

Rubin & Hays

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

February 3, 2012

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

RECEIVED
FEB - 7 2012
PUBLIC SERVICE
COMMISSION

Re: Warren County Water District PSC Application

Dear Mr. Derouen:

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


This Application requests approval of the issuance of securities for the purpose of refunding certain high interest Bonds of the Applicant. **Due to the extreme volatility of the financial markets and the fact that these refunding are interest rate sensitive, we request that the Commission process the Application in an expedited manner and issue an Order on or before March 15, 2012 (anticipated closing date).**

Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By


W. Randall Jones

WRJ:jlm
Enclosures

cc: Mr. Alan Vilines, Warren County Water District
Ms. Kristen Curtis, Morgan Keegan

RECEIVED

FEB - 7 2012

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF WARREN COUNTY)
WATER DISTRICT TO ISSUE SECURITIES IN)
THE APPROXIMATE PRINCIPAL AMOUNT OF)
\$2,095,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2012 - _____
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

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

APPLICATION

The Applicant, Warren County Water District (the "District"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the District to issue certain securities in the approximate principal amount of \$2,095,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding waterworks revenue bonds of the District. In support of this Application, and in compliance with the rules and regulations of the Commission, the District states as follows:

1. The District was established in accordance with the provisions of Chapter 74 of the Kentucky Revised Statutes pursuant to an Order of the County Judge/Executive of Warren County, which Order is on file in the County Court Order Books in the office of the Clerk of Warren County, Kentucky. The District is now, and has been since its inception, regulated by the Commission, and

all records and proceedings of the Commission with reference to the District are incorporated in this Application by reference. The District does not have any Articles of Incorporation due to the fact that it is a statutory entity.

2. The governing body of the District is its Board of Commissioners which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS 74.070 and all applicable law and regulations.

3. The mailing address of the District is as follows:

Warren County Water District
c/o Mr. Alan Vilines, General Manager
P.O. Box 10180
Bowling Green, Kentucky 42102-4780
Telephone: (270) 842-0052

4. A general description of the District's water system property, together with a statement of the original cost, is contained in the District's Annual Report for 2010 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The District proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an Assistance Agreement (the "KRWFC Loan"), in the estimated principal amount of \$2,095,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as (i) Warren County Water District Water Refunding Revenue Bonds, Series 1998, dated January 15, 1998, in the original principal amount of \$5,645,000, bearing interest at the rate of 4.50% per annum (the "1998 Bonds"); and (ii) Warren County Water District Water Revenue Bonds, Series 1999A, dated May 25, 2001, in the original principal amount of \$2,000,000, bearing interest at the rate of 5.125% per annum (the "1999 Bonds") (hereinafter, the 1998 Bonds and the 1999 Bonds shall be collectively referred to as the "Prior

Bonds”). The 1998 Bonds are held in the open market and the 1999 Bonds are held by the U.S. Department of Agriculture, acting through Rural Development.

6. The estimated debt service for the KRWFC Loan is shown in **Exhibit "A"**, which is attached hereto and incorporated herein by reference. The debt service schedule and estimated interest rates are subject to change because of market conditions. The final terms and details of the KRWFC Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The KRWFC Loan will provide the District with the funds necessary to (i) refund the Prior Bonds; and (iii) pay the fees and expenses incident to the issuance of the KRWFC Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the KRWFC Loan are detailed as **Exhibit "B"**, which is attached hereto and incorporated herein by reference.

9. It is anticipated that the proposed refinancing will result in a net present value benefit of approximately \$638,225.55. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit "C"**.

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

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

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

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

14. The detailed Statement of Revenues, Expenses and Changes in Net Assets, Statement of Net Assets and Statement of Cash Flows for the twelve month period ending on December 31, 2010 are attached hereto and incorporated herein by reference as **Exhibit E** respectively.

15. The remaining financial schedules and other information necessary for the Financial Exhibit required by 807 KAR 5:001, Section 6 and Section 11 (2) (a) are contained in the 2010 Annual Report which is on file with the Commission. The Annual Report is incorporated herein by reference.

