

Warren County
Water District

RECEIVED

October 19, 2011

OCT 20 2011

MR JEFF DEROUEN
EXECUTIVE DIRECTOR
PUBLIC SERVICE COMMISSION
P O BOX 615
FRANKFORT KY 40602

PUBLIC SERVICE
COMMISSION

RE: Buchanan Park Sewer Line Extension

Dear Mr. Derouen:

Enclosed are the original and ten copies of the application by Warren County Water District for a Certificate of Convenience and Necessity. This application also requests the Commission's approval of a Kentucky Infrastructure Authority loan for the subject sewer extension and a tariff for capital recovery contributions from customers served by the sewer.

As detailed in the application, the county park to be served by this project is undergoing a major expansion and sewer service is needed as soon as possible. With winter weather approaching we would appreciate quick action on these requests to allow an early award to the low bidder. If more time is needed for approval of the tariff, we request that the Commission consider issuing an interim order to allow construction to commence.

Thank you for your assistance on this project.

Sincerely,

Alan H. Vilines, P.E.
General Manager

AHV:jh

Enclosures

Providing high quality
water and wastewater
services to families and
businesses throughout
Warren County.



BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

THE APPLICATION OF WARREN COUNTY WATER DISTRICT, WARREN COUNTY, KENTUCKY, (A) FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY, PURSUANT TO KRS 278.020, AUTHORIZING SAID DISTRICT TO CONSTRUCT IMPROVEMENTS AND EXTENSIONS TO ITS EXISTING SEWER SYSTEM, WHICH IMPROVEMENTS AND EXTENSIONS WILL BE FINANCED IN WHOLE OR IN PART UNDER THE TERMS OF AN AGREEMENT BETWEEN THE WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY; AND (B) FOR AUTHORITY TO ISSUE CERTAIN SECURITIES AS REQUIRED BY KRS 278.300.

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PUBLIC SERVICE
COMMISSION

CASE NO. _____

APPLICATION OF WARREN COUNTY WATER DISTRICT

The Applicant, Warren County Water District, situated in Warren County, Kentucky, hereby applies to the Public Service Commission of Kentucky for a Certificate of Convenience and Necessity authorizing the construction of certain improvements and extensions to its existing sewer system, including sewer lines and other appurtenances for the purposes of furnishing an adequate sewage disposal system for domestic, commercial and public use in said District, all in the interests of public health, safety and general welfare of the citizens and inhabitants of the District and its customers. The Applicant further requests that the Public Service Commission grant approval for the Applicant to secure a loan as herein set forth. The Applicant's proposed improvements and extensions are to be financed in part by the Kentucky Infrastructure Authority. Therefore, it is requested that the Commission promptly review the proposed project and agreements with the Kentucky Infrastructure Authority and issue its Certificate of Convenience and Necessity without delay in that further development and expansion of

an existing county park is taking place and any delay in construction of the sewer extension hereinabove described may significantly impact the completion and utilization of the park improvements.

In support of this Application, the Applicant represents as follows:

(1) Warren County Water District situated in Warren County, Kentucky, (The Applicant) is a water district existing by virtue of an Order entered by this Commission in its Case No. 5909 on December 18, 1973, the same being a matter before this Commission under authority of KRS 74.361. By its Order of December 18, 1973, in said Case No. 5909, the Commission merged the previously existing Northside Water District situated in Warren County, Kentucky, with the previously existing Westside Water District, a contiguous water district in said County, and ordered **inter alia** in pertinent part as follows:

That Northside Water District and Westside Water District be and they are hereby merged into a single water district, Warren County Water District, . . . That the rates to be charged by the merged District, Warren County Water District, shall be the existing rates on file with this Commission for the Northside Water District. . . That the merged District, Warren County Water District, shall acquire the assets and legal obligations of Northside Water District and Westside Water District....

(2) It is respectfully represented to the Commission that by virtue of KRS 74.36 1(5) and the Commission's Order entered on December 18, 1973, in said PSC Case No. 5909, it has followed as a matter of law that the previously existing Northside Water District and Westside Water District were merged into and became a new water district under the name and style "Warren County Water District" (The Applicant).

(3) The Applicant has found it necessary to undertake certain urgently needed improvements and extensions to its existing sewer system, including sewer

lines and other appurtenances. The Water District's staff engineer, John Dix, P.E., Bowling Green, Kentucky (the "Engineer"), has prepared an Engineering Report as well as detailed plans and specifications for the construction and installation of the proposed major sewer facilities and improvements within the Water District (the "Project"). The Engineering Report contains, among other things, a description of the Project, cost figures and other pertinent financial data and projections and plans for the financing of the Project, pro forma adjustments and a copy of the low bid for the sewer line extensions. A copy of said Engineering Report is attached hereto marked EXHIBIT A and incorporated herein as if set forth in full.

(4) According to the engineering report of the Engineer, the estimated cost of constructing and installing the sewer line extensions is ONE MILLION ONE HUNDRED THIRTY-SIX THOUSAND THREE HUNDRED DOLLARS (\$1,136,300.00), which cost shall be financed through a loan in the amount of EIGHT HUNDRED TWENTY-THREE THOUSAND NINE HUNDRED DOLLARS (\$823,900.00) from the Kentucky Infrastructure Authority and contributions from the Warren Fiscal Court and Warren County Water District in accordance with the Kentucky Infrastructure Authority's letter dated October 7, 2011 and the Agreement dated September 7, 2011 attached hereto as EXHIBITS B and C, respectively, and incorporated herein as if set forth in full. In addition the County of Warren has guaranteed to the District, pursuant to said Agreement (Exhibit C) the full debt service requirement, including principal, interest and service fees which may be required for the sewer loan.

(5) The Engineering Report (Exhibit A) and the Agreement (Exhibit C) describe a Sewer Interceptor Capital Recovery Area (SICRA) to be established in conjunction with the Project. The purpose of the SICRA is to create a program through

which users of the Project contribute an equitable amount toward the initial cost of construction. To accomplish this, customers within the boundary delineated for the Buchanan Park SICRA will pay a capital recovery contribution in addition to the standard sewer connect fee. Details of the SICRA program are provided in the Engineering Report (Exhibit A). The District's tariff sheet which is amended to include the Buchanan Park SICRA Contributions is attached hereto as Exhibit D.

(6) The Project includes extending sewer service to a county park in the vicinity of Nashville Road in Warren County, Kentucky, which will enable that park to be improved and enlarged and other properties in the area to be developed for commercial and residential usage. No public sewer facilities presently exist in those areas of the District for the provision of collecting sewage from domestic, commercial and public entities. The proposed sewer extension of the District and improvements thereto which shall consist of extensions off the existing system will not be in competition with services rendered or offered by any person, firm or corporation. It is further the opinion of the Commissioners of the District that the public health, safety and general welfare of the citizens and inhabitants of the District will be immeasurably promoted and served by the construction of the sewer extensions pursuant to authority of KRS Chapter 74 and the financing thereof.

(7) The Water District represents that, based upon the projections of the Engineer, the existing rates are adequate to meet the annual operating cost of the addition to the System.

(8) The following detailed information included with the Application and all exhibits referred to herein are incorporated by reference as a part of this Application:

- EXHIBIT A Engineering report (This is the only report).
- EXHIBIT B Kentucky Infrastructure Authority's letter dated October 7, 2011
- EXHIBIT C Agreement entered into between the Warren County Water District and Warren Fiscal Court providing the guarantee of debt service by Fiscal Court and commitments for additional contributions by both parties.
- EXHIBIT D Revised Tariff
- EXHIBIT E Certified statement from an authorized utility official confirming (1) that the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:071, Sections 1 through 8; (2) that all other state approvals or permits have already been obtained; (3) that the existing rates are adequate to meet the annual operating cost of the addition to the System; and (4) dates when construction will begin and end.
- EXHIBIT F Bid Tabulation
- EXHIBIT G Balance sheet, revenue and expense statement for 12 months ending August 31, 2011
- EXHIBIT H Audit for period ending December 31, 2010
- EXHIBIT I Amortization schedule of present and proposed indebtedness
- EXHIBIT J Copies of all trust deeds or mortgages

(9) The governing body of the District, its Commission, respectfully represents to the Public Service Commission that there is a genuine need and demand for the Project.

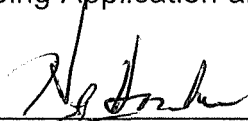
WHEREFORE, the Applicant, Warren County Water District, upon the basis of the facts and circumstances hereinabove set forth and as represented by the exhibits attached hereto and made a part hereof, requests that the Commission issue to

the Applicant a Certificate of Convenience and Necessity authorizing the Applicant to construct and install the sewer service facilities outlined and recommended by the report of the Engineer and approving the Applicant's loan presently contemplated to be in the principal amount of EIGHT HUNDRED TWENTY-THREE THOUSAND NINE HUNDRED DOLLARS (\$823,900.00). The Applicant also requests that the Commission approve the revised tariff for sewer connect fees as amended to include capital recovery contributions associated with the Buchanon Park SICRA program.

COLE & MOORE PSC
921 College Street, P. O. Box 10240
Bowling Green, Kentucky 42102-7240
Phone: (270) 782-6666
Attorneys for Applicant,
Warren County Water District

BY: 
FRANK HAMPTON MOORE, JR.

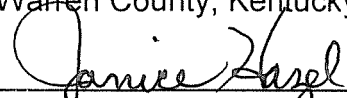
I, Henry Honaker, Chairman of the Warren County Water District, hereby state under oath that I have read the entire foregoing Application and that all matters of fact contained herein are true and correct.


HENRY HONAKER

COMMONWEALTH OF KENTUCKY

COUNTY OF WARREN

SUBSCRIBED AND SWORN TO before me by Henry Honaker on this day 19th of October 2011, in Bowling Green, Warren County, Kentucky.

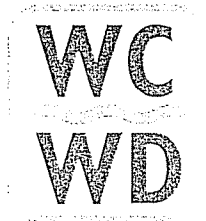

NOTARY PUBLIC, Ky. State-at-Large

My Commission Expires: 12-21-13

Warren County Water District
Sewer Division
Warren County, Kentucky

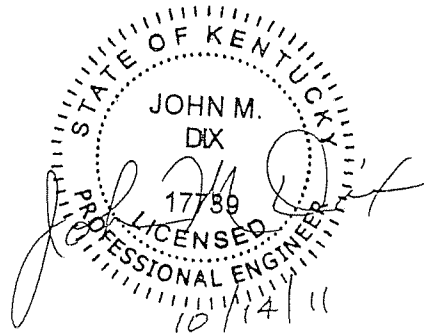
ENGINEERING REPORT

**BUCHANON PARK
SEWER LINE EXTENSION**



Warren County
Water District

October 14, 2011



Prepared by
Engineering Staff
Warren County Water District

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Exhibit A – Proposed Sewer Extension Map

Exhibit B – Buchanon Park Sewer Interceptor Capital Recovery Area

Appendix A - Bid

INTRODUCTION

The Warren County Parks & Recreation Department (Parks Department) operates the Michael O. Buchanon Park, located at 9222 Nashville Road in southern Warren County, KY. Wastewater from the park is currently treated on-site, using a septic tank and leach field. This system requires a significant amount of maintenance and is no longer operates at an optimum level.

Within the park there are currently four (4) softball fields with restrooms, concessions, and other associated facilities. Planning is currently underway to expand the park with four (4) additional softball fields with additional restrooms and concession facilities. In addition to local sports leagues, the park regularly hosts softball tournaments, some of which draw many dozens of teams. To reduce maintenance requirements and better accommodate the proposed additions, the Parks Department desires to connect to the public sewer system, and retire its existing on-site sewer facilities.

Warren County Water District (Warren Water) is proposing the construction of approximately 7,400 feet of 12- and 15-inch public gravity sewers to provide sewer service to the Buchanon Park and surrounding areas. Additionally, approximately 2,500 feet of 8-inch private gravity sewer is proposed within the park to allow connection to existing facilities.

The Buchanon Park Sewer Line Extension will be financed by a loan from the Kentucky Infrastructure Authority (KIA), contributions from Warren Fiscal Court, and Warren Water. No increase in the existing sewer rate is proposed at this time to cover the additional operating, maintenance, and capital expenses resulting from the proposed system additions.

EXISTING SEWER SYSTEM

Warren Water's existing sewer system currently includes approximately 150 miles of sewer lines with gravity sewers as large as 24 inches in diameter and 51 pumping stations to transport wastewater where gravity sewers are not practical. There are approximately 4,100 residential and 420 commercial sewer customers. These customers generate an average wastewater flow of approximately 1,300,000 gallons

per day (gpd). Warren Water's wastewater is discharged into the Bowling Green Municipal Utilities (BGMU) sewer system at 7 separate points of connection for transport to the wastewater treatment plant (WWTP). BGMU's WWTP has a capacity of 10.6 million gallons per day (MGD), and an upgrade is currently underway which will increase the capacity to 12.0 MGD, with provision to increase the capacity to 15.0 MGD in the future. The WWTP has ample capacity to receive wastewater from existing customers and the proposed project.

PROPOSED SEWER SYSTEM ADDITIONS

The proposed interceptor begins at an existing gravity sewer main near a wastewater pumping station adjacent to KY Hwy 242, approximately 0.33 miles east of US Hwy 31W. From this discharge point, a 15-inch sewer main will extend approximately 3,000 feet westerly to a point near the intersection of US Hwy 31W and KY Hwy 242, then southerly adjacent to US Hwy 31W to a point. From that point a 12-inch interceptor will continue adjacent to US Hwy 31W approximately 4,400 feet. An 8-inch private sewer will extend from the end of the 12-inch interceptor, easterly, approximately 2,500 feet into Buchanan Park. The estimated cost of this project is \$1,136,300.00. The public portion of the route described is within or adjacent to the right-of-way of KY Hwy 242 and US Hwy 31W. A map of the proposed sewer is included as Exhibit A.

The proposed facilities are to provide sanitary sewer service to the Buchanan Park and several residences along US Hwy 31W. This new interceptor will also accommodate wastewater flows from surrounding areas which are projected to experience a high rate of development. The area that the proposed interceptor is projected to serve includes approximately 1,025 acres. At build-out, approximately 1,180 residential units are projected within the area. Future sewer extensions will be constructed from the proposed interceptor to provide sanitary sewer service throughout the development area.

Initially, the wastewater flow from this interceptor will be less than 2,000 gpd. However, as growth occurs in the area, the wastewater flow will increase accordingly. At build-out, wastewater flows from the area are estimated at 160,000 gpd.

RESULTS OF CONSTRUCTION BIDS AND FINANCIAL CONSIDERATIONS

On October 13, 2011, Warren Water opened bids for the construction of the proposed improvements. The total low bid for the construction was \$1,005,957.00 and is within the funds available for the proposed project as adjusted after the bid opening. The proposal of the low bidder is included as Appendix A and a detailed breakdown of all estimated project costs is included in the Project Budget on Table 1.

TABLE 1
Project Budget
Buchanon Park Sewer Extension
Warren County Water District

PROJECT COSTS		
1. Engineering		
a. Design	\$20,000	
b. Construction Supervision	20,000	
c. Inspection	35,000	
		\$75,000
2. Easement Acquisition		5,000
3. Construction		1,005,957
4. Contingency		50,343
		\$1,136,300
PROJECT FUNDING		
1. KIA Loan		\$823,900
2. Warren Fiscal Court		170,240
3. Warren County Water District		142,160
		\$1,136,300

Various methods of financing this project have been evaluated. A loan from KIA was found to provide the lowest financing expense. In addition to a loan, contributions from Warren Fiscal Court and Warren Water complete the financing of the project. Warren Water will provide engineering and inspection services and provide contingency funds

as required. Warren Fiscal Court will fund the private sewer line within the park. The remaining project cost results in a loan amount from KIA of \$823,900.00 which will be at an interest rate of 3.0 percent over a twenty year term. Debt service costs also include a loan servicing fee of 0.2 percent of the outstanding balance.

The interceptor portion of the proposed facilities are associated with a Sewer Interceptor Capital Recovery Area (SICRA). The SICRA is proposed as an equitable program to facilitate the extension of sewer interceptors into areas previously not served by sanitary sewers. This approach allows Warren Water to design and construct sewer interceptors to serve all projected future growth in a given area and ensure that each customer pays a fair share of the construction cost. Warren Water has identified the properties expected to be served by the proposed interceptor, delineated the SICRA boundary, and calculated the capital recovery contribution amounts. Warren Water will collect the capital recovery contributions, along with the standard sewer tap fee, at the time each customer within the Buchanan Park SICRA applies for sewer service. During the 20 year term of the SICRA, Warren Water will apply all capital recovery contributions collected during the previous year to the debt service payment on the KIA loan. Warren Fiscal Court has agreed to subsidize the debt service payments, as required, if SICRA contributions are not sufficient to make the payments. If SICRA contributions exceed the payment amount for a given period, the excess funds will be held in escrow to fund future payments. At the end of the SICRA term (which coincides with the KIA loan term), Warren Water will cease collection of capital recovery contributions.

