145,000.00	5.300%	7,817.50	152,817.50
07/01/2022	-	-	-	-	-	3,975.00	3,975.00
01/01/2023	-	-	-	150,000.00	5.300%	3,975.00	153,975.00
Total	\$1,420,000.00	\$30,016.18	\$1,450,016.18	\$1,420,000.00	-	\$582,445.00	\$2,002,445.00

Yield Statistics

Average Life.....	7.401 Years
Weighted Average Maturity (Par Basis).....	7.401 Years
Average Coupon.....	5.2566655%

Refunding Bond Information

Refunding Dated Date.....	5/27/2010
Refunding Delivery Date.....	5/27/2010

North Hopkins Water District
Statement of Net Assets
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 47,585	\$ 74,340
Accounts receivable	52,643	51,900
Material and parts inventory	25,904	24,602
Prepaid expenses	<u>7,560</u>	<u>6,364</u>
Total current assets	<u>133,692</u>	<u>157,206</u>
Noncurrent assets		
Restricted cash and cash equivalents	451,782	449,904
Capital assets:		
Nondepreciable	21,418	14,237
Depreciable, net of accumulated depreciation	2,912,994	2,868,104
Bond issue costs, net of accumulated amortization	24,871	27,465
Refundable deposit	<u>100</u>	<u>100</u>
Total noncurrent assets	<u>3,411,165</u>	<u>3,359,810</u>
Total assets	<u>3,544,857</u>	<u>3,517,016</u>
<u>Liabilities</u>		
Current liabilities payable from current assets		
Accounts payable	24,783	25,744
Accrued taxes and other payables	<u>2,564</u>	<u>2,364</u>
	<u>27,347</u>	<u>28,108</u>
Current liabilities payable from restricted assets		
Construction projects payable	0	14,000
Customer meter deposits	2,100	1,550
Accrued interest-meter deposits	24	25
Bonds payable	93,594	87,543
Accrued interest-bonds	<u>38,844</u>	<u>40,559</u>
	<u>134,562</u>	<u>143,677</u>
Total current liabilities	<u>161,909</u>	<u>171,785</u>
Long-term liabilities		
Bonds payable	<u>1,422,105</u>	<u>1,515,700</u>
Total long-term liabilities	<u>1,422,105</u>	<u>1,515,700</u>
Total liabilities	<u>1,584,014</u>	<u>1,687,485</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	1,443,584	1,306,563
Restricted for:		
Debt service	239,239	244,800
Capital projects	165,391	142,928
Unrestricted	<u>112,629</u>	<u>135,240</u>
Total net assets	<u>\$1,960,843</u>	<u>\$1,829,531</u>

The accompanying notes are an integral part of these statements.

North Hopkins Water District
 Statement of Revenues, Expenses and Changes in Fund Net Assets
 Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues		
Water sales	\$ 693,829	\$ 694,002
Other operating revenues	<u>3,372</u>	<u>4,297</u>
Total operating revenues	<u>697,201</u>	<u>698,299</u>
Operating expenses		
Purchased water	290,163	259,657
Salaries-employees	76,756	73,239
Salaries-officers	10,800	10,800
Depreciation	88,876	85,814
Transportation	10,650	12,661
Contract services	17,113	17,631
Taxes	7,007	7,083
Purchased power	9,531	7,873
Materials and supplies	72,779	47,423
Insurance	7,221	6,162
Miscellaneous	1,859	2,614
Regulatory commission expense	1,191	1,049
Rent	9,258	4,825
Advertising	2,833	2,406
Uncollectible accounts	<u>1,209</u>	<u>3,797</u>
Total operating expenses	<u>607,246</u>	<u>543,034</u>
Operating income (loss)	89,955	155,265
Non-operating revenues (expenses)		
Interest income	9,566	11,099
Amortization of bond issue cost	(2,594)	(2,594)
Non-capital grants	29,688	0
Interest expense	(83,214)	(87,617)
Total non-operating revenues (expenses)	(46,554)	(79,112)
Income (loss) before contributions	43,401	76,153
Capital contributions-tap fees	5,200	5,200
Capital contributions-customers/developers	0	21,368
Capital contributions-county	<u>82,711</u>	<u>54,576</u>
Change in net assets	131,312	157,297
Net assets at beginning of year	<u>1,829,531</u>	<u>1,672,234</u>
Net assets at end of year	<u><u>\$1,960,843</u></u>	<u><u>\$1,829,531</u></u>

The accompanying notes are an integral part of these statements.

North Hopkins Water District
Statement of Cash Flows
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Cash flows from operating activities</u>		
Cash received from customers	\$ 691,877	\$ 684,977
Cash payments to suppliers for goods and services	(432,423)	(367,382)
Cash payments to employees for services	(87,556)	(84,039)
Other operating revenues	<u>3,372</u>	<u>4,297</u>
Net cash provided (used) by operating activities	175,270	237,853
<u>Cash flows from capital and related financing activities</u>		
Acquisition and construction of capital assets	(155,388)	(109,497)
Principal paid on revenue bonds	(89,916)	(84,000)
Interest paid on revenue bonds	(82,545)	(86,751)
Interest paid on customer deposits	(13)	(11)
Grant proceeds received	29,688	0
Capital contributions received from customers/developers	5,200	26,968
Capital contributions refunded to customers	0	(400)
Capital contributions received from county government	82,711	54,576
Customer deposits collected	3,800	3,300
Customer deposits repaid	<u>(3,250)</u>	<u>(3,300)</u>
Net cash provided (used) by capital and related financing activities	(209,713)	(199,115)
<u>Cash flows from investing activities</u>		
Interest earned on bank deposits	<u>9,566</u>	<u>11,099</u>
Net cash provided (used) by investing activities	9,566	11,099
Net increase (decrease) in cash and cash equivalents	(24,877)	49,837
Cash and cash equivalents at beginning of year	<u>524,244</u>	<u>474,407</u>
Cash and cash equivalents at end of year	<u>\$ 499,367</u>	<u>\$ 524,244</u>
	=====	=====
<u>Reconciliation of operating income to net cash provided (used) by operating activities</u>		
Operating income	\$ 89,955	\$ 155,265
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	88,876	85,814
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(743)	(5,228)
(Increase) decrease in inventory	(1,302)	(2,545)
(Increase) decrease in prepaid expenses	(1,196)	(5,224)
Increase (decrease) in accounts payable	(520)	9,475
Increase (decrease) in accrued taxes and other payables	<u>200</u>	<u>296</u>
Total adjustments	<u>85,315</u>	<u>82,588</u>
Net cash provided (used) by operating activities	<u>\$ 175,270</u>	<u>\$ 237,853</u>
	=====	=====

The accompanying notes are an integral part of these statements.