16. Pursuant to 807 KAR 5:001, the District hereby responds as follows:

- (a) Section 6(4) Mortgages: The District does not have any mortgages in effect as of the date hereof.
- (b) Section 6(5) Bonds: The KRWFC Loan will be secured by a pledge of the revenues of the District's Water System.

- (c) Section 11(2)(b): The District does not have any trust deeds in effect as of the date hereof.
- (d) Section 11(2)(c): No property is being acquired as the proceeds of the securities are being used for the refunding of the Prior Bonds.

17. The District hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the application. The District states that there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2010. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2010. This is the most recent published financial data available. Because of the volatility of the bond market, the District cannot run the risk of delaying the closing of the KRWFC Loan while more current financial data is compiled.

18. No rate adjustment will be necessary.

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

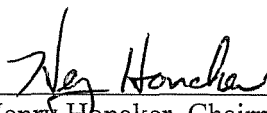
1. Authorize the issuance of the securities requested in the Application prior to the closing date of March 15, 2012;

2. Grant the District a deviation from 807 KAR 5:001, Section 6 to allow the submission of the District's 2010 Annual Report and 2010 audited financial statements in lieu of more recent financial data as there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2010, and due to the volatility of the present bond market; and

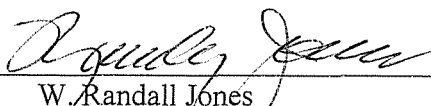
3. Process this Application without a formal hearing in order to save time and expense.

The District will promptly respond to any information requests by the Commission's staff.

Warren County Water District

By 
Henry Honaker, Chairman
P.O. Box 10180
Bowling Green, Kentucky 42102-4780
Phone: (270) 842-0052

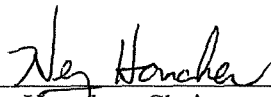
Rubin & Hays

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

STATE OF KENTUCKY)
) SS
COUNTY OF WARREN)

The affiant, Henry Honaker, being first duly sworn, states: That he is the Chairman of the Warren County Water District, the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except as to matters which are herein stated to be based on information or belief, and that these matters, he believes to be true and correct.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 2ND day of FEBRUARY, 2012.



Henry Honaker, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Henry Honaker, Chairman of the Warren County Water District, on this the 2nd day of February, 2012.

My Commission expires: December 21, 2013.



NOTARY PUBLIC

\$2,095,000

Warren County Water District
Potential Refunding through the
Kentucky Rural Water Finance Corporation