The Buchanan Park SICRA area generally consists of the properties which can be connected to the proposed interceptor sewer with gravity sewers. A map indicating the boundary of the Buchanan Park SICRA is included as Exhibit B. The total area is approximately 1,025 acres in size, and the developable area has been determined to be 590 acres. Based on an estimated residential development density of 2 units per acre there is a potential of 1,180 residential units within the SICRA. With an estimated loan amount of \$823,900.00, the contribution per residential unit equals \$700.00.

The \$700.00 capital recovery contribution is designated for standard 5/8-inch meters only. For larger meters the contribution is based on the meter diameter ratio. The capital recovery contributions for meters up to 6 inches in size are listed in Table 2.

TABLE 2

**Capital Recovery Contributions
for Various Meter Sizes**

Water Meter Size	Meter Diameter Ratio	Contribution Amount
5/8"	1	\$700
1"	1.6	\$1,120
1-1/2"	2.4	\$1,680
2"	3.2	\$2,240
3"	4.8	\$3,360
4"	6.4	\$4,480
6"	9.6	\$6,720

By utilizing the proposed SICRA Program and the assurance of Warren Fiscal Court described previously, a general rate increase for the proposed sewer system improvements is not necessary. The Proforma Adjustment for the WCWD Sewer Division's operating revenues and expenses is shown on Table 3.

TABLE 3

**PROFORMA ADJUSTMENT
BUCHANON PARK SEWER LINE EXTENSION
WARREN COUNTY WATER DISTRICT - SEWER DIVISION**

	EXISTING SYSTEM	CHANGES DUE TO PROJECT	TOTAL FUTURE SYSTEM AFTER PROJECT
OPERATING REVENUE:			
Metered Revenue - Residential	\$ 838,332	\$ -	\$ 838,332
Metered Revenue - Commercial	904,521	2,136 (1)	906,657
Forfeited Discounts	21,680	-	21,680
Miscellaneous Service Revenue	17,583	-	17,583
Other Sewer Revenue	599	57,027 (2)	57,626
Interest Income	28,271	-	28,271
Rental Revenue - Office Building	9,066	-	9,066
TOTAL OPERATING REVENUE	\$ 1,820,052	59,163	\$ 1,879,215
OPERATING EXPENSES:			
SOURCE OF SUPPLY & PUMPING			
Disposal Costs	470,261	1,543 (3)	471,804
Purchased Power	80,037	196 (4)	80,233
Contractual Services	3,036	1 (5)	3,037
Insurance	3,426	1 (5)	3,427
TRANSMISSION & DISTRIBUTION			
Wages & Benefits	23,492	-	23,492
Materials & Supplies	882	8 (6)	890
Contractual Services	2,006	19 (6)	2,025
Equipment	4,018	-	4,018
Insurance	1,995	19 (6)	2,014
CUSTOMER ACCOUNTS			
Wages & Benefits	68,835	15 (5)	68,850
Materials & Supplies	554	0 (5)	554
Contractual Services	33,489	7 (5)	33,496
Equipment	72	0 (5)	72
Insurance	1,995	0 (5)	1,995
Bad Debts	1,867	0 (5)	1,867
Miscellaneous	29	0 (5)	29
ADMINISTRATIVE & GENERAL			
Wages & Benefits	46,584	-	46,584
Materials & Supplies	2,540	1 (5)	2,541
Contractual Services	22,047	5 (5)	22,052
Equipment	26	0 (5)	26
Insurance	4,343	1 (5)	4,344
Miscellaneous	3,127	1 (5)	3,128
Commissioner Fees	15,000	-	15,000
Regulatory Commission Assessment	2,628	1 (5)	2,629
TOTAL OPERATING EXPENSE	792,289	1,817	794,106

TABLE 3 (Continued)

**PROFORMA ADJUSTMENT
BUCHANON PARK SEWER LINE EXTENSION
WARREN COUNTY WATER DISTRICT - SEWER DIVISION**

MAINTENANCE EXPENSE:			
Wages & Benefits	41,222	385 (6)	41,607
Chemicals	26,671	-	26,671
Materials & Supplies	15,831	148 (6)	15,979
Contractual Services	30,491	285 (6)	30,776
Equipment	7,230	67 (6)	7,297
DEPRECIATION & OTHER:			
Depreciation	737,415	18,658 (7)	756,073
Non-Utility Income	(14)	-	(14)
Consumer Deposit Interest	1,410	0 (5)	1,410
Amortization Expense	1,016	1,648 (8)	2,664
PRINCIPAL & INTEREST EXPENSE:			
Principal Payments - KIA	64,974	-	64,974
Interest Payments - KIA	23,036	-	23,036
Principal Payment - KRWFC	14,897	-	14,897
Interest Payment - KRWFC	12,155	-	12,155
Principal Payment - USDA	14,500	-	14,500
Interest Payment - USDA	26,951	-	26,951
Principal Payments - KIA New		30,662 (9)	30,662
Interest Payments - KIA New		24,717 (9)	24,717
TOTAL OPERATING, MAINTENANCE, AND OTHER EXPENSES	<u>1,810,074</u>	<u>78,387</u>	<u>1,888,461</u>
NET OPERATING INCOME	<u>\$ 9,978</u>	<u>\$ (19,223)</u>	<u>\$ (9,245)</u>

NOTES FOR PROFORMA ADJUSTMENT

- (1) Commercial revenue projection based on 1 new commercial customer.
- (2) Reimbursement from Warren Fiscal Court for debt service not covered by SICRA contributions.
- (3) Disposal expense for 1,243,000 gallons at \$1.2409/1,000 gallons from new customer projected in Note (1).
- (4) Prorated amount of existing expense (\$0.1578/1,000 gallons).
- (5) Prorated amount of existing expense (1 new customer/4,520 existing customers).
- (6) Prorated amount of existing expense (1.4 new miles of main/150 existing miles of main).
- (7) \$932,900 x 2%
- (8) Loan servicing fee - 0.2% of outstanding balance.
- (9) Principal & Interest on loan amount of \$823,900 at a term of 20 years and 3.0% interest.

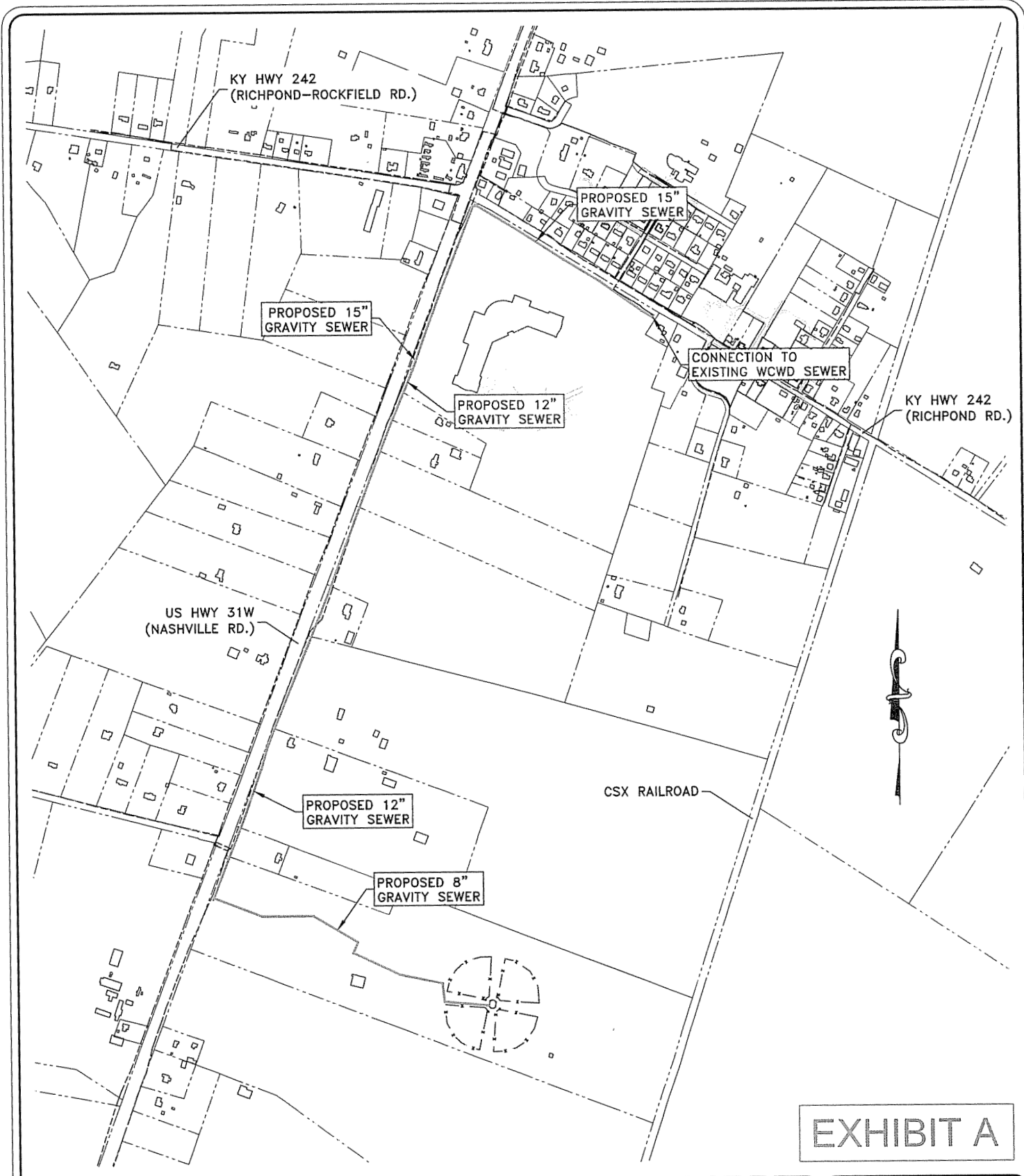


EXHIBIT A



**Warren County
Water District**

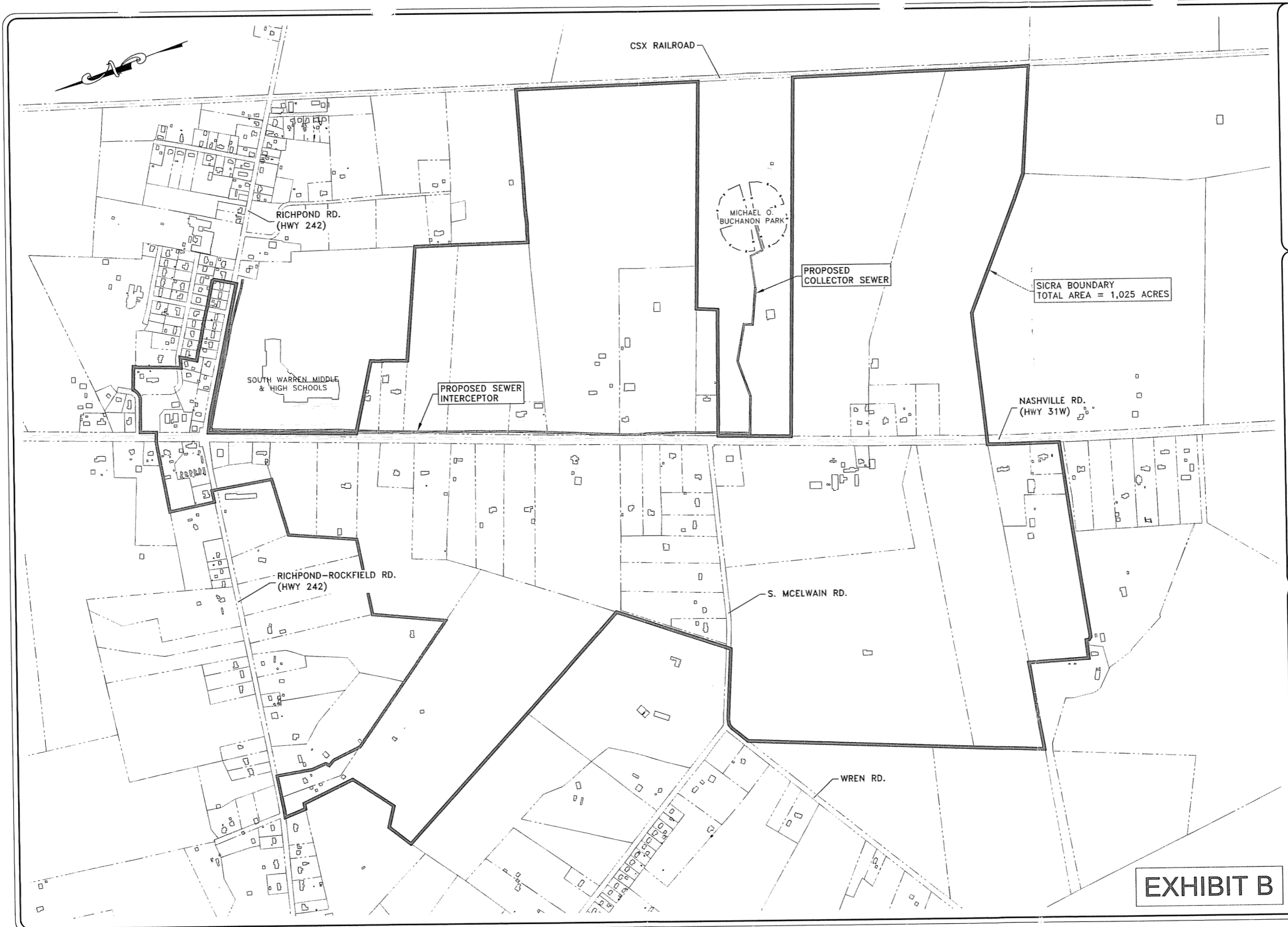
**BUCHANON PARK
SEWER EXTENSION**

SCALE:	1" = 1,000'
DATE:	10-14-11
PROJECT NO.:	270762
DESIGNED:	TKM
DRAWN:	JT
CHECKED:	BRT



SCALE: 1"=800'
DATE: 10-14-11
PROJECT #: 270762
DESIGNED: WCWD
DRAWN: JT
CHECKED: BRT

REVISIONS:	
NO.:	DATE:



APPENDIX A

BID

BID

Proposal of Twin States Utilities & Excavation Inc. (hereinafter called "BIDDER")
organized and existing under the laws of the State of Kentucky doing business
as a corporation * to Warren County Water
District, 523 US 31W By Pass, Bowling Green, Kentucky 42101 (hereinafter called
"OWNER").

In compliance with your Advertisement for Bids, BIDDER hereby proposes to perform all WORK for Buchanon Park Sewer Line Extension in strict accordance with the CONTRACT DOCUMENTS, within the time set forth therein, and at the prices stated below.

By submission of this BID, each BIDDER certifies, and in the case of a joint BID each party thereto certifies as to its own organization, that this BID has been arrived at independently, without consultation, communication or agreement as to any matter relating to this BID with any other BIDDER or with any competitor.

BIDDER hereby agrees to commence WORK under this Contract on or before a date to be specified in the NOTICE TO PROCEED and to fully complete the PROJECT within one hundred eighty (180) consecutive calendar days thereafter. The BIDDER further agrees to pay as liquidated damages, the sum of \$400 for each consecutive calendar day thereafter as provided in Section 15 of the General Conditions.

*Insert "a corporation", "a partnership", or "an individual" as applicable.

BIDDER acknowledges receipt of the following ADDENDUM:

None

BIDDER shall complete both of the two (2) Bid Schedules. BIDS shall be evaluated based on the summation of "Base Bid Schedule – Division A" and "Base Bid Schedule – Division B."

BIDDER agrees to perform all the work described in the CONTRACT DOCUMENTS for the following unit prices or lump sum:

NOTE: BIDS shall include sales tax and all other applicable taxes and fees.