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
03/15/2012	-	-	-	-	-
08/01/2012	-	-	25,305.45	25,305.45	-
12/30/2012	-	-	-	-	25,305.45
02/01/2013	180,000.00	2.000%	33,492.50	213,492.50	-
08/01/2013	-	-	31,692.50	31,692.50	-
12/30/2013	-	-	-	-	245,185.00
02/01/2014	185,000.00	2.000%	31,692.50	216,692.50	-
08/01/2014	-	-	29,842.50	29,842.50	-
12/30/2014	-	-	-	-	246,535.00
02/01/2015	45,000.00	2.000%	29,842.50	74,842.50	-
08/01/2015	-	-	29,392.50	29,392.50	-
12/30/2015	-	-	-	-	104,235.00
02/01/2016	50,000.00	2.000%	29,392.50	79,392.50	-
08/01/2016	-	-	28,892.50	28,892.50	-
12/30/2016	-	-	-	-	108,285.00
02/01/2017	50,000.00	2.750%	28,892.50	78,892.50	-
08/01/2017	-	-	28,205.00	28,205.00	-
12/30/2017	-	-	-	-	107,097.50
02/01/2018	50,000.00	2.750%	28,205.00	78,205.00	-
08/01/2018	-	-	27,517.50	27,517.50	-
12/30/2018	-	-	-	-	105,722.50
02/01/2019	55,000.00	2.750%	27,517.50	82,517.50	-
08/01/2019	-	-	26,761.25	26,761.25	-
12/30/2019	-	-	-	-	109,278.75
02/01/2020	55,000.00	2.850%	26,761.25	81,761.25	-
08/01/2020	-	-	25,977.50	25,977.50	-
12/30/2020	-	-	-	-	107,798.75
02/01/2021	55,000.00	2.850%	25,977.50	80,977.50	-
08/01/2021	-	-	25,193.75	25,193.75	-
12/30/2021	-	-	-	-	106,171.25
02/01/2022	55,000.00	2.750%	25,193.75	80,193.75	-
08/01/2022	-	-	24,437.50	24,437.50	-
12/30/2022	-	-	-	-	104,631.25
02/01/2023	60,000.00	2.850%	24,437.50	84,437.50	-
08/01/2023	-	-	23,582.50	23,582.50	-
12/30/2023	-	-	-	-	108,020.00
02/01/2024	60,000.00	2.850%	23,582.50	83,582.50	-
08/01/2024	-	-	22,727.50	22,727.50	-
12/30/2024	-	-	-	-	105,310.00
02/01/2025	60,000.00	3.000%	22,727.50	82,727.50	-
08/01/2025	-	-	21,827.50	21,827.50	-
12/30/2025	-	-	-	-	104,555.00
02/01/2026	65,000.00	3.100%	21,827.50	86,827.50	-
08/01/2026	-	-	20,820.00	20,820.00	-
12/30/2026	-	-	-	-	107,647.50
02/01/2027	65,000.00	3.200%	20,820.00	85,820.00	-
08/01/2027	-	-	19,780.00	19,780.00	-
12/30/2027	-	-	-	-	105,600.00
02/01/2028	70,000.00	3.300%	19,780.00	89,780.00	-
08/01/2028	-	-	18,625.00	18,625.00	-
12/30/2028	-	-	-	-	108,405.00
02/01/2029	70,000.00	3.400%	18,625.00	88,625.00	-
08/01/2029	-	-	17,435.00	17,435.00	-
12/30/2029	-	-	-	-	106,060.00
02/01/2030	70,000.00	3.500%	17,435.00	87,435.00	-
08/01/2030	-	-	16,210.00	16,210.00	-
12/30/2030	-	-	-	-	103,645.00
02/01/2031	75,000.00	3.600%	16,210.00	91,210.00	-
08/01/2031	-	-	14,860.00	14,860.00	-
12/30/2031	-	-	-	-	105,070.00
02/01/2032	80,000.00	3.700%	14,860.00	94,860.00	-
08/01/2032	-	-	13,380.00	13,380.00	-
12/30/2032	-	-	-	-	108,240.00
02/01/2033	80,000.00	4.150%	13,380.00	93,380.00	-
08/01/2033	-	-	11,720.00	11,720.00	-
12/30/2033	-	-	-	-	105,100.00
02/01/2034	85,000.00	4.150%	11,720.00	96,720.00	-
08/01/2034	-	-	9,956.25	9,956.25	-
12/30/2034	-	-	-	-	106,676.25
02/01/2035	90,000.00	4.150%	9,956.25	99,956.25	-
08/01/2035	-	-	8,088.75	8,088.75	-
12/30/2035	-	-	-	-	108,045.00
02/01/2036	90,000.00	4.150%	8,088.75	98,088.75	-
08/01/2036	-	-	6,221.25	6,221.25	-
12/30/2036	-	-	-	-	104,310.00
02/01/2037	95,000.00	4.150%	6,221.25	101,221.25	-
08/01/2037	-	-	4,250.00	4,250.00	-
12/30/2037	-	-	-	-	105,471.25
02/01/2038	100,000.00	4.250%	4,250.00	104,250.00	-
08/01/2038	-	-	2,125.00	2,125.00	-
12/30/2038	-	-	-	-	106,375.00
02/01/2039	100,000.00	4.250%	2,125.00	102,125.00	-
12/30/2039	-	-	-	-	102,125.00
Total	\$2,095,000.00	-	\$1,077,840.45	\$3,172,840.45	-

Yield Statistics

Bond Year Dollars	529,143.94
Average Life	13.911 Years
Average Coupon	3.6983341%
Net Interest Cost (NIC)	3.8484861%
True Interest Cost (TIC)	3.8450687%
Bond Yield for Arbitrage Purposes	3.6942160%
All Inclusive Cost (AIC)	4.0800623%
IRS Form 8038	
Net Interest Cost	3.8115190%
Weighted Average Maturity	13.733 Years