BASE BID SCHEDULE – DIVISION A

NO.	ITEM	UNIT	UNIT PRICE	AMOUNT	TOTAL PRICE
1	20" Stl. Casing by Bore w/ 15" SDR 35 PVC	LF	<u>290.⁰⁰</u>	217	<u>62,930.⁰⁰</u>
2	18" Stl. Casing by Bore w/12" SDR 35 PVC	LF	<u>260.⁰⁰</u>	55	<u>14,300.⁰⁰</u>
3	6" SDR 35 Sewer Lateral	LF	<u>50.⁰⁰</u>	280	<u>14,000.⁰⁰</u>
4	8" SDR 35 Gravity Sewer (18-20' Depth)	LF	<u>91.⁰⁰</u>	14	<u>1274.⁰⁰</u>
5	8" SDR 26 Gravity Sewer (20-22' Depth)	LF	<u>101.⁰⁰</u>	28	<u>2828.⁰⁰</u>
6	8" SDR 26 Gravity Sewer (24-26' Depth)	LF	<u>116.⁰⁰</u>	14	<u>1624.⁰⁰</u>
7	12" SDR 35 Gravity Sewer (6-8' Depth)	LF	<u>49.⁰⁰</u>	713	<u>34,937.⁰⁰</u>
8	12" SDR 35 Gravity Sewer (8-10' Depth)	LF	<u>56.⁰⁰</u>	1,188	<u>66,528.⁰⁰</u>
9	12" SDR 35 Gravity Sewer (10-12' Depth)	LF	<u>64.⁰⁰</u>	991	<u>63,424.⁰⁰</u>
10	12" SDR 35 Gravity Sewer (12-14' Depth)	LF	<u>72.⁰⁰</u>	288	<u>20,736.⁰⁰</u>
11	12" SDR 35 Gravity Sewer (14-16' Depth)	LF	<u>80.⁰⁰</u>	79	<u>6320.⁰⁰</u>
12	12" SDR 35 Gravity Sewer (16-18' Depth)	LF	<u>88.⁰⁰</u>	23	<u>2024.⁰⁰</u>
13	12" SDR 35 Gravity Sewer (18-20' Depth)	LF	<u>96.⁰⁰</u>	65	<u>6240.⁰⁰</u>
14	12" SDR 26 Gravity Sewer (20-22' Depth)	LF	<u>108.⁰⁰</u>	83	<u>8964.⁰⁰</u>
15	12" SDR 26 Gravity Sewer (22-24' Depth)	LF	<u>116.⁰⁰</u>	681	<u>78,996.⁰⁰</u>
16	12" SDR 26 Gravity Sewer (24-26' Depth)	LF	<u>124.⁰⁰</u>	157	<u>19,468.⁰⁰</u>
17	15" SDR 35 Gravity Sewer (10-12' Depth)	LF	<u>68.⁰⁰</u>	110	<u>7480.⁰⁰</u>
18	15" SDR 35 Gravity Sewer (12-14' Depth)	LF	<u>76.⁰⁰</u>	865	<u>65,740.⁰⁰</u>
19	15" SDR 35 Gravity Sewer (14-16' Depth)	LF	<u>84.⁰⁰</u>	372	<u>31,248.⁰⁰</u>
20	15" SDR 35 Gravity Sewer (16-18' Depth)	LF	<u>92.⁰⁰</u>	481	<u>44,252.⁰⁰</u>
21	15" SBR 35 Gravity Sewer (18-20' Depth)	LF	<u>100.⁰⁰</u>	234	<u>23,400.⁰⁰</u>

BASE BID SCHEDULE – DIVISION A (CONTINUED)

NO.	ITEM	UNIT	UNIT PRICE	AMOUNT	TOTAL PRICE
22	15" SDR 26 Gravity Sewer (20-22' Depth)	LF	<u>116.⁰⁰</u>	272	<u>31,552.⁰⁰</u>
23	15" SDR 26 Gravity Sewer (22-24' Depth)	LF	<u>124.⁰⁰</u>	467	<u>57,908.⁰⁰</u>
24	Standard 4' Dia. Manhole	EA	<u>2000.⁰⁰</u>	23	<u>46,000.⁰⁰</u>
25	4' Dia. Drop Manhole	EA	<u>5500.⁰⁰</u>	1	<u>5500.⁰⁰</u>
26	Manhole Barrel Extension	VF	<u>120.⁰⁰</u>	211	<u>25,320.⁰⁰</u>
27	Crushed Stone	TN	<u>15.⁰⁰</u>	4,989	<u>74,835.⁰⁰</u>
28	Concrete	CY	<u>110.⁰⁰</u>	8	<u>880.⁰⁰</u>
29	Asphalt Pavement	TN	<u>200.⁰⁰</u>	9	<u>1800.⁰⁰</u>
30	15"x6" Tee-Wye & Plug	EA	<u>500.⁰⁰</u>	5	<u>2500.⁰⁰</u>
31	12"x6" Tee-Wye & Plug	EA	<u>500.⁰⁰</u>	9	<u>4500.⁰⁰</u>
32	Silt Fence	LF	<u>2.⁰⁰</u>	370	<u>740.⁰⁰</u>
33	Rip Rap Check Dam	TN	<u>25.⁰⁰</u>	2	<u>50.⁰⁰</u>
34	Final Cleanup	LF	<u>\$1.00</u>	7,419	<u>\$7,418.00</u>
TOTAL BASE BID – DIVISION A					<u><u>\$ 835,716.⁰⁰</u></u>

BASE BID SCHEDULE – DIVISION B

NO.	ITEM	UNIT	UNIT PRICE	AMOUNT	TOTAL PRICE
1	12" Stl. Casing by Bore w/8" SDR 35 PVC	LF	<u>195.⁰⁰</u>	30	<u>5850.⁰⁰</u>
2	6" SDR 35 Sewer Lateral	LF	<u>50.⁰⁰</u>	40	<u>2000.⁰⁰</u>
3	8" SDR 35 Gravity Sewer (0'-6' Depth)	LF	<u>41.⁰⁰</u>	1,108	<u>45,428.⁰⁰</u>
4	8" SDR 35 Gravity Sewer (6'-8' Depth)	LF	<u>46.⁰⁰</u>	552	<u>25,392.⁰⁰</u>

BASE BID SCHEDULE - DIVISION B (CONTINUED)

NO.	ITEM	UNIT	UNIT PRICE	AMOUNT	TOTAL PRICE
5	8" SDR 35 Gravity Sewer (8'-10' Depth)	LF	54. ⁰⁰	129	6966. ⁰⁰
6	8" SDR 35 Gravity Sewer (10-12' Depth)	LF	62. ⁰⁰	413	25,606. ⁰⁰
7	8" SDR 35 Gravity Sewer (12-14' Depth)	LF	70. ⁰⁰	259	18,130. ⁰⁰
8	Standard 4' Dia. Manhole	EA	2000. ⁰⁰	8	16,000. ⁰⁰
9	Manhole Barrel Extension	VF	120. ⁰⁰	9	1080. ⁰⁰
10	Crushed Stone	TN	15. ⁰⁰	1,166	17,490. ⁰⁰
11	Concrete	CY	110. ⁰⁰	5	550. ⁰⁰
12	Asphalt Pavement	TN	200. ⁰⁰	8	1600. ⁰⁰
13	8"x6" Tee-Wye & Plug	EA	500. ⁰⁰	2	1000. ⁰⁰
14	Silt Fence	LF	2. ⁰⁰	277	554. ⁰⁰
15	Rip Rap Check Dam	TN	25. ⁰⁰	3	75. ⁰⁰
16	Final Cleanup	LF	\$1.00	2,519	\$2,519.00
TOTAL BASE BID - DIVISION B				#	170,240. ⁰⁰
SUM OF TOTAL BASE BID - DIVISION A AND TOTAL BASE BID - DIVISION B				#	1,005,956. ⁰⁰

Respectfully submitted:

Jr Finley
Signature

President
Title

October 13, 2011
Date

License No. (If Applicable)

P.O. Box 14
Address

Mt. Hermon, KY 42157
City, State, Zip

270 427-5300
Phone Number

270 427-5400
Facsimile Number

FAL - (if BID is by a corporation)

TEST: *Stephanie Finley*



Steven L. Beshear
Governor

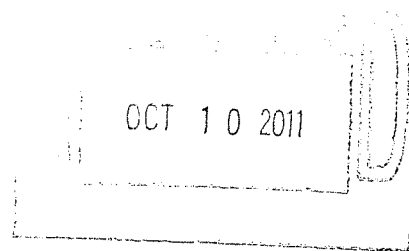
KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

John E. Covington III
Executive Director

October 7, 2011

Alan H. Vilines, General Manager
Warren County Water District
P.O. Box 10180
Bowling Green, KY 42102



**KENTUCKY INFRASTRUCTURE AUTHORITY
GOVERNMENTAL AGENCIES PROGRAM
CONDITIONAL COMMITMENT LETTER (C11-02)**

Dear Mr. Vilines:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On October 6, 2011, the Authority approved your loan for the Buchanan Park Sewer Line Extension Project subject to the conditions stated below. The total cost of the project shall not exceed \$1,114,400 of which the Authority loan shall provide up to \$823,900 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Warren County Water District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (October 6, 2012) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$823,900.
2. The loan shall bear interest at the rate of 3% per annum commencing with the first draw of funds.

3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter during the draw phase.
5. Full principal and interest payments will commence on June 1 or December 1 immediately succeeding the date of the last draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1 or December 1 which is at least six months from the date of the last draw of funds. Full payments of principal and interest will be due each monthly on the first day of each month thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.

3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding or any new sources of funding not reflected in Attachment A shall be immediately reported and may cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.
5. Based on the final "as bid" project budget, the community must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by your consultant engineer
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Authority.
8. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
9. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.
10. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.

Mr. Alan H. Vilines

October 7, 2011

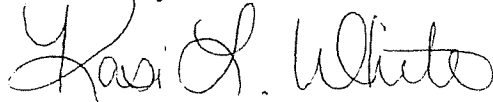
Page 4

11. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
12. Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). If there is a significant deviation from the Final Design Plan during construction, As-built plans shall also be provided to the Authority in the same format.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We will assist you in a final evaluation of the financing plan when construction bids are available. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,

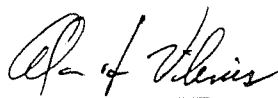


Kasi L. White
Financial Analyst

Attachments

cc: Bryan Tillery, P.E., Warren County Water District
Dirk Bedarff, Peck, Shaffer & Williams LLP
State and Local Debt Office, DLG
Borrower File - Warren County Water District - C11-02

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.



Accepted

10/17/11

Date

AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND C11-02)

Borrower Information:

Name: WARREN COUNTY WATER DISTRICT - SEWER DIVISION

Address: P.O. BOX 10180

City: BOWLING GREEN State: KY Zip: 42102-4780

Telephone: (270) 842-0052 Contact: JEFF PEEPLES

Federal I.D. # 61-0866161

Financial Institution Information:

Bank Name: BRANCH BANKING & TRUST

Branch: FAIRVIEW Phone No: (270) 782-4485


City: BOWLING GREEN State: KY Zip: 42101

Transit / ABA No.: 083900680

Account Name: SEWER DIVISION GENERAL OPERATIONS

Account Number: 5181334667

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature:  Date: 10/14/11
Name Printed: JEFF PEEPLES Job Title: MANAGER OF FINANCE

Please return completed form to: Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157

AGREEMENT

This **AGREEMENT** made and entered into this 7th day of September 2011, by and between **WARREN FISCAL COURT** of Warren County, Kentucky (hereinafter referred to as "County") and the **WARREN COUNTY WATER DISTRICT** (hereinafter referred to as "Water District").

WITNESSETH:

WHEREAS, the County has found, determined and declared that it is in the best interest of the County to construct a public project consisting of a sanitary sewer system (the "System") in the vicinity of the Nashville Road generally along the route shown on **EXHIBIT 1** attached to this Agreement and titled "Buchanon Park Sewer Interceptor Capital Recovery Area (SICRA)", dated July 19, 2011. The capital recovery area shown on **EXHIBIT 1** is hereinafter referred to as the "SICRA"; and

WHEREAS, the Water District has agreed to prepare the plans and specifications and to construct the System and to obtain financing to pay for the System (the "Loan") with the understanding that the County agrees to assist in the payment of the indebtedness evidenced by the Loan in an amount equal to the required debt service payments not offset by the Water District's collections of capital recovery contributions generated within the SICRA; and

WHEREAS, the County further finds and determines that benefits will accrue to the County and to the citizens thereof from the construction of the System by providing sanitary sewer service to a county park, increasing development by providing sanitary sewer services to promote the construction of residential structures, by increasing employment in that area and by increases in tax revenues generated by increased development; and

WHEREAS, in consideration of the social and economic benefits to be received by the

County and the residents thereof and in furtherance of the public purposes to be accomplished through the construction of the System, the County hereby commits to assist in the financing of the System; and,

WHEREAS, in order to assist in financing the System, the Water District agrees to apply for and strive to obtain the Loan from the Kentucky Infrastructure Authority (KIA) as necessary to pay for the installation of the System; the Water District agrees to charge appropriate fees to use the System; and the County agrees to guarantee payments on the loan for any amounts which are not covered by capital recovery contributions received by the Water District from customers located within the SICRA.

NOW, THEREFORE, in consideration of the premises contained herein, the County and Water District covenant and agree as follows:

1. The Water District will apply for the Loan required to pay all necessary costs for the installation of the System in the vicinity of the Nashville Road as depicted in the attached **EXHIBIT 1**. The Loan shall be used solely for the purposes of installing the System with appurtenances thereto and all costs attendant therewith.

2 The Water District agrees to establish and collect appropriate capital recovery contributions to help defray the cost of the installation of the System in accordance with its tariff as may be amended and approved by the Public Service Commission. These contributions shall be collected from customers who apply for sewer service on properties located within the SICRA boundary shown on **EXHIBIT 1** throughout the term of the Loan.

3. The County, in order to induce the Water District to obtain the Loan and to install the System, does hereby guarantee to the Water District that the County shall appropriate and pledge to pay any shortfall in debt service not generated by capital recovery contributions

received by the Water District from customers located within the SICRA for the fiscal year of the County ending June 30, 2012. Debt service payments shall include principal, interest and any additional service fees which may be required by KIA. The County agrees to automatically renew this pledge for each subsequent fiscal year until the Loan is paid in full unless the County notifies the Water District in writing, within sixty (60) days prior of the end of any fiscal year that such pledge shall not so renew.

4. For the purpose of this Agreement and in order that the County will know the sums required to be paid pursuant to this Agreement, the Water District shall in November of each year during the term of this Agreement and so long as any principal balance of the Loan is outstanding, calculate the total capital recovery contributions received by the Water District from customers who are located within the SICRA through the previous 12-month period ending October 31. On or before December 1 of each year, the Water District shall notify the County of the amount of such contributions allocated to debt service for the Loan and the remaining amounts of the upcoming debt service required to be paid by the County. Such payments from the County shall be received by the Water District on or before December 20 of each year during the term of the Agreement.

In any year that the capital recovery contributions exceed the debt service for the Loan, such excess amount shall be held by the Water District to help offset future annual debt service payments on the Loan.

5. The County will also contribute a lump sum amount toward the cost of the project. This amount will equal the construction cost of the "collector sewer" which will be built from the Nashville Road interceptor into the county park property as shown on **EXHIBIT 1**. The actual cost for this collector sewer will be determined from the contractor's bid prices and the Water District will notify the County of the required lump sum contribution. This payment from the

County shall be received by the Water District prior to award of the construction contract.

6. The parties agree to take all necessary action and to execute all necessary documents permitted by law and existing contractual commitments to carry out this Agreement. The parties further acknowledge that the performance of the Water District's obligations hereunder are subject to the approval of the Public Service Commission of Kentucky.

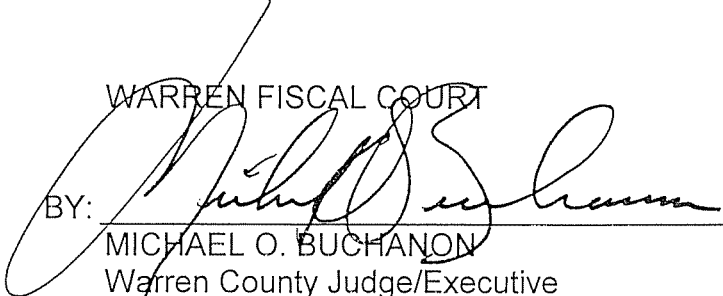
7. The Water District is directed by the County to proceed with preparation of plans and specifications in anticipation of the construction of the System and to proceed to take such other actions as may, in the Water District's sole discretion, be deemed advisable in order to expedite the public project contemplated by this Agreement with the exception of final execution of the Loan Agreement. All costs incurred by the Water District in preparation of plans and specifications, acquisition of any needed rights-of-way and easements, preparation of contract documents and requests for bids, filing of required application with the Public Service Commission to obtain approval for the proposed System, obtaining the required financing, and construction contract inspection and administration shall be borne by the Water District representing its in kind contribution toward the total cost of the System.

The Water District will not finalize the Loan Agreement with KIA until specifically instructed by the County that the County wishes the public project to go forward and that all conditions contained in this Agreement have been met, at which time the Water District will be so instructed to proceed with the Loan Agreement.

8. This Agreement contains the entire agreement between the parties and may not be modified except in writing executed by all parties. If any provision of this Agreement is held to be invalid or unenforceable, the invalidity of such provision shall not affect the remaining provisions of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

WARREN FISCAL COURT

BY: 
MICHAEL O. BUCHANON
Warren County Judge/Executive


ATTEST:


BRENDA HALE, FISCAL COURT CLERK

WARREN COUNTY WATER DISTRICT

BY: 
HENRY HONAKER, CHAIRMAN

ATTEST:


GLEN JOHNSON, Secretary

FOR All Areas Served

PSC KY NO. _____

SHEET NO. 2

Warren County Water District – Sewer Division
(NAME OF UTILITY)

CANCELLING PSC KY NO. 93-289

SHEET NO. 2

I. Sewer Connect Fees

Residential – \$ 500.00

Business, Commercial,
Industrial or Other
Establishment – \$ 1,000.00

II. Buchanon Park Sewer Interceptor Capital Recovery Area Contributions

In addition to the connect fees listed above, through December 31, 2031, customers applying for the initial sewer service on a property within the boundary delineated for the Buchanon Park Sewer Interceptor Capital Recovery Area shall pay the following contribution:

<u>Water Meter Size</u>	<u>Capital Recovery Contribution Amount</u>
5/8"	\$ 700.00
1"	1,120.00
1-1/2"	1,680.00
2"	2,240.00
3"	3,360.00
4"	4,480.00
6"	6,720.00

DATE OF ISSUE October 19, 2011
MONTH / DATE / YEAR

DATE EFFECTIVE January 1, 2012
MONTH / DATE / YEAR

ISSUED BY 
SIGNATURE OF OFFICER

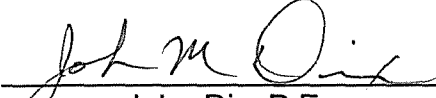
TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. _____ DATED _____

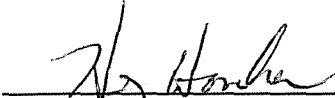
**CERTIFIED STATEMENT
OF
WARREN COUNTY WATER DISTRICT
SEWER DIVISION**

**CONCERNING PROPOSED
KENTUCKY INFRASTRUCTURE AUTHORITY FINANCED
BUCHANON PARK SEWER LINE EXTENSION**

We hereby certify that the proposed plans and specifications for the project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:071, Section 1 through 8. The plans and specifications for the project have also been designed to meet the minimum construction and operating requirements of the Kentucky Energy and Environmental Cabinet, Department for Environmental Protection, Division of Water. All the required state approvals and/or permits have been obtained. The existing rates are adequate to meet the annual operating costs of the addition to the System. The construction is anticipated to begin on December 15, 2011. The Project will take one hundred and eighty (180) days to complete which will make the completion dated June 15, 2012.



John Dix, P.E.
Warren County Water District
Sewer Division

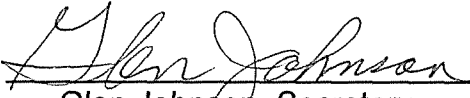


Henry Honaker, Chairman
Warren County Water District
Sewer Division

COMMONWEALTH OF KENTUCKY)
COUNTY OF WARREN)

I, Glen Johnson, being first duly sworn according to law, state that I am Secretary of the Board of Commissioners of Warren County Water District (Sewer Division), Warren County, Kentucky, that the Board of Commissioners approved the foregoing Statement, and that the statements of fact set forth therein are true and accurate to the best of our knowledge and belief.

Witness my signature this 19th day of October, 2011.



Glen Johnson, Secretary

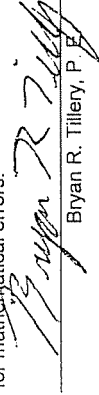
TABULATION OF BIDS
WATER SYSTEM ADDITIONS
BUCHANAN PARK SEWER LINE EXTENSION
 WARREN COUNTY WATER DISTRICT
 October 13, 2011

ITEM NO.	DESCRIPTION	QTY.	UNITS	Twin States Utilities Mt Hermon, KY		S & R Excavation Bowling Green, KY		Cleary Construction Inc. Tompkinsville, KY		Scott & Ritter, Inc. Bowling Green, KY	
				UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL
1.	20" Sli. Casing by Bore w/ 15" SDR 35 PVC	217	LF	\$290.00	\$62,930.00	\$638.45	\$138,543.65	\$285.00	\$61,845.00	\$495.00	\$107,415.00
2.	18" Sli. Casing by Bore w/ 12" SDR 35 PVC	55	LF	260.00	14,300.00	659.00	36,245.00	285.00	15,675.00	530.00	29,150.00
3.	6" SDR 35 Sewer Lateral	280	LF	50.00	14,000.00	58.10	16,268.00	42.00	11,760.00	17.00	4,760.00
4.	8" SDR 35 Gravity Sewer (18-20' Depth)	14	LF	91.00	1,274.00	92.00	1,288.00	114.00	1,596.00	105.00	1,470.00
5.	8" SDR 26 Gravity Sewer (20-22' Depth)	28	LF	101.00	2,828.00	125.00	3,500.00	127.00	3,556.00	105.00	2,940.00
6.	8" SDR 26 Gravity Sewer (24-26' Depth)	14	LF	116.00	1,624.00	140.00	1,960.00	137.00	1,918.00	105.00	1,470.00
7.	12" SDR 35 Gravity Sewer (6-8' Depth)	713	LF	49.00	34,937.00	45.00	32,085.00	73.00	52,049.00	92.00	65,596.00
8.	12" SDR 35 Gravity Sewer (8-10' Depth)	1,188	LF	56.00	66,528.00	50.00	59,400.00	83.00	98,604.00	92.00	109,296.00
9.	12" SDR 35 Gravity Sewer (10-12' Depth)	991	LF	64.00	63,424.00	55.00	54,505.00	93.00	92,163.00	92.00	91,172.00
10.	12" SDR 35 Gravity Sewer (12-14' Depth)	288	LF	72.00	20,736.00	65.00	18,720.00	103.00	29,664.00	92.00	26,496.00
11.	12" SDR 35 Gravity Sewer (14-16' Depth)	79	LF	80.00	6,320.00	80.00	6,320.00	113.00	8,927.00	92.00	7,268.00
12.	12" SDR 35 Gravity Sewer (16-18' Depth)	23	LF	88.00	2,024.00	85.00	1,955.00	133.00	2,829.00	92.00	2,116.00
13.	12" SDR 35 Gravity Sewer (18-20' Depth)	65	LF	96.00	6,240.00	95.00	6,175.00	133.00	8,645.00	92.00	5,980.00
14.	12" SDR 26 Gravity Sewer (20-22' Depth)	83	LF	108.00	8,964.00	130.00	10,790.00	135.00	11,205.00	92.00	7,636.00
15.	12" SDR 26 Gravity Sewer (22-24' Depth)	681	LF	116.00	78,996.00	140.00	95,340.00	145.00	98,745.00	92.00	62,652.00
16.	12" SDR 26 Gravity Sewer (24-26' Depth)	157	LF	124.00	19,468.00	175.00	27,475.00	170.00	26,690.00	92.00	14,444.00
17.	15" SDR 35 Gravity Sewer (10-12' Depth)	110	LF	68.00	7,480.00	70.00	7,700.00	91.00	10,010.00	132.00	14,520.00
18.	15" SDR 35 Gravity Sewer (12-14' Depth)	865	LF	76.00	65,740.00	72.00	62,280.00	101.00	87,365.00	132.00	114,180.00
19.	15" SDR 35 Gravity Sewer (14-16' Depth)	372	LF	84.00	31,248.00	85.00	31,620.00	106.00	39,432.00	132.00	49,104.00
20.	15" SDR 35 Gravity Sewer (16-18' Depth)	481	LF	92.00	44,252.00	90.00	43,290.00	116.00	55,796.00	132.00	63,492.00
21.	15" SDR 35 Gravity Sewer (18-20' Depth)	234	LF	100.00	23,400.00	105.00	24,570.00	126.00	29,484.00	132.00	30,888.00
22.	15" SDR 26 Gravity Sewer (20-22' Depth)	272	LF	116.00	31,552.00	110.00	29,920.00	140.00	38,080.00	132.00	35,904.00
23.	15" SDR 26 Gravity Sewer (22-24' Depth)	467	LF	124.00	57,908.00	135.00	63,045.00	150.00	70,050.00	132.00	61,644.00
24.	Standard 4' Dia. Manhole	23	EA	2,000.00	46,000.00	4,000.00	92,000.00	2,100.00	48,300.00	2,005.00	46,115.00
25.	4' Dia. Drop Manhole	1	EA	5,500.00	5,500.00	4,750.00	4,750.00	4,400.00	4,400.00	2,570.00	2,570.00
26.	Manhole Barrel Extension	211	VF	120.00	25,320.00	125.00	26,375.00	200.00	42,200.00	80.00	16,880.00
27.	Crushed Stone	4,989	TN	15.00	74,835.00	17.00	84,813.00	15.00	74,835.00	15.00	74,835.00
28.	Concrete	8	CY	110.00	880.00	120.00	960.00	125.00	1,000.00	130.00	1,040.00
29.	Asphalt Pavement	9	TN	200.00	1,800.00	180.00	1,620.00	225.00	2,025.00	180.00	1,620.00
30.	15"x6" Tee Wye & Plug	5	EA	500.00	2,500.00	300.00	1,500.00	410.00	2,050.00	650.00	3,250.00
31.	12"x6" Tee Wye & Plug	9	EA	500.00	4,500.00	200.00	1,800.00	315.00	2,835.00	180.00	1,620.00
32.	Silt Fence	370	LF	2.00	740.00	3.00	1,110.00	6.00	2,220.00	2.00	740.00
33.	Rip Rap Check Dam	2	TN	25.00	50.00	45.00	90.00	50.00	100.00	180.00	360.00
34.	Final Cleanup	7,419	LF	1.00	7,419.00	1.00	7,419.00	1.00	7,419.00	1.00	7,419.00
TOTAL BASE BID - DIVISION A					\$835,717.00		\$995,431.65		\$1,043,472.00		\$1,066,042.00

TABULATION OF BIDS
WATER SYSTEM ADDITIONS
BUCHANON PARK SEWER LINE EXTENSION
 WARREN COUNTY WATER DISTRICT
 October 13, 2011

ITEM NO.	DESCRIPTION	QTY.	UNITS	Twin States Utilities Mt Hermon, Ky		S & R Excavation Bowling Green, KY		Cleary Construction Inc. Tompkinsville, KY		Scott & Ritter, Inc. Bowling Green, KY	
				UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL
1.	12" Stl. Casing by Bore w/ 8" SDR 35 PVC	30	LF	\$195.00	\$5,850.00	\$250.00	\$7,800.00	\$145.00	\$4,350.00	\$295.00	\$8,850.00
2.	6" SDR 35 Sewer Lateral	40	LF	50.00	2,000.00	60.00	2,400.00	32.00	1,280.00	15.00	600.00
3.	8" SDR 35 Gravity Sewer (0-6' Depth)	1,108	LF	41.00	45,428.00	30.00	33,240.00	34.00	37,672.00	42.00	46,536.00
4.	8" SDR 35 Gravity Sewer (6-8' Depth)	552	LF	46.00	25,392.00	40.00	22,080.00	39.00	21,528.00	42.00	23,184.00
5.	8" SDR 35 Gravity Sewer (8-10' Depth)	129	LF	54.00	6,966.00	48.00	6,192.00	44.00	5,676.00	42.00	5,418.00
6.	8" SDR 35 Gravity Sewer (10-12' Depth)	413	LF	62.00	25,606.00	60.00	24,780.00	54.00	22,302.00	42.00	17,346.00
7.	8" SDR 35 Gravity Sewer (12-14' Depth)	259	LF	70.00	18,130.00	70.00	18,130.00	64.00	16,576.00	42.00	10,878.00
8.	Standard 4' Dia. Manhole	8	EA	2,000.00	16,000.00	4,000.00	32,000.00	1,620.00	12,960.00	1,925.00	15,400.00
9.	Manhole Barrel Extension	9	VF	120.00	1,080.00	125.00	1,125.00	150.00	1,350.00	80.00	720.00
10.	Crushed Stone	1,166	TN	15.00	17,490.00	17.00	19,822.00	15.00	17,490.00	15.00	17,490.00
11.	Concrete	5	CY	110.00	550.00	120.00	600.00	125.00	625.00	130.00	650.00
12.	Asphalt Pavement	8	TN	200.00	1,600.00	180.00	1,440.00	225.00	1,800.00	180.00	1,440.00
13.	8"x6" Tee-Wye & Plug	2	EA	500.00	1,000.00	90.00	180.00	180.00	360.00	50.00	100.00
14.	Silt Fence	277	LF	2.00	554.00	3.00	831.00	6.00	1,662.00	2.00	554.00
15.	Rip Rap Check Dam	3	TN	25.00	75.00	45.00	135.00	50.00	150.00	180.00	540.00
16.	Final Cleanup	2,519	LF	1.00	2,519.00	1.00	2,519.00	1.00	2,519.00	1.00	2,519.00
TOTAL BASE BID - DIVISION B					\$170,240.00		\$173,274.00		\$148,300.00		\$152,225.00
SUM OF TOTAL BASE BID - DIVISION A AND											
TOTAL BASE BID - DIVISION B					\$1,005,957.00		\$1,168,705.65		\$1,191,772.00		\$1,218,267.00

I hereby certify that this a true and accurate tabulation of bids as received October 13, 2011 with corrections for mathematical errors.


 Bryan R. Tillery, P. E.

WARREN COUNTY WATER DISTRICT
SEWER DIVISION
BALANCE SHEET
AUGUST 31, 2011

ASSETS AND OTHER DEBITS

UTILITY PLANT:

Utility Plant in Service	\$ 36,131,429	
Construction Work in Progress	593,856	
Less: Accumulated Depreciation	<u>(6,540,512)</u>	
TOTAL UTILITY PLANT		\$ 30,184,773

OTHER PROPERTY AND INVESTMENTS

Depreciation Reserve	1,444,899	
Sinking Funds:		
USDA (RD), Series 1993	10,340	
Interest	4,737	
KIA Loan , Barren River Rd	2,332	
Interest	1,351	
KIA Loan , Russellville Rd	9,028	
Interest	4,772	
KRWFC, Series 2003C	13,361	
Interest	<u>2,863</u>	
Total Sinking Funds	48,784	
Debt Service Reserve	272,140	
Special Funds:		
CIS Implementation	24,700	
Miscellaneous System Improvements	1,799,000	
Customer Deposits	<u>186,744</u>	
Total Special Funds	2,010,444	
TOTAL OTHER PROPERTY & INVESTMENTS		3,776,267

CURRENT AND ACCRUED ASSETS

Cash - General Operations	379,505	
Accounts Receivable - Customers	55,106	
Accounts Receivable - Other	213,882	
Prepayments	14,236	
Other Current Assets	<u>43,591</u>	
TOTAL CURRENT AND ACCRUED ASSETS		706,320

TOTAL ASSETS AND OTHER DEBITS

\$ 34,667,360

WARREN COUNTY WATER DISTRICT
SEWER DIVISION
BALANCE SHEET
AUGUST 31, 2011

LIABILITIES AND OTHER CREDITS

CAPITAL

Contributions in Aid of Construction	\$ 15,514,920	
Customer Advances for Construction	<u>11,782,061</u>	
TOTAL CAPITAL		\$ 27,296,981

LONG TERM DEBT

USDA (RD) Bonds, Series 1993	594,000	
KRWFC Loan, Series 2003C	259,069	
KIA Loan, Russellville Rd	456,051	
KIA Loan, Barren River Rd	<u>117,668</u>	
TOTAL LONG TERM DEBT		1,426,788

CURRENT AND ACCRUED LIABILITIES

Accounts Payable	84,508	
Customer Deposits	180,731	
Interest - Customer Deposits	175	
Taxes and Accrued Equivalents	<u>4,072</u>	
Total Current and Accrued Liabilities		269,486

Accrued Interest on Long Term Debt

USDA(RD)	17,824	
KRWFC, Series 2003C	1,101	
KIA, Russellville Rd.	4,246	
KIA, Barren River Rd	<u>1,094</u>	
Total Accrued Interest on Long Term Debt		24,265

TOTAL CURRENT AND ACCRUED 293,751

ACCUMULATED EARNINGS:

Beginning of Period	5,545,491	
Current Year to Date	<u>104,349</u>	
TOTAL ACCUMULATED EARNINGS		5,649,840

TOTAL ACCRUED LIABILITIES AND OTHER CREDITS \$ 34,667,360

WARREN COUNTY WATER DISTRICT
SEWER DIVISION
REVENUE AND EXPENSE STATEMENT
SEPTEMBER 1, 2010 - AUGUST 31, 2011

	TOTAL
OPERATING REVENUE:	
Metered Revenue - Residential	\$ 838,332
Metered Revenue - Commercial	904,521
Forfeited Discounts	21,680
Miscellaneous Service Revenue	17,583
Other Sewer Revenue	599
Interest Income	28,271
Rental Revenue - Office Building	9,066
TOTAL OPERATING REVENUE	1,820,052
OPERATING EXPENSES:	
SOURCE OF SUPPLY & PUMPING	
Disposal Costs	470,261
Purchased Power	80,037
Contractual Services	3,036
Insurance	3,426
SUBTOTAL - Source of Supply & Pumping	556,760
TRANSMISSION & DISTRIBUTION	
Wages & Benefits	23,492
Materials & Supplies	882
Contractual Services	2,006
Equipment	4,018
Insurance	1,995
SUBTOTAL - Transmission & Distribution	32,393
CUSTOMER ACCOUNTS	
Wages & Benefits	68,835
Materials & Supplies	554
Contractual Services	33,489
Equipment	72
Insurance	1,995
Bad Debts	1,867
Miscellaneous	29
SUBTOTAL - Customer Accounts	106,841
ADMINISTRATIVE & GENERAL	
Wages & Benefits	46,584
Materials & Supplies	2,540
Contractual Services	22,047
Equipment	26
Insurance	4,343
Miscellaneous	3,127
Commissioner Fees	15,000
Regulatory Commission Assessment	2,628
SUBTOTAL - Administrative & General	96,295