\$2,095,000

Warren County Water District
Potential Refunding through the
Kentucky Rural Water Finance Corporation

Total Issue Sources And Uses

Dated 03/15/2012 | Delivered 03/15/2012

	refunding of 1998 open market	refunding of 1999 RD	Issue Summary
Sources Of Funds			
Par Amount of Bonds	\$275,000.00	\$1,820,000.00	\$2,095,000.00
Reoffering Premium	4,201.45	-	4,201.45
Transfers from Prior Issue Debt Service Funds	65,512.50	20,046.25	85,558.75
Transfers from Prior Issue DSR Funds	415,000.00	-	415,000.00
Total Sources	\$759,713.95	\$1,840,046.25	\$2,599,760.20
Uses Of Funds			
Original Issue Discount (OID)	-	16,536.65	16,536.65
Total Underwriter's Discount (1.500%)	4,125.00	27,300.00	31,425.00
Costs of Issuance	12,625.00	34,800.00	47,425.00
Deposit to Current Refunding Fund	741,798.75	1,760,351.49	2,502,150.24
Rounding Amount	1,165.20	1,058.11	2,223.31
Total Uses	\$759,713.95	\$1,840,046.25	\$2,599,760.20

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\$2,095,000

Warren County Water District
Potential Refunding through the
Kentucky Rural Water Finance Corporation

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
12/30/2012	25,305.45	25,305.45	61,176.25	35,870.80
12/30/2013	245,185.00	245,185.00	504,458.13	259,273.13
12/30/2014	246,535.00	246,535.00	503,280.63	256,745.63
12/30/2015	104,235.00	104,235.00	119,126.25	14,891.25
12/30/2016	108,285.00	108,285.00	120,306.88	12,021.88
12/30/2017	107,097.50	107,097.50	119,385.01	12,287.51
12/30/2018	105,722.50	105,722.50	119,386.26	13,663.76
12/30/2019	109,278.75	109,278.75	119,285.01	10,006.26
12/30/2020	107,738.75	107,738.75	119,081.26	11,342.51
12/30/2021	106,171.25	106,171.25	119,749.38	13,578.13
12/30/2022	104,631.25	104,631.25	119,289.38	14,658.13
12/30/2023	108,020.00	108,020.00	119,701.26	11,681.26
12/30/2024	106,310.00	106,310.00	118,985.01	12,675.01
12/30/2025	104,555.00	104,555.00	119,140.63	14,585.63
12/30/2026	107,647.50	107,647.50	119,142.50	11,495.00
12/30/2027	105,600.00	105,600.00	118,990.63	13,390.63
12/30/2028	108,405.00	108,405.00	118,685.01	10,280.01
12/30/2029	106,060.00	106,060.00	119,200.01	13,140.01
12/30/2030	103,645.00	103,645.00	118,535.63	14,890.63
12/30/2031	106,070.00	106,070.00	118,691.88	12,621.88
12/30/2032	108,240.00	108,240.00	118,643.13	10,403.13
12/30/2033	105,100.00	105,100.00	118,389.38	13,289.38
12/30/2034	106,676.25	106,676.25	117,930.63	11,254.38
12/30/2035	108,045.00	108,045.00	118,241.25	10,196.25
12/30/2036	104,310.00	104,310.00	118,295.63	13,985.63
12/30/2037	105,471.25	105,471.25	118,093.76	12,622.51
12/30/2038	106,375.00	106,375.00	117,635.63	11,260.63
12/30/2039	102,125.00	102,125.00	116,921.25	14,796.25
Total	\$3,172,840.45	\$3,172,840.45	\$4,039,747.66	\$866,907.21

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	866,907.21
Gross PV Debt Service Savings	721,560.99
Net PV Cashflow Savings @ 3.694%(Bond Yield)	721,560.99
Transfers from Prior Issue Debt Service Fund	(85,558.75)
Contingency or Rounding Amount	2,223.31
Net Future Value Benefit	\$783,571.77
Net Present Value Benefit	\$638,225.55
Net PV Benefit / \$2,477,000 Refunded Principal	25.766%
Net PV Benefit / \$2,095,000 Refunding Principal	30.464%

Refunding Bond Information

Refunding Dated Date	3/15/2012
Refunding Delivery Date	3/15/2012
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Morgan Keegan & Company, Inc.