WARREN COUNTY WATER DISTRICT
SEWER DIVISION
REVENUE AND EXPENSE STATEMENT
SEPTEMBER 1, 2010 - AUGUST 31, 2011

	TOTAL
TOTAL OPERATING EXPENSE	792,289
MAINTENANCE EXPENSE:	
Wages & Benefits	41,222
Chemicals	26,671
Materials & Supplies	15,831
Contractual Services	30,491
Equipment	7,230
SUBTOTAL - Maintenance Expense	121,445
DEPRECIATION & OTHER:	
Depreciation	737,415
Non-Utility Income	(14)
Consumer Deposit Interest	1,410
Amortization Expense	1,016
SUBTOTAL - Depreciation & Other	739,827
INTEREST EXPENSE:	
Interest Payments - KIA	23,036
Interest Payment - KRWFC	12,155
Interest Payment - USDA	26,951
SUBTOTAL - INTEREST EXPENSE	62,142
TOTAL OPERATING, MAINTENANCE, AND OTHER EXPENSES	1,715,703
NET OPERATING INCOME BEFORE PRINCIPAL PAYMENTS	\$ 104,349

WARREN COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

For The Years Ended December 31, 2010 and 2009

WARREN COUNTY WATER DISTRICT
 FINANCIAL STATEMENTS
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SHELTON & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS
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BOWLING GREEN, KENTUCKY 42104
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MEMBER
AMERICAN INSTITUTE OF CPAs

MEMBER
KENTUCKY SOCIETY OF CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Warren County Water District
Bowling Green, Kentucky

We have audited the accompanying financial statements of the Warren County Water District (the District) as of and for the years ended December 31, 2010 and 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Warren County Water District as of December 31, 2010 and 2009, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2011 on our consideration of the Warren County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Warren County Water District's basic financial statements. The schedules of operating expenses and individual division Statement of Net Assets and Statements of Revenues, Expenses and Changes in Net Assets on pages 30-34 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Warren County Water District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Shelton & Associates, LLP

Shelton & Associates, LLP
March 16, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Warren County Water District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended December 31, 2010 and 2009. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Financial Highlights

The following are highlights of Warren County Water District for year ending December 31, 2010:

- The District's net assets increased by \$3,078,785 from \$71,255,579 to \$74,334,364 as of December 31, 2010.
- Total revenue for the year increased by \$516,337, or 5.4%, compared to last year. The water division's total revenue increased by \$442,611 and the sewer division's total revenue increased by \$73,726.
- In year 2010, near normal weather conditions resulted in higher metered water sales and metered sewer revenue when compared to year 2009 when above average rainfall occurred. Metered water sales increased by \$511,623, or 7.1%, and metered sewer revenue increased by \$93,901, or 5.8%.
- Total expenses for the year increased by \$381,576, or 4.4% compared to last year. The water division's total expenses increased by \$300,420 and the sewer division's total expenses increased by \$81,156.
- The water division added 488 customers throughout the year for a 2.0% increase and the sewer division added 184 customers for a 4.4% increase. The number of customers at the end of the year for the water and sewer divisions was 24,784 and 4,368, respectively.
- Average water revenue was \$19 per residential customer and \$95 per commercial customer. Average sewer revenue was \$16 per residential customer and \$173 per commercial customer.
- New water meter applications in year 2010 and year 2009 totaled 470 and 420 respectively, an increase of 50 applications, or 11.9%. New sewer applications in year 2010 and year 2009 totaled 212 and 194 respectively, an increase of 18 applications, or 9.3%.
- The District has a total of 1,120 miles of water mains and 149 miles of sewer mains.

Financial Highlights (Continued)

- Projects placed into service include: North Warren Water System Improvements; North Warren Sewer System Improvements; Water System Additions, Project 19, Contract 1 for the construction of a 2,000,000 gallon storage tank; Water System Additions, Project 19, Contract 2 for the construction of a 20 inch water main and pump station; and Meter Testing Facility.
- Projects under construction: *CIS Selection & Implementation* – procurement of a new customer billing and information system. *2010 Water System Improvements* – includes construction of approximately 2 miles of water main to replace aging lines. *Natcher Parkway Force Main Extension* – includes the construction of approximately 1 mile of force main to improve system capacity.

Overview of the Financial Statements

This annual report includes the District's management discussion and analysis report (MD&A), the independent auditor's report, and the basic financial statements of Warren County Water District. The basic financial statements also include notes that explain in more detail some of the information presented in the financial statements.

Financial Analysis

Budgetary Analysis

Total Revenue was slightly below budget by \$3,740 and *total expenses* were slightly below budget by \$7,109. *Metered Water Sales* were 0.2% greater than budget and metered sewer revenue was 2.0% greater than budget due to higher than anticipated residential sales. *Miscellaneous Service Revenue*, which includes connection fees, collection fees, and meter tampering fees was 12%, or \$30,582, less than budget due to fewer collection fees and disconnect fees than estimated. Interest income on deposits was 9.2% less than budget, a shortfall of \$11,940. Interest rates continued to drop throughout the year resulting in lower yields on the District's investments. Funds that earn interest include the operating fund, depreciation fund, reserve funds, and debt service funds. *All Other Revenues* which includes forfeited discounts, rental income and income from local agencies for providing billing services was 3.5% less than budget, a shortfall of \$12,588. Rental income received by the District was greater than budgeted, however the number of late charges assessed throughout the year was less than budget resulting in fewer forfeited discounts than estimated.

Operating Expenses related to maintaining the District's water distribution and sewer collection facilities were 2.7%, or \$56,345, higher than budget. Operating expenses such as purchased water, purchased power, and wastewater disposal were higher than budgeted amounts by \$95,140, \$45,620, and \$20,660 respectively due to low estimates. Other operating expenses including wages, employee benefits, and chemicals were less than budgeted amounts by a total of \$5,075. *Depreciation* was significantly lower than budget by \$153,389 due to large projects such as North Warren Water & Sewer System Improvements, Project 19, and Natcher Parkway Sewer Interceptor being placed into service later in the year than initially planned.

Financial Analysis (Continued)

Net income totaled \$1,130,356 for the year, 0.3% higher than budget. Net income was applied to principal payments and to restricted funds for water and sewer system improvements and repairs.

Table 1
WARREN COUNTY WATER DISTRICT
Statement of Revenue and Expense
Comparison to Budget

	<u>Actual 2010</u>	<u>Budget 2010</u>	Increase \ <u>(Decrease)</u>	% <u>Change</u>
<u>Revenues:</u>				
Metered Water Sales	\$ 7,722,074	\$ 7,703,520	18,554	0.2%
Metered Sewer Revenue	1,709,716	1,676,900	32,816	2.0%
Miscellaneous Service Revenue	224,441	255,023	(30,582)	-12.0%
Interest Income	117,816	129,756	(11,940)	-9.2%
All Other Revenues	<u>344,414</u>	<u>357,002</u>	<u>(12,588)</u>	-3.5%
Total Revenue	<u>10,118,461</u>	<u>10,122,201</u>	<u>(3,740)</u>	0.0%
<u>Expenses:</u>				
Operating Expenses	\$ 5,975,373	\$ 5,819,028	156,345	2.7%
Depreciation	2,390,129	2,543,518	(153,389)	-6.0%
Interest Expense	563,876	570,719	(6,843)	-1.2%
All other Expenses	<u>58,727</u>	<u>61,949</u>	<u>(3,222)</u>	-5.2%
Total Expenses	<u>8,988,105</u>	<u>8,995,214</u>	<u>(7,109)</u>	-0.1%
Net Income	<u>\$ 1,130,356</u>	<u>\$ 1,126,987</u>	<u>3,369</u>	0.3%

Statement of Net Assets

A summary of the District's Statement of Net Assets is presented below in Table 2. The District's assets exceeded liabilities by \$74,334,364 in year 2010.

Current and Other Assets totaled \$14,164,362, an 8.2% decrease of \$1,262,244 from last year. Funds restricted for future system improvements, equipment repairs and replacement, debt service, and customer deposits decreased by \$1,215,021. Assets including the general operating fund, receivables, inventory, deferred charges, and unamortized debt decreased by \$47,223.

Capital Assets are the largest portion of the District's assets and include land, water distribution mains, sewer collection mains, pump stations, lift stations, storage tanks, vehicles, and equipment. In year 2010, the amount of capital assets in service totaled \$95,765,575, a 3.8% increase of \$3,466,896 over the prior year. The increase included the final phases of large construction projects such as North Warren Water and Sewer System Improvements, Project 19, and Natcher Parkway Sewer Interceptor.

Non-Current Liabilities totaled \$32,994,438, a 2.5% decrease of \$831,122 from the last year. The decrease in non-current liabilities includes a decrease in outstanding bonds and loans of \$757,722 and a decrease in deferred credits of \$73,400. *Other Liabilities* including accounts payable, deferred revenue, and customer meter deposits decreased by \$43,011.

Restricted Net Assets includes funds restricted for the following: payment of principal and interest on bonds and loans, anticipated expenditures for capital improvements, and funds for emergencies. The District's restricted funds totaled \$9,887,904, a decrease of \$1,215,021 or 10.9% from the previous year. Funds held in reserve in prior years for North Warren Water and Sewer System Improvements and Project 19 were utilized in year 2010.

Net Assets totaled \$74,334,364 in year 2010, a 4.3% increase of \$3,078,785 over the prior year.
Financial Analysis (Continued)

Table 2
WARREN COUNTY WATER DISTRICT
Condensed Statement of Net Assets
December 31, 2010

	<u>Year 2010</u>	<u>Year 2009</u>	Increase \ <u>Decrease</u>	% <u>Change</u>
Current and other assets	14,164,362	15,426,606	(1,262,244)	-8.2%
Capital assets	<u>95,765,575</u>	<u>92,298,679</u>	<u>3,466,896</u>	<u>3.8%</u>
Total assets	109,929,937	107,725,285	2,204,652	2.0%
Non-current liabilities	32,994,438	33,825,560	(831,122)	-2.5%
Other liabilities	<u>2,601,135</u>	<u>2,644,146</u>	<u>(43,011)</u>	<u>-1.6%</u>
Total liabilities	35,595,573	36,469,706	(874,133)	-2.4%
Net assets invested in capital assets, net of related debt	62,652,771	58,361,777	4,290,994	7.4%
Restricted net assets	9,887,904	11,102,925	(1,215,021)	-10.9%
Unrestricted net assets	<u>1,793,689</u>	<u>1,790,877</u>	<u>2,812</u>	<u>0.2%</u>
Total net assets	<u>74,334,364</u>	<u>71,255,579</u>	<u>3,078,785</u>	<u>4.3%</u>

Financial Analysis (Continued)

Statement of Revenues, Expenses and Changes in Net Assets

This statement identifies various revenue and expense items, which impact the change in net assets. A summary of this statement is presented in Table 3 below.

Table 3
WARREN COUNTY WATER DISTRICT
Combined Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2010

	<u>Year 2010</u>	<u>Year 2009</u>	Increase \ (Decrease)	% Change
<u>Revenues:</u>				
Metered Water Sales	7,722,074	7,210,451	511,623	7.1%
Metered Sewer Revenue	1,709,716	1,615,815	93,901	5.8%
Miscellaneous Service Revenue	224,441	227,934	(3,493)	-1.5%
Interest Income	117,816	197,369	(79,553)	-40.3%
All Other Revenues	<u>344,414</u>	<u>350,555</u>	<u>(6,141)</u>	-1.8%
Total Revenue	<u>10,118,461</u>	<u>9,602,124</u>	<u>516,337</u>	5.4%
<u>Expenses:</u>				
Operating Expenses	5,975,373	5,751,501	223,872	3.9%
Depreciation	2,390,129	2,177,899	212,230	9.7%
Interest Expense	563,876	608,728	(44,852)	-7.4%
All other Expenses	<u>58,727</u>	<u>68,401</u>	<u>(9,674)</u>	-14.1%
Total Expenses	<u>8,988,105</u>	<u>8,606,529</u>	<u>381,576</u>	4.4%
Income Before Capital Contributions	1,130,356	995,595	134,761	13.5%
Capital Contributions	<u>1,948,429</u>	<u>11,541,594</u>	<u>(9,593,165)</u>	-83.1%
Increase in Net Assets	3,078,785	12,537,189	(9,458,404)	-75.4%
Net Assets, Beginning of Year	<u>71,255,579</u>	<u>58,718,390</u>	<u>12,537,189</u>	21.4%
Net Assets, End of Year	<u>74,334,364</u>	<u>71,255,579</u>	<u>3,078,785</u>	4.3%

Financial Analysis (Continued)

The volume of water sold in year 2010 totaled 2,271,467,642 gallons versus 2,076,664,467 gallons last year, a 9.4% increase of 194,803,175 gallons. The volume of sewer revenue billed for year 2010 was 711,419,613 gallons versus 675,559,890 gallons last year, a 5.3% increase of 35,859,723 gallons billed. *Metered water sales* increased by \$511,623 and *metered sewer revenue* increased by \$93,901 primarily due to normal weather conditions in year 2010 compared to wet weather conditions in year 2009. Indications that the local economy is recovering from the recent economic downturn includes a 7.8% increase in commercial water revenue of \$154,615, a 2.6% increase in commercial sewer revenue of \$22,225, a 11.9% increase in new meter installations, and a 9.3% increase in new sewer taps. Customer growth within the District's service area improved with a 2.0% increase in water service customers and a 4.4% increase in sewer service customers. The water division added 488 customers for a total of 24,784, and the sewer division added 184 customers for a total of 4,368. *Interest income* on the District's funds decreased by \$79,553, or 40.3%, due to declining rates throughout the year.

Operating Expenses increased by \$223,872, a 3.9% increase when compared to the prior year. This increase includes increases in purchased water of \$180,900 and purchased power of \$39,345 to support the rise in customer demand. Other operating expenses increased by a net total of \$3,627.

Depreciation expense increased by \$212,230, or 9.7%, corresponding to large asset additions recorded throughout the year. *Interest Expense* decreased by \$44,852, or 7.4%, due to reductions in outstanding debt since last year.

Capital Contributions of \$1,130,356 included grant proceeds received from the Environmental Protection Agency and Kentucky Infrastructure Authority to fund the North Warren Water & Sewer System Improvements and Project 19.

Changes in Capital Assets

The largest portion of the District's assets is invested in the water distribution and sewer collection system amounting to \$95,190,653 as of December 31, 2010. This represents a 20.2% increase in capital assets of \$16,000,703 from last year. Table 4 details changes in capital assets.

Financial Analysis (Continued)

Table 4
WARREN COUNTY WATER DISTRICT
Changes in Capital Assets
(Net of Depreciation)

<u>Capital Investment</u>	<u>Year 2010</u>	<u>Year 2009</u>	<u>Increase \</u> <u>Decrease</u>	<u>%</u> <u>Change</u>
WATER DIVISION:				
Land	1,326,380	1,326,380	-	0.0%
Structures	1,954,581	920,115	1,034,466	112.4%
Pumping Equipment	1,692,849	1,721,512	(28,663)	-1.7%
Storage Tanks	9,479,383	6,166,725	3,312,658	53.7%
Distribution Mains	38,439,656	33,165,668	5,273,988	15.9%
Meters	8,738,450	8,672,203	66,247	0.8%
Hydrants	2,657,364	2,653,269	4,095	0.2%
Furniture & Fixtures	14,574	29,251	(14,677)	-50.2%
Vehicles and Equipment	304,552	324,547	(19,995)	-6.2%
Other	<u>690,699</u>	<u>782,665</u>	<u>(91,966)</u>	-11.8%
Subtotal - Water Division	<u>65,298,488</u>	<u>55,762,335</u>	<u>9,536,153</u>	17.1%
SEWER DIVISION:				
Land	70,602	70,602	-	0.0%
Structures	5,467,584	3,253,355	2,214,229	68.1%
Pumping Equipment	1,468,794	1,511,142	(42,348)	-2.8%
Collection Mains	20,654,402	16,362,014	4,292,388	26.2%
Taps	2,161,897	2,133,224	28,673	1.3%
Other	<u>68,886</u>	<u>97,278</u>	<u>(28,392)</u>	-29.2%
Subtotal - Sewer Division	<u>29,892,165</u>	<u>23,427,615</u>	<u>6,464,550</u>	27.6%
Total - Water & Sewer	<u>95,190,653</u>	<u>79,189,950</u>	<u>16,000,703</u>	20.2%

During the year 4 miles of water distribution main was recorded to plant amounting to 1,119 total miles in the water system, and 7 miles of sewer collection main was recorded to plant amounting to 149 total miles in the sewer system. The additions listed in Table 4 include the following large projects placed into service during the year: North Warren Water Improvements, \$5,882,080; North Warren Sewer System Improvements, \$2,830,380; Project 19, \$3,906,290; Natcher Parkway Sewer Interceptor, \$2,143,320; and Lift Station Upgrades, \$878,470.

The above table does not reflect construction projects in progress totaling \$740,779, a decrease of \$12,533,806 from projects under construction this time last year of \$13,274,585.

Long-Term Debt

As of December 31, 2010, the District had \$12,144,878 in outstanding debt compared to \$12,895,577 in the previous year. Principal payments made towards loans and bonds reduced outstanding debt by \$750,700. The District's debt obligations include United States Department of Agriculture bonds, Water Revenue Bonds, Kentucky Rural Water Finance Corporation loans, and Kentucky Infrastructure Authority loans. The District did not enter into any new debt obligations during year 2010.

Financial Analysis (Continued)

Long-Term Debt

As of December 31, 2010, the District had \$12,895,577 in outstanding debt compared to \$13,591,301 in the previous year. Principal payments made towards loans and bonds reduced outstanding debt by \$695,724. The District's debt obligations include United States Department of Agriculture bonds, water revenue bonds, Kentucky Rural Water Finance Corporation loans, and Kentucky Infrastructure Authority loans. The District did not enter into any new debt obligations during year 2010.

Factors Affecting Next Year's Budget

- Stability of the economy and the corresponding impact on residential and commercial growth.
- Weather trends.
- Expenditures required for maintaining existing water distribution and sewer collection systems.
- The impact of regulatory changes forthcoming from the Kentucky Division of Water and the Environmental Protection Agency.

The District's board of commissioners adopted the budget for year 2011 at its meeting held in November 2010. Metered water sales and sewer revenue combined are budgeted to increase by 2.4%. Residential revenue is budgeted to increase by 2.3% and commercial revenue is budgeted to increase by 2.6%. Total revenue is budgeted to increase 2.3% from year 2010, and total expenses are budgeted to increase by 4.2%. Debt service payments are expected to total \$1,320,680 for both divisions with a reduction in outstanding debt of \$792,175. Net income for year 2011 is budgeted to total \$999,850. Capital projects budgeted for the year totaled \$2,118,237.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the General Manager, Warren County Water District, P.O. Box 10180, Bowling Green, KY 42102-4780. General information regarding the District can be found on our website located at www.warrenwater.com.

BASIC FINANCIAL STATEMENTS

WARREN COUNTY WATER DISTRICT
STATEMENTS OF NET ASSETS
DECEMBER 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
UTILITY PLANT (at cost)		
Utility plant in service	\$ 125,759,795	\$ 107,543,833
Less accumulated depreciation	<u>(30,734,999)</u>	<u>(28,519,739)</u>
	95,024,796	79,024,094
Utility plant construction in progress	<u>740,779</u>	<u>13,274,585</u>
NET UTILITY PLANT	95,765,575	92,298,679
NONOPERATING PROPERTY, net of \$85,836		
accumulated depreciation	165,856	165,856
RESTRICTED ASSETS		
Bond and interest sinking funds	334,214	335,465
Debt service reserve for bond funds	734,206	734,205
Rebate fund	56,639	56,583
Customer deposits	947,598	863,930
Construction funds	4,529,940	7,202,940
Depreciation funds:		
Cash in bank	<u>3,285,307</u>	<u>1,909,802</u>
TOTAL RESTRICTED ASSETS	9,887,904	11,102,925
CURRENT ASSETS		
Cash and cash equivalents	1,718,179	1,702,618
Accounts receivable		
User charges, net of allowance for doubtful accounts: 2010-\$251,936 and 2009-\$232,245	412,674	273,014
Contractor receivable	129,109	816,905
Butler County Water System, Inc.	107,613	89,629
Simpson County Water District	63,019	53,631
Miscellaneous	48,794	7,481
Special deposits and transfers	2,210	2,220
Materials and supplies inventory	322,567	316,902
Prepaid expenses	692,846	70,773
Other receivables	<u>13,427</u>	<u>14,661</u>
TOTAL CURRENT ASSETS	3,510,438	3,347,834

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

	<u>2010</u>	<u>2009</u>
OTHER ASSETS		
Deferred charges	193,330	341,983
Unamortized debt expense	<u>406,834</u>	<u>468,008</u>
TOTAL OTHER ASSETS	<u>600,164</u>	<u>809,991</u>
TOTAL ASSETS	<u>\$ 109,929,937</u>	<u>\$ 107,725,285</u>
 NET ASSETS AND LIABILITIES		
NET ASSETS		
Invested in capital assets, net of related debt	\$ 62,652,771	\$ 58,361,777
Restricted	9,887,904	11,102,925
Unrestricted	<u>1,793,689</u>	<u>1,790,877</u>
TOTAL NET ASSETS	74,334,364	71,255,579
 LONG-TERM DEBT AND DEFERRED CREDITS		
Bonds and loans payable	6,151,000	6,624,500
Notes payable	5,993,878	6,271,077
Deferred credits	<u>21,133,782</u>	<u>21,207,181</u>
	33,278,660	34,102,758
Less - Current portion of long-term debt	<u>(284,222)</u>	<u>(277,198)</u>
TOTAL LONG-TERM DEBT AND DEFERRED CREDITS	32,994,438	33,825,560
 CURRENT LIABILITIES		
Accounts payable	610,497	828,359
Butler County Water System, Inc.	42,783	39,736
Simpson County Water District	28,786	29,097
Accrued expenses	630,866	501,041
Current portion of long-term debt	284,222	277,198
Deferred revenue	<u>57,333</u>	<u>54,756</u>
TOTAL CURRENT LIABILITIES	1,654,487	1,730,187
 OTHER LIABILITIES		
Customers' meter deposits	<u>946,648</u>	<u>913,959</u>
TOTAL NET ASSETS AND LIABILITIES	<u>\$ 109,929,937</u>	<u>\$ 107,725,285</u>

WARREN COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Metered sales	\$ 9,564,874	\$ 8,971,447
Miscellaneous service revenue	<u>224,440</u>	<u>227,934</u>
TOTAL OPERATING REVENUES	9,789,314	9,199,381
OPERATING EXPENSES		
Source of supply	2,457,682	2,294,074
Pumping plant	600,655	570,407
Water treatment	203	193
Transmission and distribution	1,022,000	942,301
Customer accounts	1,161,863	1,157,607
Administrative and general	732,971	786,922
Depreciation	<u>2,390,129</u>	<u>2,177,899</u>
TOTAL OPERATING EXPENSES	<u>8,365,503</u>	<u>7,929,403</u>
OPERATING INCOME	1,423,811	1,269,978
NONOPERATING REVENUES (EXPENSES)		
Interest income	117,817	197,367
Rental revenue	112,316	102,343
Non-utility income	101,462	98,095
Gain on disposal of assets	-	4,995
Amortization of debt expense	(61,174)	(68,455)
Interest expense	<u>(563,876)</u>	<u>(608,728)</u>
NET NONOPERATING REVENUES (EXPENSES)	<u>(293,455)</u>	<u>(274,383)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,130,356	995,595
CAPITAL CONTRIBUTIONS	<u>1,948,429</u>	<u>11,541,594</u>
INCREASE IN NET ASSETS	3,078,785	12,537,189
NET ASSETS, BEGINNING OF YEAR	<u>71,255,579</u>	<u>58,718,390</u>
NET ASSETS, END OF YEAR	<u>\$ 74,334,364</u>	<u>\$ 71,255,579</u>

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

WARREN COUNTY WATER DISTRICT
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 10,270,009	\$ 8,455,264
Payments to suppliers	(5,025,155)	(4,037,391)
Payments to employees	<u>(1,479,339)</u>	<u>(1,517,917)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,765,515	2,899,956
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on bonds and notes	(743,675)	(695,724)
Interest paid	(567,825)	(608,728)
Grants in aid of construction	714,141	9,138,959
Acquisition and construction of capital assets	<u>(4,699,211)</u>	<u>(10,193,725)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(5,296,570)	(2,359,218)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	117,817	197,367
Purchase of investments in certificates of deposits	(979,483)	-
Proceeds from sale of investments in certificates of deposit	-	2,904,700
Proceeds from miscellaneous income	<u>213,778</u>	<u>200,438</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(647,888)</u>	<u>3,302,505</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,178,943)	3,843,243
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>9,938,784</u>	<u>6,095,541</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,759,841</u>	<u>\$ 9,938,784</u>

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

	<u>2010</u>	<u>2009</u>
Reconciliation of operating income to net cash provided in operating activities:		
Operating income	\$ 1,423,811	\$ 1,269,978
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,390,129	2,177,899
Decrease (increase) in:		
Accounts receivable	479,451	(752,959)
Special Deposits and transfers	10	-
Prepaid insurance and pension contributions	(622,073)	14,604
Materials and supplies inventory	(5,665)	6,714
Other receivables	1,234	8,842
Deferred charges	148,653	(94,407)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(85,301)	209,299
Deposits	32,689	58,493
Deferred revenues	2,577	1,493
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,765,515</u>	<u>\$ 2,899,956</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Private developers contributed constructed water and sewer lines estimate at	\$ 1,234,288	\$ 2,402,635
TOTAL NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	<u>\$ 1,234,288</u>	<u>\$ 2,402,635</u>

NOTES TO THE FINANCIAL STATEMENTS

WARREN COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

**NOTE A-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

Nature of Operations

The Warren County Water District (the District) was created by the County of Warren in accordance with the applicable provisions of Chapter 74 of the Kentucky Revised Statutes. The District operates water and sewer services for the residents of Warren County, Kentucky and surrounding areas. The financial statements of the District include the accounts of the Water Division and the Sewer Division after elimination of all significant inter-division accounts and transactions. The Warren County Judge Executive makes appointments to the Board of Directors.

Basis of Accounting

The District's financial statements are presented in accordance with accounting principles generally accepted in the United States of America for utility districts. The District follows the accounting policies and procedures set forth by the National Association of Regulatory Utility Commissioners and the guidance provided by the American Water Works Association in *Water Utility Accounting*. The District follows all applicable GASB pronouncements and FASB pronouncements issued after November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The District operates as an enterprise activity, uses the flow of economic resources measurement focus, and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety (90) days or less, to be cash equivalents.

Allowance for Doubtful Accounts

The provision for allowance for doubtful accounts is provided for on the reserve method based on historical experience and an evaluation of outstanding accounts receivable at the end of the year.

Material and Supplies Inventory Pricing

Cost of inventories is determined by using the weighted average cost method.

WARREN COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010 and 2009

Utility Plant and Depreciation

Property and equipment is stated at cost. Costs of utility plant retirements are charged directly to utility plant accumulated depreciation. Interest relating to the financing of projects under construction is charged to construction works in progress based on the rates paid for long-term borrowing. When the related asset is ready for use, the costs are transferred to utility plant. The cost of current repairs and maintenance is charged to expense.

Depreciation is computed using the straight-line method, using composite rates based on estimated lives as follows: transmission and distribution reservoirs, tanks, and mains – 50 years; buildings – 50 years; equipment – 10 years; service trucks – 5-10 years; tools – 12.5 years; and furniture and fixtures – 10 years.

Restricted Assets

Certain proceeds of the District's revenue bonds and certain resources set aside for their repayment are classified as restricted assets because they are maintained in separate bank accounts and their use is restricted by applicable bond covenants. Restricted resources are used first to fund appropriations.

Deferred Charges

The cost of reducing the retirement age of the District's retirement plan has been deferred and is being amortized using the straight-line method over a thirty-year period.

Capital Contributions and Deferred Credits

The donor cost of contributed property and equipment is included in capital contributions or, otherwise, referred to as contributions in aid of construction. These contributions are received from developers, local and state governmental agencies, and others. Deferred credits are amounts advanced by contractors that are to be refunded either entirely or in part. Amounts not refunded are transferred to contributions in aid of construction after a ten-year period has lapsed.

Contractor Receivable

Contractor receivable totals include grant receivables. The total grant receivable at December 31, 2010 and 2009 were \$24,356 and \$514,140, respectively

WARREN COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010 and 2009

Net Assets

Accounting standards require the classification of net assets into the following three components:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net assets consists of constraints placed on net asset use by internal designation or externally imposed by creditors, (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.

Unrestricted – This component consists of net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted”.

Revenues and Expenses

Service rates are authorized by the Public Service Commission (PSC). The District currently uses eight billing cycle dates each month. Revenues between the last billing date and the end of the year are estimated to be an immaterial amount and, therefore, no accruals are recorded in the accompanying financial statements.

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues relate to the direct revenues generated as a result of services performed or sale of commodities. Non-operating revenues are generated from activities not directly related to the District’s core operations. Operating expenses are those directly related to the operations of the District in providing the core services and/or goods to the public. Some expenses, such as interest, are generally classified as non-operating.

Income Tax Status

The District is organized under KRS 74.101 as a division of county government, and is, therefore, exempt from federal and state income taxes.

Concentration of Credit Risk

The majority of the District’s business activity is with customers located within Warren County. The District typically collects within thirty (30) days approximately ninety (90) percent of the month-end balances owed by customers.

WARREN COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010 and 2009

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from these estimates. These differences may be material.

Reclassifications

Certain accounts in the 2009 financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

NOTE B-CASH AND INVESTMENTS

Various cash accounts or funds are restricted as follows:

The "Bond Interest and Sinking Fund" maintains monthly contributions equal to one-sixth of the next maturing semi-annual interest payment plus one-twelfth of the next annual repayment of debt principal. Amounts are then transferred to fiscal agents as required to make debt service payments.

The "Debt Service Reserve for Bond Funds" is the cash portion of the bond issues invested in interest bearing accounts and are subject to Arbitrage Filings for excess earnings. The bond indenture frequently calls for the accumulation of restricted assets during the life of the bond to provide for redemption of the bonds at maturity.

The "Rebate Fund" maintains the funds set aside for future payments resulting from Arbitrage Filings.

The "Customer Deposit" account contains the deposits for services by the District's customers. Interest from this account is credited to each customer's account quarterly.

"Construction Funds" are those funds restricted for a specific construction project. They are normally derived from proceeds of long-term debt or from grants or from contributions from state or local governmental agencies or from excess income.

"Depreciation Funds" are savings set aside for meeting operating expenditures that are needed to maintain or improve the system.

Cash and cash equivalents with no restrictions are reflected on the Statement of Net Assets as current assets.

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2010 and 2009

At December 31, 2010, the District's cash and investments held at nine financial institutions are as follows:

	Book Balance	Bank Balance	FDIC Insurance	Collateral Pledged
Financial Institution A	\$ 218	\$ 111,514	\$ 250,000	\$ -
Financial Institution B	3,146,389	3,555,090	250,000	4,194,977
Financial Institution C	4,186,454	4,186,454	250,000	4,619,021
Financial Institution D	685,482	685,482	250,000	1,684,024
Financial Institution E	1,581,336	1,581,336	250,000	1,475,367
Financial Institution F	328,020	328,020	250,000	328,020
Financial Institution G	947,598	947,598	1,500,000	-
Financial Institution H	216,420	216,420	250,000	-
Financial Institution I	908	441,983	250,000	441,983
Financial Institution J	512,039	512,069	250,000	501,289
	<u>\$ 11,604,864</u>	<u>\$ 12,565,966</u>	<u>\$ 3,750,000</u>	<u>\$ 13,244,681</u>

At December 31, 2010 and 2009 approximately \$0 and \$0 respectively was not collateralized.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has an investment policy that requires balances in excess of FDIC insured amounts be secured with collateral held by a separate bank or trust company as custodian. Uninsured and collateralized balances held by pledging institution trust department or agent bank in the District's name are \$9,540,434.

The District invests restricted cash in certificates of deposits, money markets, or other demand deposits with local financial institutions based on the highest bid interest rate and the ability to pledge sufficient collateral. The District's cost basis, which approximates fair market value, in investments at December 31, 2010 and 2009 were \$3,846,242 and \$2,866,759, respectively. At December 31, 2010, \$441,983 was held in AAA rated money market funds.

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2010 and 2009

The reconciliation of restricted assets and cash and cash equivalents from the Statement of Net Assets to the Statement of Cash Flows follows:

Cash and Investments	December 31,	
	2010	2009
Bond and Interest Sinking Funds	\$ 334,214	\$ 335,465
Debt Service Reserve	734,206	734,205
Rebate fund	56,639	56,583
Customer deposits	947,598	863,930
Construction funds	4,529,940	7,202,940
Depreciation fund	3,285,307	1,909,802
Cash and cash equivalents	<u>1,718,179</u>	<u>1,702,618</u>
Total Cash and Investments	<u>11,606,083</u>	<u>12,805,543</u>
Less: Investments in Certificates of Deposit	<u>(3,846,242)</u>	<u>(2,866,759)</u>
Total Cash and Cash Equivalents per Statements of Cash Flows	<u>\$ 7,759,841</u>	<u>\$ 9,938,784</u>

NOTE C-UTILITY PLANT

The costs of major classes of utility plant at December 31 were:

Description	2009	Additions	Disposals	2010
Land *	\$ 1,396,982	\$ -	\$ -	\$ 1,396,982
Buildings/Improvements	5,036,545	3,388,586	39,484	8,385,647
Elec Pumping/Mains	81,097,726	14,492,471	174,158	95,416,039
Meters/Hydrants	18,129,515	504,756	59,637	18,574,634
Furniture and Equipment-Office	813,667	17,355	-	831,022
Equipment	<u>1,069,398</u>	<u>86,073</u>	<u>-</u>	<u>1,155,471</u>
Total Utility Plant in Service	107,543,833	<u>\$ 18,489,241</u>	<u>\$ 273,279</u>	125,759,795
Nonoperating Property *	251,692			251,692
Construction in Progress *	13,274,585			740,779
Accumulated Depreciation	<u>(28,605,575)</u>			<u>(30,820,835)</u>
	<u>\$ 92,464,535</u>			<u>\$ 95,931,431</u>

* Denotes items that are not depreciated.