\$5,645,000

Warren County Water District
Series 1998 Open Market Issue

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	16,537.50	16,537.50
12/30/2013	360,000.00	-	24,975.00	384,975.00
12/30/2014	375,000.00	4.500%	8,437.50	383,437.50
Total	\$735,000.00	-	\$49,950.00	\$784,950.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	3/15/2012
Average Life	1.305 Years
Average Coupon	4.5000000%
Weighted Average Maturity (Par Basis)	1.305 Years

Refunding Bond Information

Refunding Dated Date	3/15/2012
Refunding Delivery Date	3/15/2012

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\$2,000,000

Warren County Water District
Series 1999 A Rural Development

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	44,638.75	44,638.75
12/30/2013	31,000.00	-	88,483.13	119,483.13
12/30/2014	33,000.00	-	86,843.13	119,843.13
12/30/2015	34,000.00	-	85,126.25	119,126.25
12/30/2016	37,000.00	-	83,306.88	120,306.88
12/30/2017	38,000.00	-	81,385.01	119,385.01
12/30/2018	40,000.00	-	79,386.26	119,386.26
12/30/2019	42,000.00	-	77,285.01	119,285.01
12/30/2020	44,000.00	-	75,081.26	119,081.26
12/30/2021	47,000.00	-	72,749.38	119,749.38
12/30/2022	49,000.00	-	70,289.38	119,289.38
12/30/2023	52,000.00	-	67,701.26	119,701.26
12/30/2024	54,000.00	-	64,985.01	118,985.01
12/30/2025	57,000.00	-	62,140.63	119,140.63
12/30/2026	60,000.00	-	59,142.50	119,142.50
12/30/2027	63,000.00	-	55,990.63	118,990.63
12/30/2028	66,000.00	-	52,685.01	118,685.01
12/30/2029	70,000.00	-	49,200.01	119,200.01
12/30/2030	73,000.00	-	45,535.63	118,535.63
12/30/2031	77,000.00	-	41,691.88	118,691.88
12/30/2032	81,000.00	-	37,643.13	118,643.13
12/30/2033	85,000.00	-	33,389.38	118,389.38
12/30/2034	89,000.00	-	28,930.63	117,930.63
12/30/2035	94,000.00	-	24,241.25	118,241.25
12/30/2036	99,000.00	-	19,295.63	118,295.63
12/30/2037	104,000.00	-	14,093.76	118,093.76
12/30/2038	109,000.00	-	8,635.63	117,635.63
12/30/2039	114,000.00	5.125%	2,921.25	116,921.25
Total	\$1,742,000.00	-	\$1,512,797.66	\$3,254,797.66

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	3/15/2012
Average Life	16.739 Years
Average Coupon	5.1250005%
Weighted Average Maturity (Par Basis)	16.739 Years

Refunding Bond Information

Refunding Dated Date	3/15/2012
Refunding Delivery Date	3/15/2012

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 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	406,834	468,008
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	1,793,689	1,790,877
TOTAL NET ASSETS	<u>74,334,364</u>	<u>71,255,579</u>
 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	21,133,782	21,207,181
	<u>33,278,660</u>	<u>34,102,758</u>
Less - Current portion of long-term debt	(284,222)	(277,198)
TOTAL LONG-TERM DEBT AND DEFERRED CREDITS	<u>32,994,438</u>	<u>33,825,560</u>
 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	57,333	54,756
TOTAL CURRENT LIABILITIES	<u>1,654,487</u>	<u>1,730,187</u>
 OTHER LIABILITIES		
Customers' meter deposits	946,648	913,959
TOTAL NET ASSETS AND LIABILITIES	<u>\$ 109,929,937</u>	<u>\$ 107,725,285</u>

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>