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2010 and 2009

The accumulated depreciation by major classes of utility plant at December 31 were:

<u>Description</u>	<u>2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>2010</u>
Buildings/Improvements	871,205	139,890	39,484	971,611
Elec Pumping/Mains	21,451,932	1,775,254	174,158	23,053,028
Meters/Hydrants	4,671,849	405,742	59,634	5,017,957
Furniture and Equipment-Office	629,462	57,786	-	687,248
Equipment	<u>981,127</u>	<u>109,864</u>	<u>-</u>	<u>1,090,991</u>
Total Utility Plant in Service	28,605,575	<u>\$ 2,488,536</u>	<u>\$ 273,276</u>	30,820,835
Nonoperating Property	(85,836)			(85,836)
	<u>\$ 28,519,739</u>			<u>\$ 30,734,999</u>

Construction Commitments

The District is committed to several material construction contracts and they are classified as "Construction in Progress" on the financial statements. Some of the more significant contracts are as follows:

- The 2010 Water System Improvements Project consists of approximately 9,900 linear feet of 6-, 8-, and 12-inch water lines and appurtenances. The water lines will replace existing water lines which have experienced high water line break rates in the past. The water lines will increase service reliability and reduce repair costs associated with the existing water lines. The costs incurred at December 31, 2010 were \$81,712 toward an estimated cost of \$274,236.15. Funding for this project will be provided by District reserves.
- The Natcher Parkway Force Main Extension Project consists of approximately 5,150 linear feet of 10-inch force main. This extension will allow the wastewater to be discharged into an existing gravity sewer which has excess capacity. The costs incurred at December 31, 2010 were \$77,205 toward an estimated cost of \$274,236. Funding for this project will be provided by District reserves.

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2010 and 2009

- The Billing and Customer Service Software Selection and Implementation Project will replace the District's current software system which has been in service for over ten years. The new software system will improve database efficiency and reliability, improve data integrity, provide expanded reporting, and interface with the District's Geographical Information System (GIS). The costs incurred at December 31, 2010 were \$274,170 toward an estimated cost of \$480,650. Funding for this project will be provided by the District reserves.

NOTE D-NON-OPERATING PROPERTY

During 1999, the District closed its water treatment plant. The equipment has been reclassified to the non-operating property account and is no longer being depreciated. The water treatment building is being utilized for storage so it is still classified in plant assets and is being depreciated.

NOTE E-BONDS PAYABLE

Bonds have been issued through the United States Department of Agriculture, Economic Development Administration, Department of Housing and Urban Development, and public sales to finance the construction of the water and sewer systems:

Description	Interest Rate	Dated	Maturity Date	Original Amount
Series 1993	4.50%	11/23/94	07/01/33	761,000
Series 1998*	3.85-4.50%	01/15/98	01/01/14	5,645,000
Series 1999A	5.13%	05/25/01	01/01/39	2,000,000
Series 2004A*	2.00-4.50%	01/15/05	01/01/25	2,025,000
Series 2005A	4.25%	06/30/06	01/01/44	1,250,000
				<u>\$ 11,681,000</u>

* Interest rates for these issues have different fixed coupon rates, within the specified ranges, for serially maturing bonds. Generally, the bonds with shorter maturities have lower coupon rates than the bonds with longer maturities. The lower rate is applicable at the beginning of the term and increases in increments over the life of the issue to the higher rate, which is applicable at the end of the term.

The District has complied with all covenants related to the outstanding debt issues as of December 31, 2010.

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2010 and 2009

Summary of bond activity for the year ended December 31, 2010 was as follows:

Series	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
1993	\$ 608,500	\$ -	\$ 14,500	\$ 594,000	-
1998*	1,420,000	-	335,000	1,085,000	-
1999A*	1,800,000	-	28,000	1,772,000	-
2004A*	1,605,000	-	80,000	1,525,000	-
2005A	1,191,000	-	16,000	1,175,000	-
	<u>\$ 6,624,500</u>	<u>\$ -</u>	<u>\$ 473,500</u>	<u>\$ 6,151,000</u>	<u>\$ -</u>

As of December 31, 2010, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

Year Ending December	Principal Payments	Interest Payments	Total
2011	-	-	-
2012	497,500	265,989	763,489
2013	510,000	244,299	754,299
2014	533,000	221,748	754,748
2015	171,000	206,785	377,785
2016-2020	929,500	921,182	1,850,682
2021-2025	1,176,000	690,872	1,866,872
2026-2030	665,500	475,429	1,140,929
2031-2035	752,500	300,850	1,053,350
2036-2040	676,000	123,359	799,359
2041-2044	240,000	20,782	260,782
	<u>\$ 6,151,000</u>	<u>\$ 3,471,295</u>	<u>\$ 9,622,295</u>

The bonds have been issued in fully registered form, maturing as to principal in various amounts on various dates in each of the years through 2044. Interest is due semi-annually of each year. The District has historically made its principal and interest payments as of December 31; therefore, all bond obligations are classified as long-term and the scheduled maturities for 2010 are expected to be paid in 2010. Amortization is provided on a straight-line basis over the life of the related bonds or notes.

WARREN COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010 and 2009

Each bond issue is subject to prior redemption as set forth in the respective bond resolutions, and all bonds are secured by a parity lien and ratable payable from the assets and revenues of the District.

During the year 2006, the District partially refunded and defeased in substance its outstanding 1999B bond of \$3,294,000, carrying an interest rate ranging from 4.00 to 5.50%, the lower rate is applicable to the beginning of the term and increasing over the life of the bond, with a new loan, 2006A, of \$3,098,000 with a fixed interest rate of 4.30%. Both require level annual debt service payments with final payments in 2030.

The proceeds of the new loan are in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account assets and liabilities for the defeased portion of the bonds are not included in the District's financial statements. As of December 31, 2010, \$2,976,000 of the bond considered defeased is still outstanding. All issuance costs of the transaction, \$249,420, are to be amortized over the remaining life of the refunded debt. This advanced refunding was undertaken to reduce total debt service payments over the next twenty-five years by \$600,208. The District's refunding of the 1999B bond resulted in an economic gain of \$422,281.

NOTE F-DEBT SERVICE RESERVE FOR BOND FUNDS

Water Division

Arbitrage rebate refers to the required payment, to the U.S. Treasury, of excess earnings received on tax exempt bond proceeds that are invested at a higher yield than the yield of the tax exempt bond issue. Federal law requires that arbitrage liability, and cumulative excess arbitrage earnings, be calculated and remitted to the U.S. Treasury at the end of the fifth bond year, and every fifth year thereafter. Series 1998 and 2004A (defeasance of 1995B issue) are subject to arbitrage limitations. The bond resolutions authorizing the aforementioned issues require the debt service reserve account to hold funds equal to the "Reserve Amount". The combined reserve amount at December 31, 2010 and 2009 is \$462,066 and \$462,066, respectively.

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2010 and 2009

Sewer Division

The bond resolution authorizing the District's "Sewer System Revenue Bonds, Series of 1993" required the establishment of a debt service reserve account. Funds are required to be deposited to this account until the balance is equal to the maximum annual principal and interest requirements on all sewer bonds authorized and issued. Withdrawals from the Debt Service Reserve Account are restricted to transfers to the bond and interest sinking fund if required at any time to prevent default in the payment of principal or interest on any bonds. Whenever withdrawals are made from the Debt Service Reserve, the deficiency in the fund is required to be restored when reserves are available. Income from investments of the Debt Service Reserve Fund is to be accumulated in the fund. The balance at December 31, 2010 and 2009 was \$272,140 and \$272,139, respectively.

NOTE G-NOTES PAYABLE

Notes payable consists of four long-term construction loans with the Kentucky Infrastructure Authority (KIA) and three loans with Kentucky Rural Water Finance Corporation. The loans have a repayment term of twenty years.

Description	Int. Rate	Dated	Maturity Date	Original Amount
Series 2003A*	4.06-4.81%	03/25/03	02/01/28	\$ 2,458,000
Series 2003C*	2.00-5.00%	10/29/03	12/30/25	499,600
Series 2006A	4.30%	07/01/06	07/01/30	3,098,000
B90-07/263	5.30%	01/01/91	12/01/12	229,035
B92-01/265	4.95%	06/01/92	12/01/13	100,791
A97-04/317	3.80%	08/01/97	12/01/18	982,400
A98-02/353	3.80%	03/01/98	12/01/18	265,000
				<u>\$ 7,632,826</u>

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2010 and 2009

Summary of note activity for the year ended December 31, 2010 was as follows:

Description	Beginning Balance	Reductions	Ending Balance	Amounts
				Due Within One Year
2003A*	\$ 2,056,000	\$ 77,000	\$ 1,979,000	\$ 80,000
2003C*	397,100	20,100	377,000	20,500
2006A	3,070,000	94,000	2,976,000	94,000
B90-07/263	51,276	16,206	35,070	17,076
B92-01/265	26,426	6,130	20,296	6,437
A97-04/317	532,803	50,605	482,198	52,630
A98-02/353	137,472	13,078	124,394	13,579
	<u>\$ 6,271,077</u>	<u>\$ 277,119</u>	<u>\$ 5,993,958</u>	<u>\$ 284,222</u>

* Interest rates for these issues have different fixed coupon rates, within the specified ranges, for serially maturing bonds. Generally, the bonds with shorter maturities have lower coupon rates than the bonds with longer maturities. The lower rate is applicable at the beginning of the term and increases in increments over the life of the issue to the higher rate, which is applicable at the end of the term.

As of December 31, 2010, the future payments for the remaining note payable obligations by year are as follows:

Year Ending December	Principal Payments	Interest Payments	Total
2011	284,223	254,964	539,187
2012	299,302	243,025	542,327
2013	288,385	230,827	519,212
2014	298,824	218,903	517,727
2015	303,068	206,772	509,840
2016-2020	1,554,876	836,051	2,390,927
2021-2025	1,613,200	492,880	2,106,080
2026-2030	1,352,000	131,194	1,483,194
	<u>\$ 5,993,878</u>	<u>\$ 2,614,616</u>	<u>\$ 8,608,494</u>

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2010 and 2009

The Kentucky Infrastructure Authority notes, B90-07/263 and B92-01/265 are subordinate to the parity lien bonds of the Water Divisions revenues. The Kentucky Infrastructure Authority notes, A97-04/317 and A98-02/353 are subordinate to the parity lien bonds of the Sewer Divisions revenues. Interest has been accrued in the amount of \$97,265 and \$101,214 at December 31, 2010 and 2009, respectively.

NOTE H-CONTRIBUTIONS IN AID OF CONSTRUCTION

The contributions in aid of construction were derived from prospective users of the various water and sewer systems and certain governmental grants received by the District. They are recorded on the Statements of Revenues, Expenses, and Changes in Net Assets as "Capital Contributions". The contributions were composed of the following at December 31, 2010:

	<u>2009</u>	<u>Additions</u>	<u>2010</u>
Original membership and tap-on fees and contributions for construction of various projects	\$ 28,701,711	\$ 1,234,288	\$ 29,935,999
Grants-in-aid	<u>18,502,677</u>	<u>714,141</u>	<u>19,216,818</u>
Total Capital Contributions	47,204,388	<u>\$ 1,948,429</u>	49,152,817
Retained Earnings	<u>24,051,191</u>		<u>25,181,547</u>
Total Net Assets	<u>\$ 71,255,579</u>		<u>\$ 74,334,364</u>

NOTE I-MAJOR SUPPLIER

The District purchases all water and sewer services it supplies to its customers from Bowling Green Municipal Utilities. This agreement was renewed on March 17, 2003 for an additional forty-one years.

NOTE J-INSURANCE AND RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies that are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

WARREN COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010 and 2009

NOTE K-EMPLOYEE BENEFITS

The District participates in a pooled defined benefit retirement plan through the National Rural Electric Cooperative Association (NRECA). The NRECA publishes a financial statement and a copy can be obtained by writing or calling the Plan Administrator, NRECA, PO Box 6007, Lincoln, NE 68506; telephone number 866-NRECA99. The District's contribution rate for 2010, 2009, and 2008 were 23.53%, 17.1%, and 16.0% respectively of employees' base pay for those full-time employees who have been employed with the District for over one year. Payments to the NRECA are charged to expense as incurred and the District carries no liability for the plan. For the years 2010, 2009, and 2008 the pension contributions are \$557,139, \$408,046, and \$350,219, respectively. Upon retirement at the normal age of sixty-two, the annual estimated benefit is calculated as: Benefit Level (1.6% eligible service years from January 1, 1976 to April 1, 1999 and 1.85% for service after April 1, 1999) multiplied by the number of continuous years in the program multiplied by the average of the highest five salary years. Other plans were in effect prior to January 1, 1976, and benefit calculations will vary in accordance with an employee's hire date. The District decreased the normal retirement age to sixty-two and increased the benefit level by paying approximately \$185,000 for the improved benefits, which is being amortized over thirty years. During the 2002 year, the District adopted changes to the plan to maintain compliance with the new Internal Revenue Service regulations regarding cafeteria plan changes. The District's Board of Commissioners has the authority to provide provisions and amendments to the pension plan.

The District participates in the Kentucky Public Employees Deferred Compensation Authority, a defined contribution 401(k) retirement plan. Full-time employees meeting certain eligibility requirements can participate in the plan to the extent allowed under Internal Revenue Service rules. The District's contribution to the plan is limited to 1% for those employees who have been employed for over one year and contribute a minimum of 4%.

Employees with less than twenty-five years of continuous service shall accrue annual leave at the rate of fifteen days per year. Employees with more than twenty-five years of continuous service accrue annual leave at the rate of twenty days per year. Unused annual leave in excess of ten days accumulate at the end of the year and are payable upon request to employees with more than 240 accumulated annual leave days. All accumulated annual leave is payable to employees upon termination. At December 31, 2010 and 2009, the District's accrued compensated absences for annual leave totaled \$238,483 and \$232,868, respectively.

Employees accrue sick days at the rate of one sick day per month worked. The sick pay accumulation is unlimited and is payable upon retirement for all sick leave in excess of 800 hours at the rate of one day's pay for each 100 hours or fraction thereof. At December 31, 2010 and 2009, the District's accrued compensated absences for sick leave totaled \$27,651 and \$24,923, respectively.

WARREN COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010 and 2009

NOTE L-RELATED PARTIES

Management of the District also serves as the management of the Butler County Water System, Inc. and the Simpson County Water District through a Joint Operations Agreement. Certain transactions, such as vehicle use, initiate billings of revenue between the districts. At December 31, 2010, the District carried net receivables of \$64,830 and \$34,233 from Butler and Simpson Counties, respectively. At December 31, 2009, the District carried net receivables of \$49,893 and \$24,534 from Butler and Simpson Counties, respectively.

NOTE M-SUBSEQUENT EVENTS

The company has evaluated subsequent events through March 16th the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

WARREN COUNTY WATER DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts 2010	Actual Amounts 2010	Variance
OPERATING REVENUES			
Metered sales	\$ 9,518,504	\$ 9,564,874	\$ 46,370
Miscellaneous service revenue	<u>251,611</u>	<u>224,440</u>	<u>(27,171)</u>
TOTAL OPERATING REVENUES	9,770,115	9,789,314	19,199
OPERATING EXPENSES			
Source of supply	2,361,969	2,457,682	(95,713)
Pumping plant	510,536	600,655	(90,119)
Water treatment	5,342	203	5,139
Transmission and distribution	1,036,159	1,022,000	14,159
Customer accounts	1,099,713	1,161,863	(62,150)
Administrative and general	805,309	732,971	72,338
Depreciation	<u>2,543,518</u>	<u>2,390,129</u>	<u>153,389</u>
TOTAL OPERATING EXPENSES	<u>8,362,546</u>	<u>8,365,503</u>	<u>(2,957)</u>
OPERATING INCOME	1,407,569	1,423,811	16,242
NONOPERATING REVENUES (EXPENSES)			
Interest income	129,756	117,817	(11,939)
Rental revenue	104,908	112,316	7,408
Non-utility income	117,422	101,462	(15,960)
Amortization of debt expense	(61,948)	(61,174)	774
Interest expense	<u>(570,719)</u>	<u>(563,876)</u>	<u>6,843</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(280,582)</u>	<u>(293,455)</u>	<u>(12,873)</u>
INCREASE IN NET ASSETS	<u>\$ 1,126,987</u>	<u>\$ 1,130,356</u>	<u>\$ 3,369</u>

OTHER SUPPLEMENTARY INFORMATION

WARREN COUNTY WATER DISTRICT
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
SOURCE OF SUPPLY EXPENSE		
Purchased water and disposal	\$ 2,457,682	\$ 2,294,074
PUMPING PLANT EXPENSE		
Power purchased	\$ 552,755	\$ 515,033
Chemicals	24,418	32,376
Miscellaneous pumping expense	252	35
Contractual services	6,480	6,316
Rental expense	4,807	4,661
Insurance	11,943	11,986
TOTAL PUMPING PLANT EXPENSE	<u>\$ 600,655</u>	<u>\$ 570,407</u>
Salaries and benefits	\$ -	\$ -
Materials and supplies	-	-
TOTAL WATER TREATMENT EXPENSE	<u>\$ 203</u>	<u>\$ 193</u>
TRANSMISSION AND DISTRIBUTION EXPENSE		
Salaries and benefits	\$ 543,015	\$ 503,430
Power purchased	10,919	9,306
Contractual services	165,133	134,220
Rental expense	18,427	17,859
Transportation	99,766	86,262
Insurance	38,745	39,117
Materials and supplies	145,995	152,107
TOTAL TRANSMISSION AND DISTRIBUTION EXPENSE	<u>\$ 1,022,000</u>	<u>\$ 942,301</u>

	<u>2010</u>	<u>2009</u>
CUSTOMER ACCOUNTS EXPENSE		
Salaries and benefits	\$ 796,774	\$ 807,437
Billing services	171,925	168,311
Contractual services	36,287	32,909
Uncollectible accounts	19,692	24,405
Rental expense	28,041	27,195
Transportation	93,675	81,178
Insurance	6,241	6,260
Miscellaneous	2,218	1,638
Materials and supplies	7,010	8,274
TOTAL CUSTOMER ACCOUNTS EXPENSE	<u>\$ 1,161,863</u>	<u>\$ 1,157,607</u>
ADMINISTRATIVE AND GENERAL EXPENSE		
Salaries and benefits	\$ 431,299	\$ 486,812
Office supplies	41,995	31,192
Commissioner Fees	30,000	29,200
Contractual services	184,395	190,620
Insurance	10,935	10,954
Rental expense	4,807	4,661
Regulatory commission expense	15,012	15,881
Miscellaneous	13,966	17,052
Transportation	562	550
TOTAL ADMINISTRATIVE AND GENERAL EXPENSE	<u>\$ 732,971</u>	<u>\$ 786,922</u>
DEPRECIATION EXPENSE	\$ 2,390,129	\$ 2,177,899

WARREN COUNTY WATER DISTRICT
WATER DIVISION
STATEMENTS OF NET ASSETS
DECEMBER 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
UTILITY PLANT (at cost)		
Utility plant in service	\$ 89,824,742	\$ 78,658,207
Less accumulated depreciation	<u>(24,692,115)</u>	<u>(23,061,730)</u>
	65,132,627	55,596,477
Utility plant construction in progress	<u>527,962</u>	<u>8,483,897</u>
NET UTILITY PLANT	65,660,589	64,080,374
NONOPERATING PROPERTY, net of \$85,836		
accumulated depreciation	165,856	165,856
RESTRICTED ASSETS		
Bond and interest sinking funds	299,895	299,954
Debt service reserve for bond funds	462,066	462,066
Rebate fund	56,639	56,583
Customer deposits	771,630	733,037
Construction funds	3,206,240	4,266,240
Depreciation fund:		
Cash in bank	643,390	680,367
Certificates of deposit/ money market investment	<u>774,292</u>	<u>312,226</u>
TOTAL RESTRICTED ASSETS	6,214,152	6,810,473
CURRENT ASSETS		
Cash and cash equivalents	1,013,703	939,975
Net accounts receivable	486,199	970,079
Sewer division	13,288	-
Butler County Water System, Inc.	107,613	89,629
Simpson County Water District	63,019	53,631
Special deposits and transfers	1,060	1,070
Materials and supplies inventory	322,567	316,902
Prepaid insurance and postage	683,513	61,677
Other receivables	<u>12,284</u>	<u>12,153</u>
TOTAL CURRENT ASSETS	2,703,246	2,445,116

	<u>2010</u>	<u>2009</u>
OTHER ASSETS		
Deferred charges	153,472	312,157
Unamortized debt expense	<u>398,663</u>	<u>458,783</u>
TOTAL OTHER ASSETS	<u>552,135</u>	<u>770,940</u>
TOTAL ASSETS	<u>\$ 75,295,978</u>	<u>\$ 74,272,759</u>
NET ASSETS AND LIABILITIES		
NET ASSETS		
Invested in capital assets, net of related debt	\$ 45,779,333	\$ 43,205,519
Restricted	6,214,152	6,810,473
Unrestricted	<u>1,293,497</u>	<u>1,075,245</u>
TOTAL NET ASSETS	53,286,982	51,091,237
LONG-TERM DEBT AND DEFERRED CREDITS		
Bonds payable	5,557,000	6,016,000
Notes payable	5,113,400	5,312,229
Deferred credits	<u>9,376,712</u>	<u>9,712,482</u>
	20,047,112	21,040,711
Less - Current portion of long-term debt	<u>(203,116)</u>	<u>(198,829)</u>
TOTAL LONG-TERM DEBT AND DEFERRED CREDITS	19,843,996	20,841,882
CURRENT LIABILITIES		
Accounts payable and accrued expenses	1,061,260	1,172,927
Butler County Water System, Inc.	42,783	39,736
Simpson County Water District	28,786	29,097
Accounts payable - Sewer Division	-	96,958
Current portion of long-term debt	203,116	198,829
Deferred revenue	<u>57,333</u>	<u>54,756</u>
TOTAL CURRENT LIABILITIES	1,393,278	1,592,303
OTHER LIABILITIES		
Customers' meter deposits	<u>771,722</u>	<u>747,337</u>
TOTAL NET ASSETS AND LIABILITIES	<u>\$ 75,295,978</u>	<u>\$ 74,272,759</u>

WARREN COUNTY WATER DISTRICT
WATER DIVISION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Metered sales	\$ 7,835,697	\$ 7,333,691
Miscellaneous service revenue	<u>206,263</u>	<u>211,159</u>
TOTAL OPERATING REVENUES	8,041,960	7,544,850
OPERATING EXPENSES		
Source of supply expense:		
Purchased water	2,006,510	1,825,613
Pumping plant expense:		
Power purchased	462,168	424,416
Contractual services	3,406	3,158
Miscellaneous pumping expense	252	35
Rental expense	4,807	4,661
Insurance	<u>8,668</u>	<u>8,746</u>
	479,301	441,016
Water treatment expense:		
Power purchased	<u>203</u>	<u>193</u>
	203	193
Transmission and distribution expense:		
Salaries and benefits	466,209	439,608
Power purchased	10,919	9,306
Contractual services	114,994	90,981
Rental expense	18,427	17,859
Transportation	88,370	77,400
Insurance	36,838	37,168
Materials and supplies	<u>132,666</u>	<u>140,257</u>
	868,423	812,579

Customer accounts expense:	<u>2010</u>	<u>2009</u>
Salaries and benefits	729,440	742,951
Billing services	171,925	168,311
Contractual services	3,405	3,158
Uncollectible accounts	18,373	22,193
Rental expense	28,041	27,195
Transportation	93,583	81,008
Insurance	4,334	4,373
Miscellaneous	2,101	1,394
Materials and supplies	6,665	8,195
	<u>1,057,867</u>	<u>1,058,778</u>
Administrative and general expense:		
Salaries and benefits	384,481	434,862
Office supplies	38,900	28,094
Contractual services	162,644	169,040
Commissioner fees	15,000	14,600
Insurance	6,681	6,720
Rental expense	4,807	4,661
Regulatory commission expense	12,323	13,022
Miscellaneous	10,955	13,295
Transportation	562	550
	<u>636,353</u>	<u>684,844</u>
Depreciation	<u>1,722,570</u>	<u>1,598,567</u>
TOTAL OPERATING EXPENSES	<u>6,771,227</u>	<u>6,421,590</u>
OPERATING INCOME	1,270,733	1,123,260
NONOPERATING REVENUES (EXPENSES)		
Interest income	82,673	136,286
Rental revenue	90,962	87,829
Non utility income	101,441	98,079
Gain no disposal of assets	-	4,995
Amortization of debt expense	(60,120)	(67,345)
Interest expense	(497,360)	(536,965)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(282,404)</u>	<u>(277,121)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	988,329	846,139
CAPITAL CONTRIBUTIONS	<u>1,207,416</u>	<u>7,976,971</u>
INCREASE IN NET ASSETS	2,195,745	8,823,110
NET ASSETS, BEGINNING OF YEAR	<u>51,091,237</u>	<u>42,268,127</u>
NET ASSETS, END OF YEAR	<u>\$ 53,286,982</u>	<u>\$ 51,091,237</u>

WARREN COUNTY WATER DISTRICT
SEWER DIVISION
STATEMENTS OF NET ASSETS
DECEMBER 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
UTILITY PLANT (at cost)		
Utility plant in service	\$ 35,935,053	\$ 28,885,626
Less accumulated depreciation	<u>(6,042,884)</u>	<u>(5,458,009)</u>
	29,892,169	23,427,617
Utility plant construction in progress	<u>212,817</u>	<u>4,790,688</u>
NET UTILITY PLANT	30,104,986	28,218,305
RESTRICTED ASSETS		
Bond and interest sinking funds	34,319	35,511
Debt service reserve for bond funds	272,140	272,139
Customer deposits	175,968	130,893
Construction Funds	1,323,700	2,936,700
Depreciation fund:		
Cash in bank	1,867,625	547,742
Certificates of deposit/ money market investment	<u>-</u>	<u>369,467</u>
TOTAL RESTRICTED ASSETS	3,673,752	4,292,452
CURRENT ASSETS		
Cash and cash equivalents	704,476	762,643
Net accounts receivable	104,378	139,885
Accounts receivable - Water Division	-	96,958
Special deposits and transfers	1,150	1,150
Prepaid insurance and postage	9,333	9,096
Other receivables	<u>1,143</u>	<u>2,508</u>
TOTAL CURRENT ASSETS	820,480	1,012,240
OTHER ASSETS		
Deferred charges	39,858	29,826
Unamortized debt expense	<u>8,171</u>	<u>9,225</u>
TOTAL OTHER ASSETS	<u>48,029</u>	<u>39,051</u>
TOTAL ASSETS	<u>\$ 34,647,247</u>	<u>\$ 33,562,048</u>

	<u>2010</u>	<u>2009</u>
NET ASSETS AND LIABILITIES		
NET ASSETS		
Invested in capital assets, net of related debt	\$ 16,873,438	\$ 15,156,258
Restricted	3,673,752	4,292,452
Unrestricted	<u>500,192</u>	<u>715,632</u>
TOTAL NET ASSETS	21,047,382	20,164,342
LONG-TERM DEBT AND DEFERRED CREDITS		
Bonds payable	594,000	608,500
Notes payable	880,478	958,848
Deferred credits	<u>11,757,070</u>	<u>11,494,699</u>
	13,231,548	13,062,047
Less - Current portion of long-term debt	<u>(81,106)</u>	<u>(78,369)</u>
TOTAL LONG-TERM DEBT AND DEFERRED CREDITS	13,150,442	12,983,678
CURRENT LIABILITIES		
Accounts payable and accrued expenses	180,103	169,037
Accounts payable -Water Division	13,288	-
Current portion of long-term debt	<u>81,106</u>	<u>78,369</u>
TOTAL CURRENT LIABILITIES	274,497	247,406
OTHER LIABILITIES		
Customers' meter deposits	<u>174,926</u>	<u>166,622</u>
TOTAL NET ASSETS AND LIABILITIES	<u>\$ 34,647,247</u>	<u>\$ 33,562,048</u>

WARREN COUNTY WATER DISTRICT
SEWER DIVISION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Metered sales	\$ 1,729,177	\$ 1,637,756
Miscellaneous service revenue	<u>18,177</u>	<u>16,775</u>
TOTAL OPERATING REVENUES	1,747,354	1,654,531
OPERATING EXPENSES		
Source of supply expense:		
Disposal expense	451,172	468,461
Pumping plant expense:		
Power purchased	90,587	90,617
Chemicals	24,418	32,376
Contractual services	3,074	3,158
Insurance	<u>3,275</u>	<u>3,240</u>
	121,354	129,391
Transmission and distribution expense:		
Salaries and benefits	76,806	63,822
Materials and supplies	13,329	11,850
Contractual services	50,139	43,239
Transportation	11,396	8,862
Insurance	<u>1,907</u>	<u>1,949</u>
	153,577	129,722
Customer accounts expense:		
Salaries and benefits	67,334	64,486
Uncollectible accounts	1,319	2,212
Contractual services	32,882	29,751
Insurance	1,907	1,887
Materials and supplies	345	79
Transportation	92	170
Miscellaneous	<u>117</u>	<u>244</u>
	103,996	98,829

	<u>2010</u>	<u>2009</u>
Administrative and general expense:		
Salaries and benefits	46,818	51,950
Contractual services	21,751	21,580
Commissioner fees	15,000	14,600
Insurance	4,254	4,234
Regulatory commission expense	2,689	2,859
Office supplies	3,095	3,098
Miscellaneous	3,011	3,757
	<u>96,618</u>	<u>102,078</u>
Depreciation	<u>667,559</u>	<u>579,332</u>
TOTAL OPERATING EXPENSES	<u>1,594,276</u>	<u>1,507,813</u>
OPERATING INCOME	153,078	146,718
NONOPERATING REVENUES (EXPENSES)		
Interest income	35,144	61,081
Rental revenue	21,354	14,514
Non utility income	21	16
Amortization of debt expense	(1,054)	(1,110)
Interest expense	(66,516)	(71,763)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(11,051)</u>	<u>2,738</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	142,027	149,456
CAPITAL CONTRIBUTIONS	<u>741,013</u>	<u>3,564,623</u>
INCREASE IN NET ASSETS	883,040	3,714,079
NET ASSETS, BEGINNING OF YEAR	<u>20,164,342</u>	<u>16,450,263</u>
NET ASSETS, END OF YEAR	<u>\$ 21,047,382</u>	<u>\$ 20,164,342</u>

REPORTS REQUIRED BY OMB CIRCULAR A-133

To the Board of Commissioners
Warren County Water District
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Warren County Water District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, Public Service Commission, bond agencies, Standard and Poor's, Warren County Fiscal Court, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Shelton & Associates, LLP

Shelton & Associates, LLP
Bowling Green, Kentucky
March 16, 2011

To the Board of Commissioners
Warren County Water District
Page Two

Internal Control Over Compliance

The management of Warren County Water District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Warren County Water District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Warren County Water District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, Public Service Commission, bond agencies, Standard and Poor's, Warren County Fiscal Court, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Shelton & Associates, LLP
Bowling Green, Kentucky
March 16, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WARREN COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Warren County Water District.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Warren County Water District, which would be required to be reported in accordance with *Government Auditing Standards*, were identified during the audit.
4. No significant deficiencies were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Warren County Water District expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for the Warren County Water District.
7. The programs tested as major programs included:
 - a. Environmental Protection Agency, Congressionally Mandated Project (CFDA 66.202)
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Warren County Water District was determined to be a low-risk auditee.

FINDINGS-FINANCIAL STATEMENTS AUDIT

None

**FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

WARREN COUNTY WATER DISTRICT - SEWER DIVISION
DEBT SERVICE AMORTIZATION SCHEDULE

Lender: Issued: Rate: Loan ID: Loan Amt:	USDA 1993 4.50% 92-17 \$761,000		KIA 1997 3.80% A97-04 \$980,781		KIA 1997 3.80% A98-02 \$253,057		KRWFC 2003 4.58% Series 2003C \$363,059		PROPOSED KIA LOAN 2011 3.00% \$823,900		TOTAL ANNUAL DEBT SERVICE REQUIREMENT		
	Principal	Interest	Principal	Interest & Service Fee	Principal	Interest & Service Fee	Principal	Interest & Service Fee	Principal	Interest & Service Fee	Principal	Interest & Service Fee	Total
2011	14,500	27,056	52,630	18,763	13,579	4,841	14,897	12,558	30,662	26,365	95,606	63,219	158,825
2012	15,500	26,381	54,648	16,638	14,100	4,293	12,935	12,055	31,582	25,384	127,846	85,732	213,578
2013	16,000	25,673	56,745	14,431	14,641	3,724	15,188	11,527	32,529	24,373	134,156	80,738	214,894
2014	17,000	24,930	58,922	12,140	15,203	3,132	14,316	10,956	33,505	23,332	137,970	75,531	213,501
2015	18,000	24,143	61,182	9,761	15,786	2,518	16,060	10,348	34,510	22,260	144,533	70,102	214,635
2016	18,500	23,321	63,529	7,290	16,391	1,881	17,295	9,660	35,546	21,156	150,226	64,413	214,639
2017	20,000	22,455	65,966	4,725	17,020	1,219	18,239	8,974	36,612	20,018	153,575	58,529	212,104
2018	20,500	21,544	68,497	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2019	22,000	20,588	70,558	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2020	22,500	19,586	72,588	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2021	24,000	18,540	74,540	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2022	25,000	17,438	76,438	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2023	26,500	16,279	78,279	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2024	27,500	15,064	80,064	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2025	29,000	13,793	81,793	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2026	30,500	12,454	83,454	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2027	32,000	11,048	85,048	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2028	33,500	9,574	86,574	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2029	35,500	8,021	88,021	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2030	37,000	6,390	89,390	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2031	39,000	4,680	90,680	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2032	41,000	2,880	91,880	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
2033	43,500	979	92,479	2,061	17,673	532	18,676	8,236	37,710	18,847	161,958	52,391	214,349
TOTALS	\$608,500	\$372,814	\$981,314	\$85,811	\$567,929	\$146,535	\$273,966	\$113,655	\$823,900	\$302,592	\$2,312,878	\$897,013	\$3,209,890

EXHIBIT J

There are no trust deeds for mortgages on any property of the Warren County Water District.